

CSO Insights 2011 Sales Compensation & Performance Management Report Surveys Selected: Sample Industry

These charts represent answers to our 2011 Sales Compensation & Performance Management survey from sales executives in Sample Industry companies. From their answers, you'll get a good idea what other executives are experiencing in today's business environment and how you compare.

As you review the charts, keep in mind what you would have answered to the questions so that you can best compare your company with others and interpret our comments. We recommend you use this report alongside our 2011 Sales Compensation & Performance Management research report, as best practices and case studies included in the report will help you devise an action plan.

We have provided comment on the charts for 9 metrics that we find have the most impact on sales results. The rest of the charts, representing answers to all the questions in our survey, are included without comment.

The data used for this benchmark comes from surveys completed by sales executives between July and September 2011.

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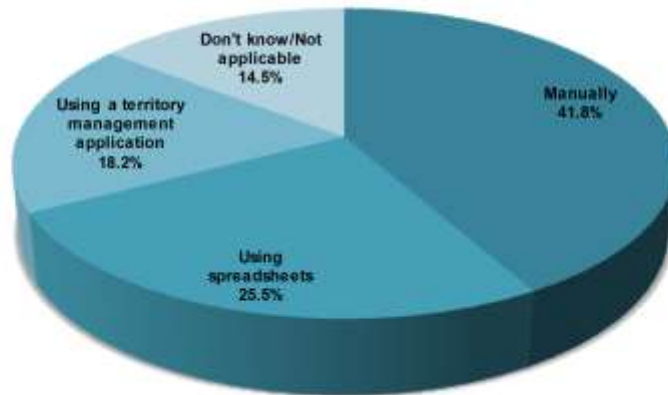
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How are territories designed and managed in your company?



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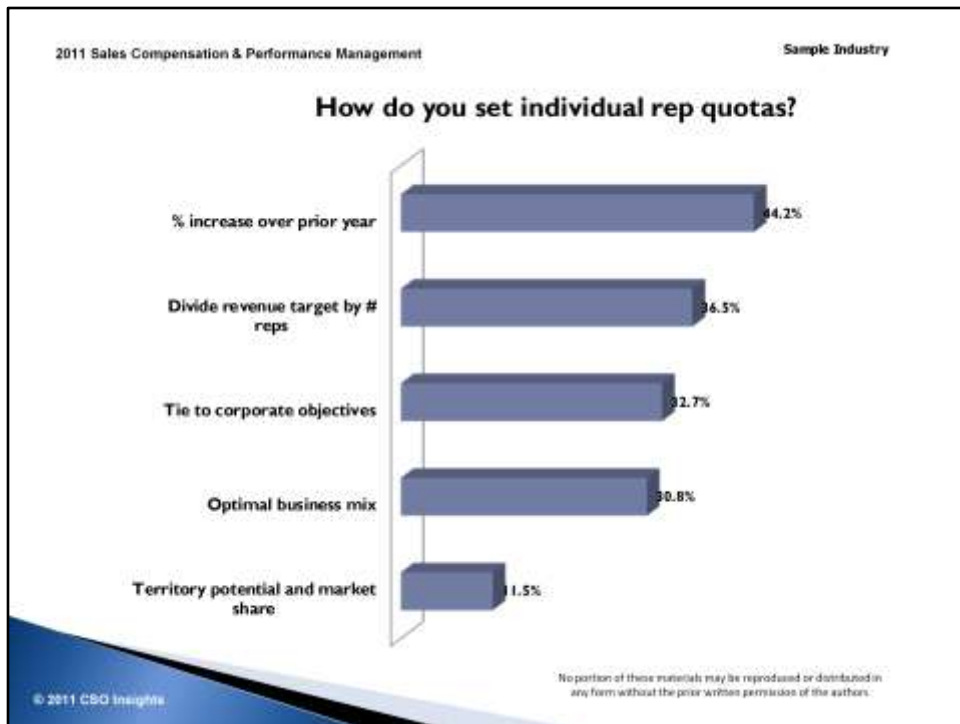
The methodology for managing territory assignments may not seem like a critical success factor in making your numbers, but there are some things to learn by examining company practices. The more that management can get insight into past trends and future potential, the better they are able to manage their sales operations. Managing territories on cocktail napkins or with spreadsheets will not provide such insight.

The companies in the Sample Industry are a bit less reliant on manual territory management or spreadsheets than the whole survey population, with 67% using manual or spreadsheet methods compared with 78% of the total population.

18% of the Sample Industry companies are taking advantage of applications that automate territory management, compared with 20% of the companies in our overall survey. This puts the Sample Industry a little behind the pack.

If you are aligning territories manually or using spreadsheets, you might want to consider how automation would help.

This area is discussed further on pages 5-6 of the **2011 Sales Compensation and Performance Management** report.



The method for deciding what quotas to assign to reps has a cascading effect on ultimate quota achievement, morale, and turnover in the sales organization.

