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WorldatWork Conference

Feedback on the Sales Compensation

Items Covered

- Sales Compensation
 1. Setting the scene and definitions
 2. Characteristics of world-class sales companies
 3. Design principles
 4. Design process elements
 5. Branding
- Total Rewards - general lessons learnt

Sources : Towers Watson, Deloitte and Colletti-Fiss

Setting the scene

How do you know if you have an excellent sales force?

- Sales volumes
- Financial results
 - Market share
 - Profit
 - Competition
- Customer loyalty
- Staff retention

Definitions

- Direct Sales

Sales made to end users; sellers act as the primary contact to the customer

- Indirect Sales

Sales made to partners or other third-party representatives who ultimately sell to the customer

- B2B Sales

Sales made to other businesses; manufacturer to wholesaler, or wholesaler to retailer

Characteristics of world-class sales companies

1. Consistently deliver strong financial results
2. Lead the market in at least one product or service dimension
3. Known for strong sales culture
4. Clearly defined employee value proposition
5. Compensation levels are competitive but not leading the market
6. Below average turnover on sales professionals

In addition to these six characteristics, incentive compensation remains an important feature of the total rewards programs at these companies

Sales Compensation design principles

1. Define your position
2. Pay mix sets the tone
3. Set parameters for pay by role
4. Market data is important, but out weighed by judgement
5. Ensure a significant upside and differentiation
6. Company performance matters – but personal performance matters more
7. Incentive pay should be simple
8. Do not forget about recognition
9. Goal setting is a compensation as well as a financial exercise
10. Reward employees as soon as possible after the desired result

Elements of effective sales compensation design

1

Sales strategy
and roles

Strategic
alignment

Expectations of
profit and
revenue

Job design

2

Pay levels

Compensation
strategy

Pay mix

Target
earnings

3

Plan structure
and business
rules

Plan types and
metrics

Payment rules
and frequency

Rules for
credits and
accounting

4

Support and
adoption

Business
process design

System
alignment

Communication

Target setting &
corrections

Use Branding to Increase Sales Compensation Plan Effectiveness

... companies use it to attract new employees and assure that current employees are engaged in the business strategy and culture of the firm

3 basic principles

- Differentiation
- Memorable experience
- Positive word of mouth messages

Branding of Sales Compensation

1. Assessment

2. Interpretation and Creation

3. Implementation

4. Measurement and Optimisation

Benefits of a Sales Compensation Brand

- Employer attractiveness
- Minimized loss of talented sales employees
- Lower cost of sales staff recruitment
- Maintenance of core sales competencies and knowledge of customer markets
- Increased sales productivity and business profitability
- Lower cost of lost business

Lessons Learnt - Talent Management

- Despite high (international) unemployment rate, companies experience difficulties to attract the right talent.
- War for talent not on all levels of staff but rather focussed on skills and high performers.
- Important to identify critical skills and high potential employees.
- Build a focused strategy for these groups. Need to shape reward and recognition plans for different talent target groups.

Lessons Learnt - Employee Value Proposition

- Offering should be tailored to what will drive staff retention.
- Ensure that employees understand the total reward mix.
- Educate staff and test effectiveness of reward programmes.
- If total rewards are not managed effectively it will result in
 - < employee engagement < effectiveness
 - > staff turnover > cost (e.g. training)
 - > risk to skills available in business
- Importance of communication not to be underestimated. Must have defined reward communication plan stretching from the recruitment phase to the performance review and employee development.

Thank you

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