

Sales Compensation and Incentive Strategies That Work

Sales representatives in customer-facing roles have a tough job. They need to be motivated to reach their goals, and the company should provide a fair and generous compensation plan.

Compensation plans should grow with the company's sales strategies and objectives. Also, there should be incentives for specific actions and behaviors that benefit customers and the business.

Developing a Solid Sales Compensation Plan

Simplicity is the hallmark of a solid sales compensation plan. The plan should be easy to understand, and it's best if the blueprint fits on a single sheet of paper. Incentives should be tied to both activities and outcomes. It goes without saying that the plan must be fair and impartially incentives all sales reps. The incentive plan must also be easy to manage and measure.

On-target earnings determine employees' annual compensation. Two elements make up OTE - base pay and incentives. OTE is generally based on your company's industry and geographical location. On target earnings should reflect the performance of the top quartile of your sales representatives. Companies that establish sky-high sales targets that make it virtually impossible for anyone to achieve OTE will inevitably lose all credibility and talent.

Businesses with a short sales cycle and more transactional sales may opt for an incentive strategy with a lower base salary and higher variable earnings. Companies with longer sales cycles would be smart to select a higher base salary for their sales representatives.

Based on your business model, you may want to create targets based on activities, outcomes, or a combination. For example, a sales development representative can be compensated based on opportunities created, meetings booked, meetings held, or closed-won business. Ideally, it is best to tie incentives to activities or outcomes that the sales development representative can truly control.

When developing compensation plans and incentive strategies, keep in mind that you will want to keep your sales reps motivated and happy without compromising profitability.

In business, employees work together as a cohesive team to bring about success. While compensation and incentives are great for morale, they should be continually benchmarked against performance goals, competition strategy, and ongoing process improvement.

When employees are well compensated, the company benefits as well.

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