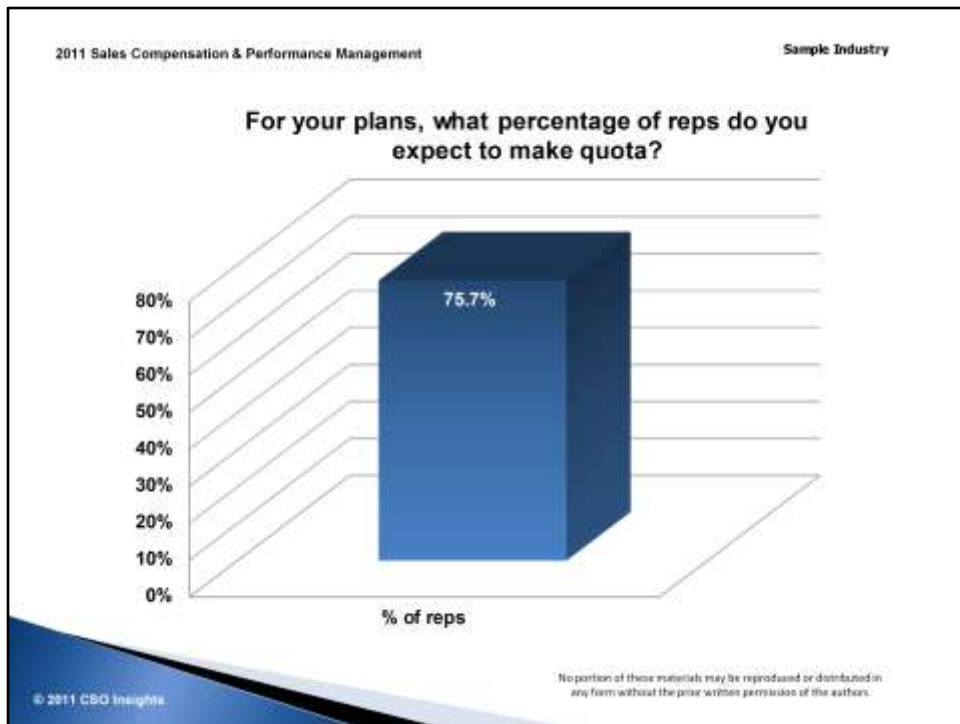
The number one choice for our survey takers in 2012 is applying a percentage increase across the board, followed by setting quotas based upon corporate objectives.

The Sample Industry participants have 44% applying the percentage increase and 37% dividing the total quota by the number of sales reps.

Clearly, using market potential would be a better-targeted approach, but this requires steely-eyed understanding of what the market potential actually is. This is step #1 toward pinpointing a Best Practice: Using an automated Territory Management tool.

Each company will have to consider the ROI for investing in such a tool. CSO Insights will keep a close watch on companies that adopt such tools.

This area is discussed further on pages 7-8 of the **2011 Sales Compensation and Performance Management** report.



Setting the assumption on the percentage of reps expected to make quota is a tricky job. It has a major impact on the budget projections for your comp plan. Getting it wrong can cause lots of repercussions.

The full survey population averaged a response of 70% to this question.

The Sample Industry made a slightly more aggressive assumption with 76% of their sales reps expected to be at quota at the end of the year.

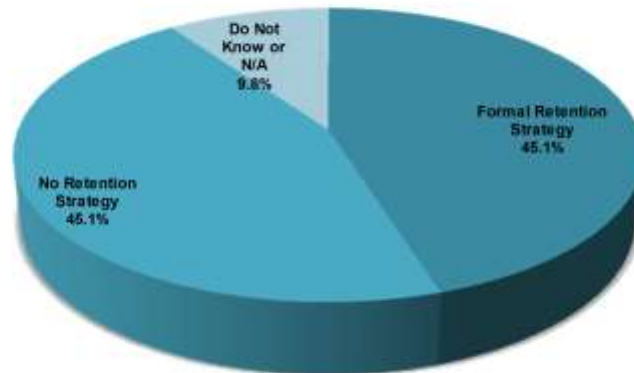
The most interesting observation we can make here is that only 57% of the Sample Industry reps made their quota last year. If they made similar assumptions last year, they were under budget for their comp plans.

The real question is how close did they get to their corporate goal? Survey says: 78%.

Is it possible that, with different compensation plan assumptions, 100% could have been achieved?

This area is discussed further on pages 9-10 of the **2011 Sales Compensation and Performance Management** report.

How is your comp and incentive program designed to impact sales force retention?

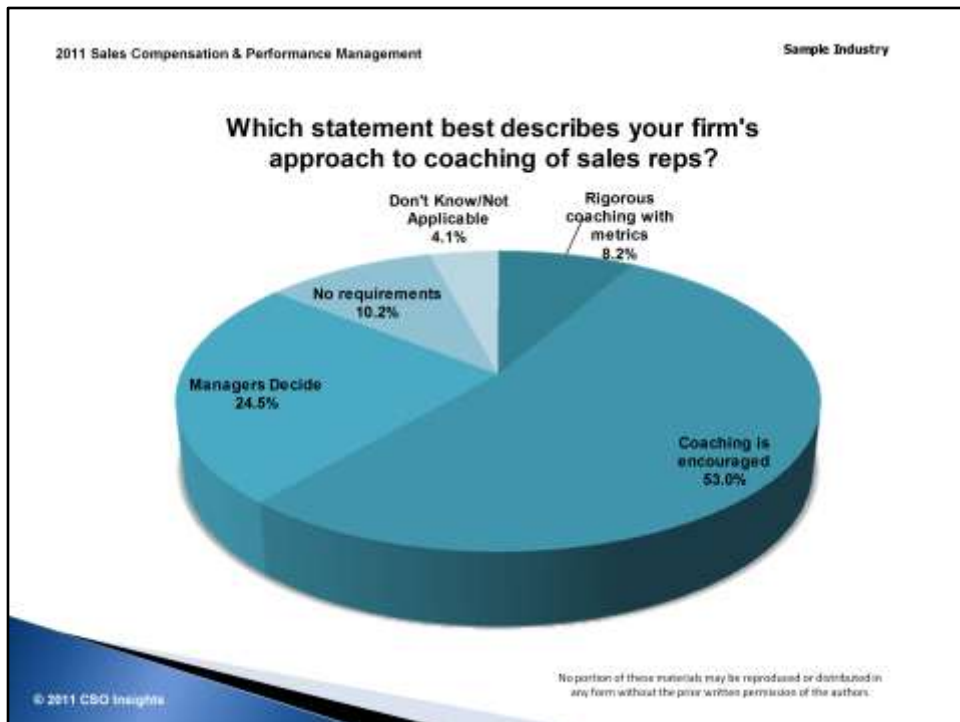


Our survey results show that using proactive efforts to retain sales reps pays off. 42% of our total survey population have formal retention strategies built into their compensation plans.

45% of the Sample Industry companies have such strategies. With an average turnover rate of 29%, the Sample Industry companies are well-advised to pursue retention strategies.

If you do not have retention strategies built into your comp plan, you should consider them. All our research says your competitors are hiring, so your reps may have alternatives this year.

This area is discussed further on pages 11-12 of the **2011 Sales Compensation and Performance Management** report.



The results in this survey clearly indicate that having a rigorous company-wide approach to coaching has big payoffs. Most people in sales management would agree with this. So why don't more companies adopt these policies?

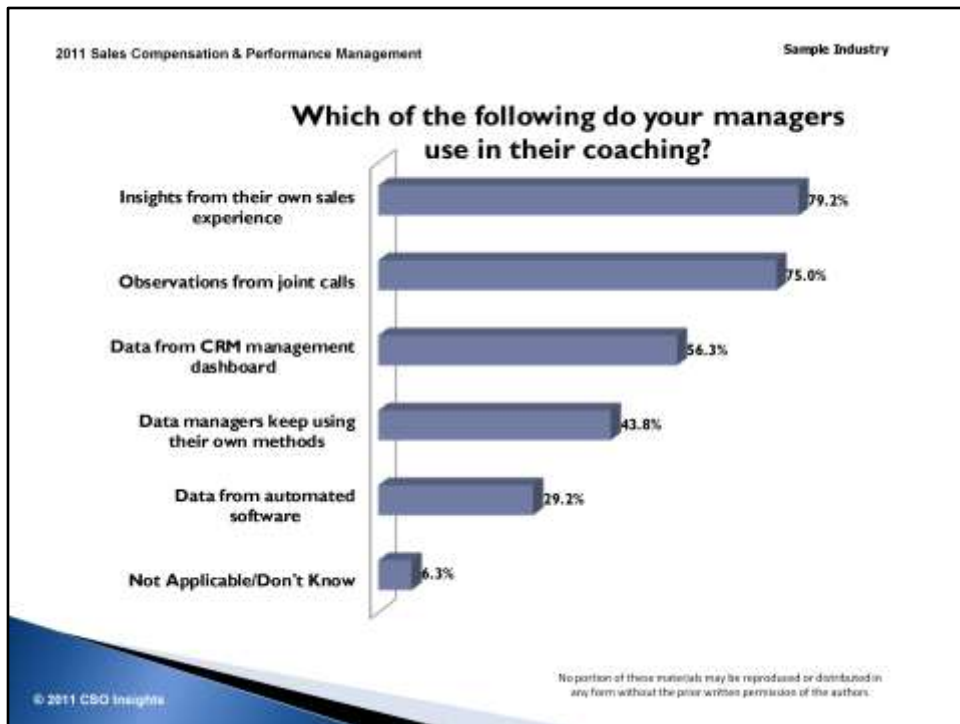
Of our overall survey population, 21% have a rigorous coaching policy.

8% of the Sample Industry participants use a rigorous coaching approach.

In comparison, the Sample Industry companies are way behind the pack. And 82% of them are missing the boat.

If your company hasn't adopted a company-wide approach to coaching, 2012 is your opportunity to change this.

This area is discussed further on pages 13-14 of the **2011 Sales Compensation and Performance Management** report.



One of the Best Practices we derived from this study is that the more ‘impersonal’ the coaching tool, the better the results. This may be because a manager’s opinion is just that, while information from a formal Sales Performance Management application is indisputable.

75% of our total survey population use information from some kind of automated system as a basis for coaching.

85% of the Sample Industry participants take advantage of automated systems.

We will keep an eye on how these systems perform over the long term, but we can already see they should be seriously considered by the 15% of companies in the Sample Industry who have not yet tried them. If your company has not yet examined automated performance management systems, be advised that many of your competitors have.

This area is discussed further on pages 15-16 of the **2011 Sales Compensation and Performance Management** report.



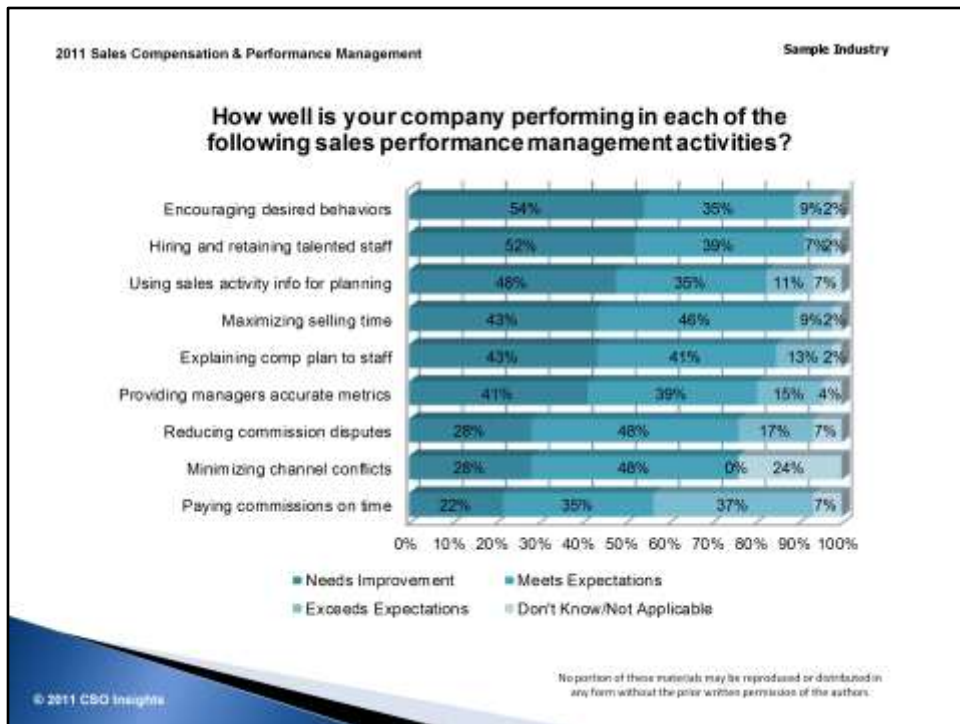
In this study, we found a disconnect between how sales managers are measured and compensated and what they are expected to do. More emphasis is put on meeting the quota numbers than on the incremental tasks that ensure this happens.

This is not terribly surprising, but it might be a mistake.

Even though generating a positive sales culture pays off with better revenue results, the companies in this study put it in 5th place among the list of management behaviors motivated by the compensation plan. Positive sales culture may sound like a soft target, but our research shows it is truly a Best Practice.

The Sample Industry has the positive sales culture in 4th place. Whatever their reason, they would be well-served to work on positive team culture and rigorous coaching to increase their odds in this competitive market.

This area is discussed further on pages 19-20 of the **2011 Sales Compensation and Performance Management** report.



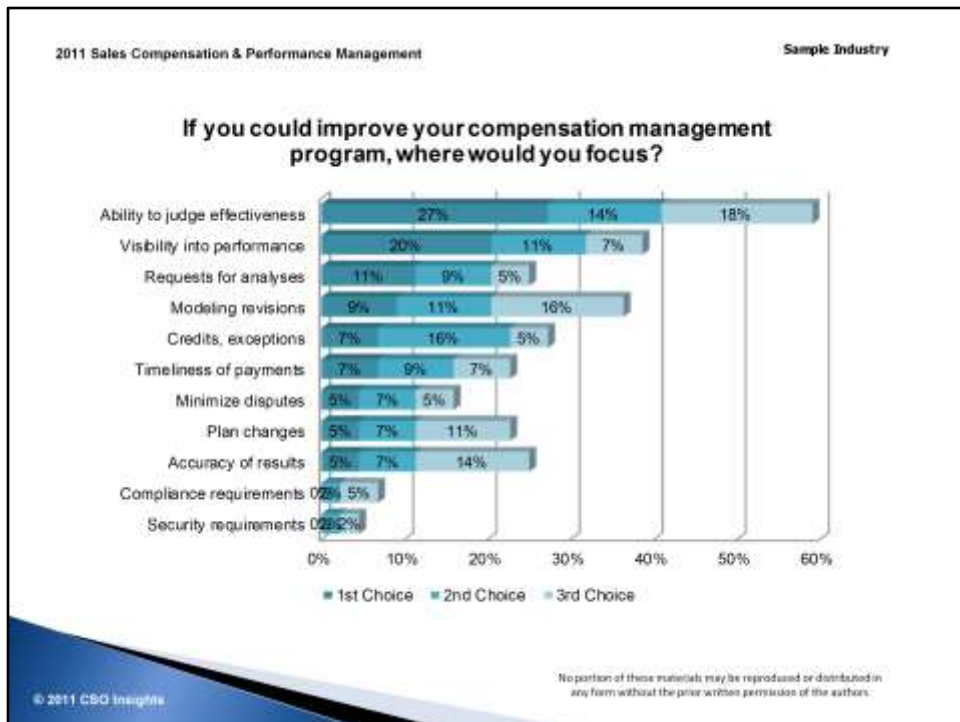
The study participants' assessment of how well the comp plans are encouraging desired management behavior is the other side of this coin.

Half of the participants in the study said management's ability to encourage desired sales behaviors need improvement.

Sample Industry participants chose encouraging desired rep behaviors, hiring and retaining talented staff, and using sales activity info for planning as the top three elements needing improvement.

This is an important list to consider for 2012.

This area is discussed further on pages 21-22 of the **2011 Sales Compensation and Performance Management** report.



Looking at what senior management would like to see improved in a compensation plan tells a lot about how well they feel it is working.

The top three for the overall survey population were the ability to judge plan effectiveness, more visibility into sales performance and having the ability to model plan revisions.

For the Sample Industry respondents, the issues were the same, except number three was about requests for analysis. This item is similar to modeling revisions, as it speaks to the flexibility of the tool being used.

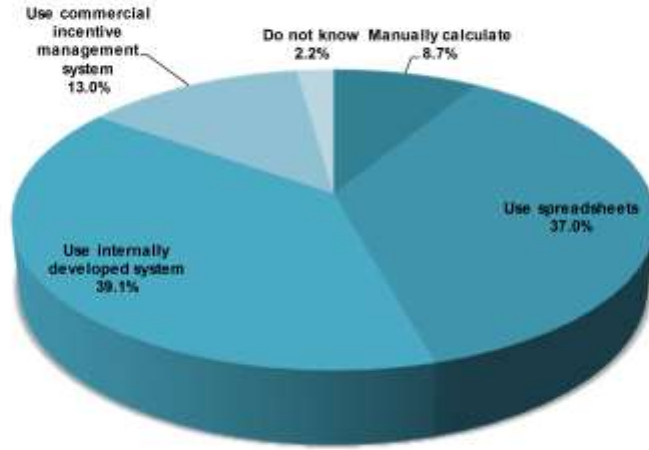
Once a company recognizes the benefits of modeling, analyzing and mining intelligence from the compensation management data, the solutions flow more freely.

This area is discussed further on pages 23-24 of the **2011 Sales Compensation and Performance Management** report.

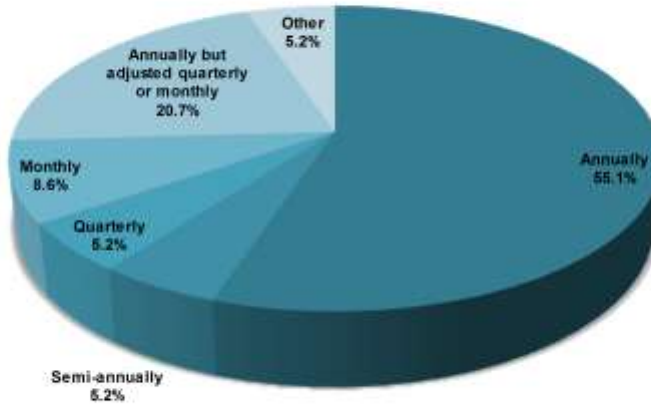
The slides that follow are without commentary. They are the remainder of the 41 metrics from our 2011 Sales Compensation & Performance Management research project.

Be sure to examine these charts. You may find some of these metrics helpful in understanding how you compare to your peers.

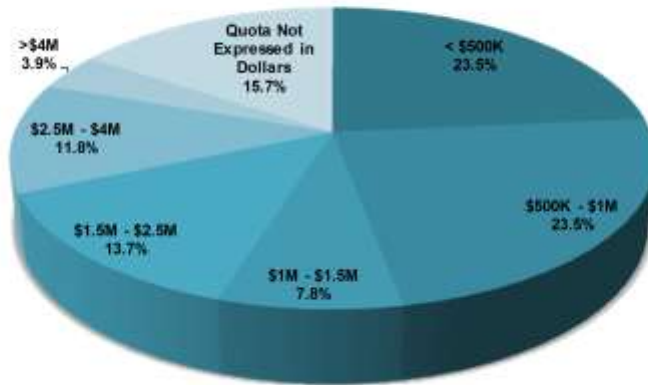
What do you use to calculate/manage sales commissions?



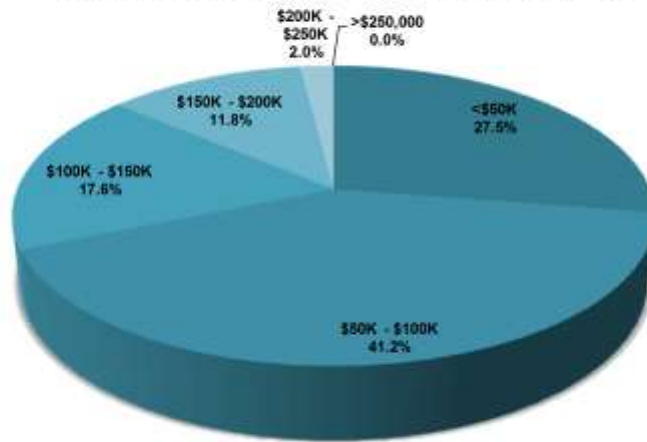
How often are quotas/goals set?



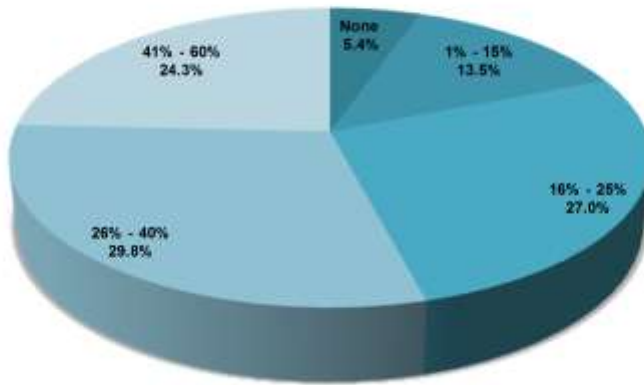
In US Dollars (\$), what is the average annual quota for your sales people?



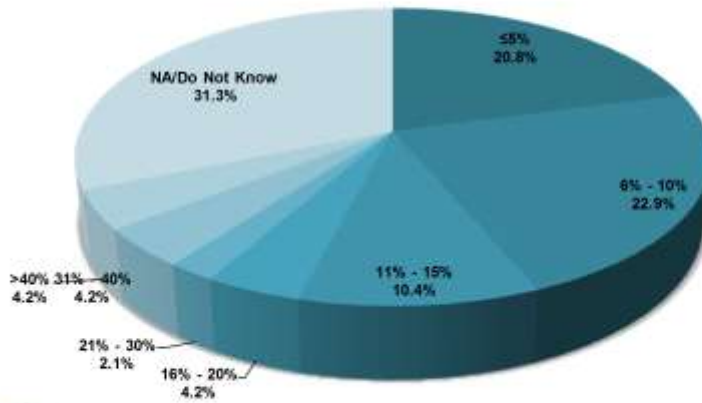
In US Dollars, what is the target cash compensation for direct sales people at quota?



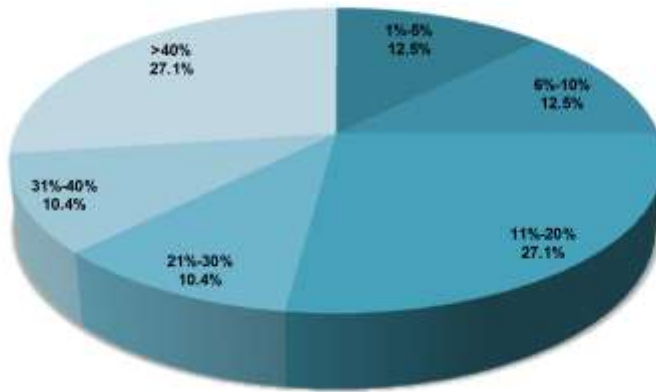
What percentage of your sales rep's pay package is variable pay?



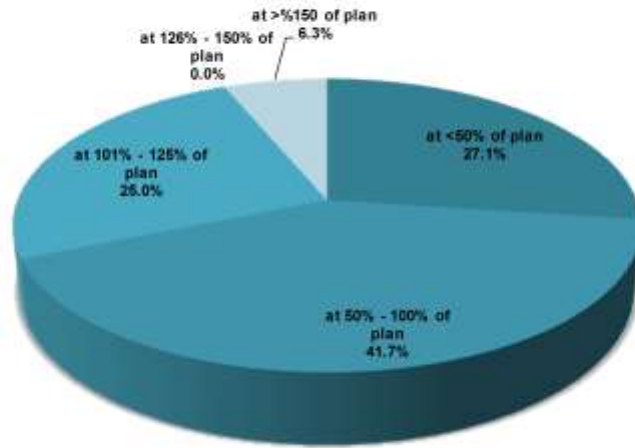
What is your organization's sales compensation spend as a % of total revenues?



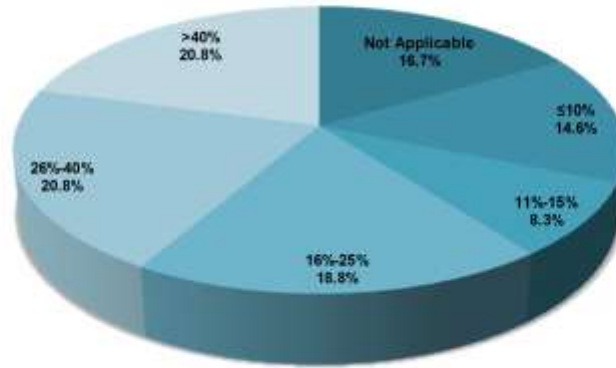
What is the average percentage of total employees on variable pay in your organization?



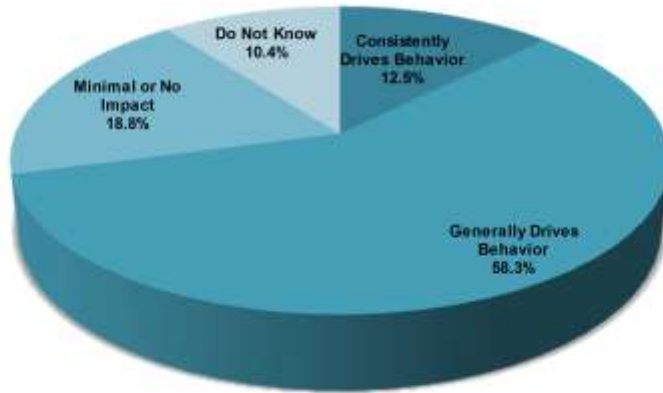
When did your compensation plan accelerators kick in?



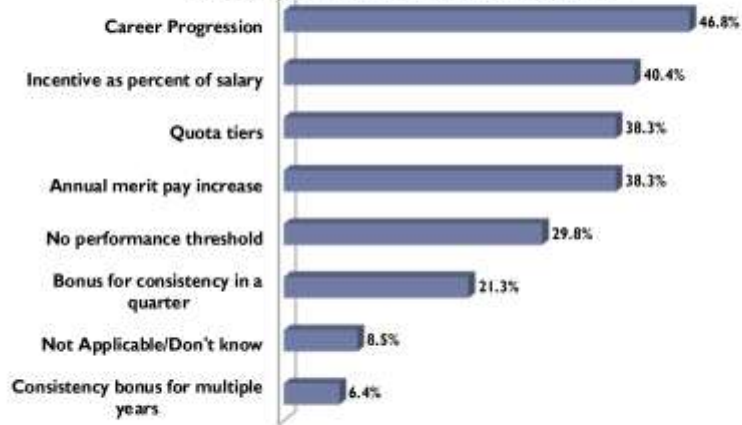
What percentage of your sales organization reached accelerators last year?



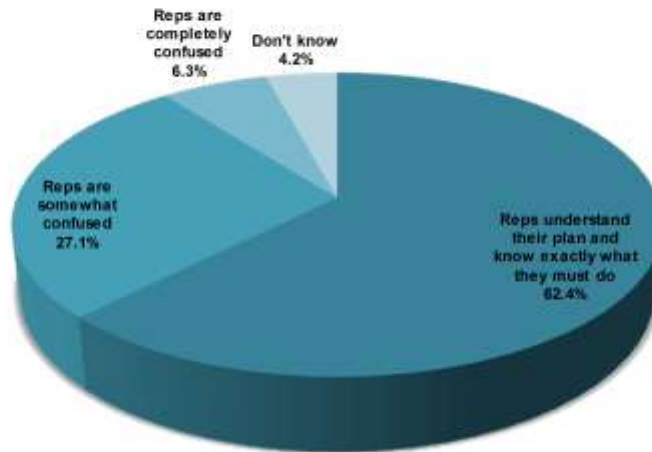
Which statement best describes the impact that your comp program is having on your sales force?



Which of the following elements of your comp program are used to foster retention of sales reps?



Which statement best describes how effectively your compensation plan is communicated to your reps?

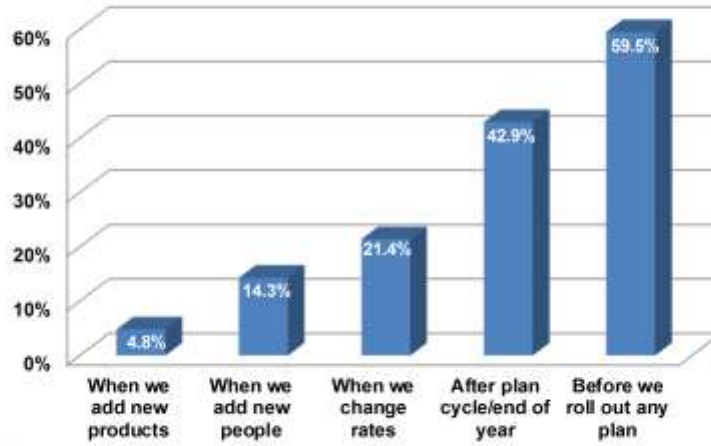


Which Sales Rep behaviors are your compensation program directly motivating?

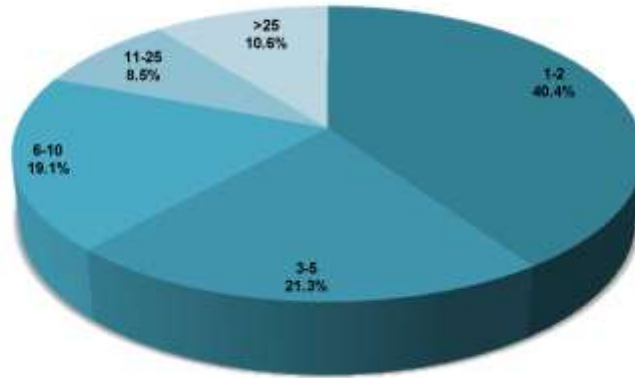


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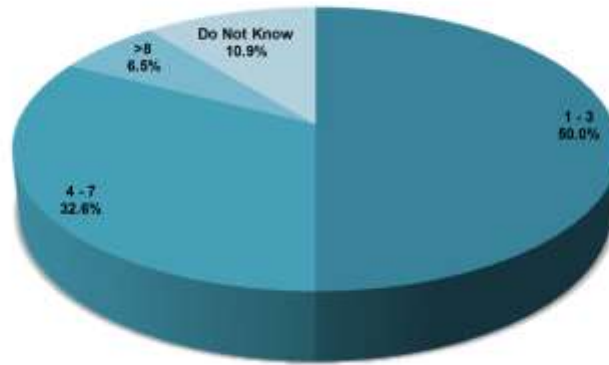
When do you review/model your organization's sales compensation plan?



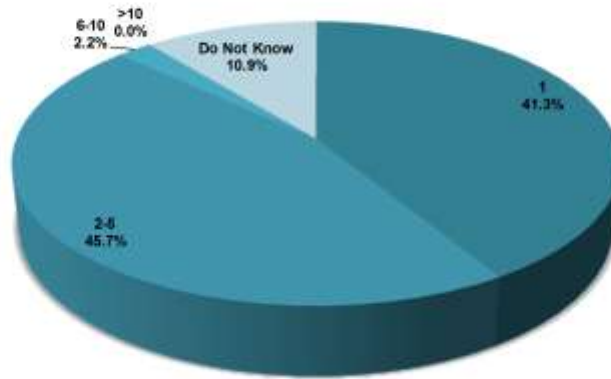
How many sales compensation plans does your company manage?



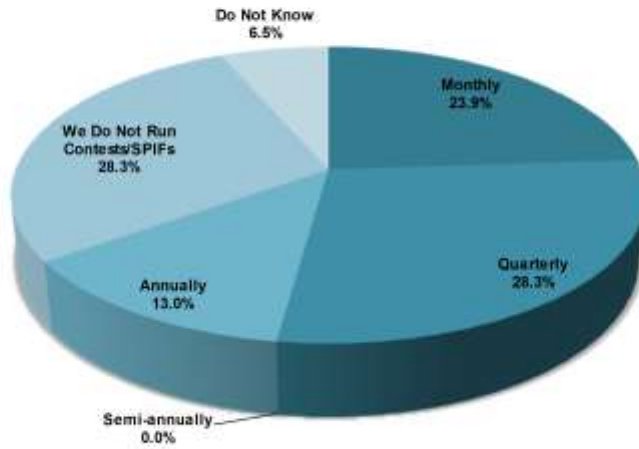
How many metrics do you use with your compensation plans?



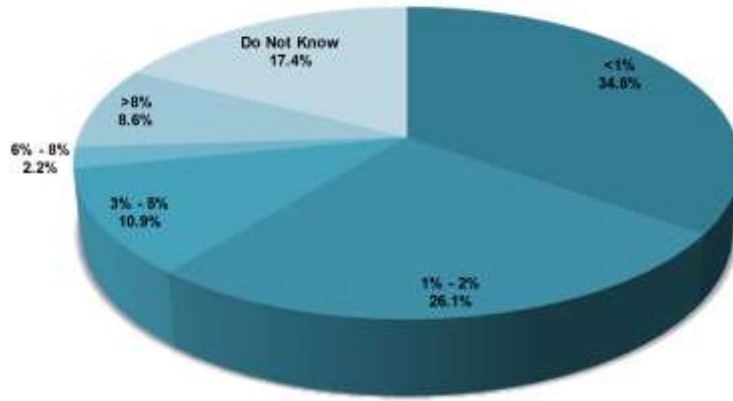
On average how many payees share the credit for an order?



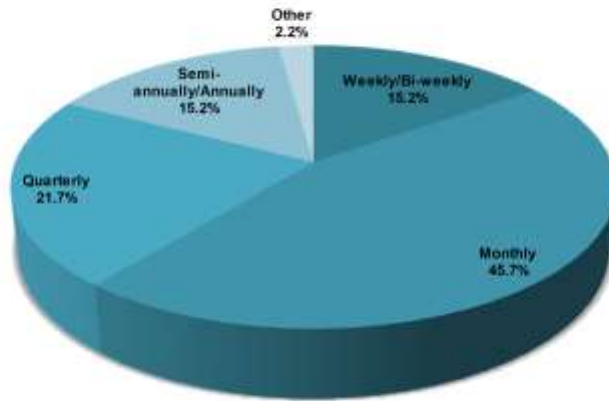
How often do you run contests or SPIFs?



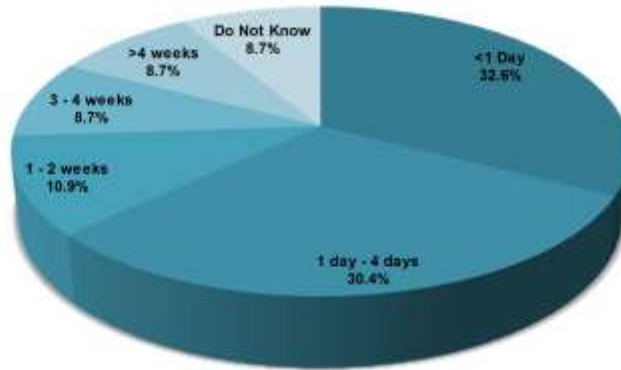
What is your estimated error rate in variable compensation payments?



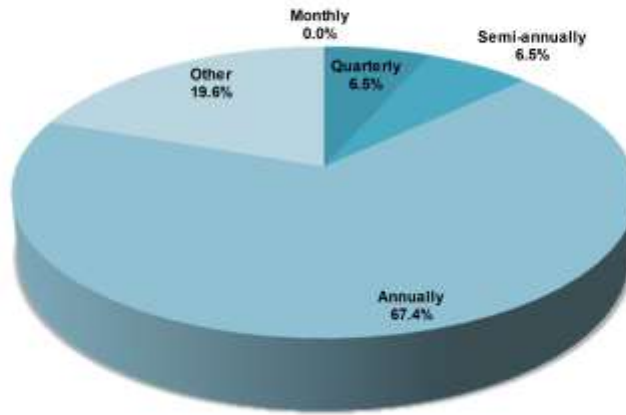
How frequently do you process variable compensation payments?



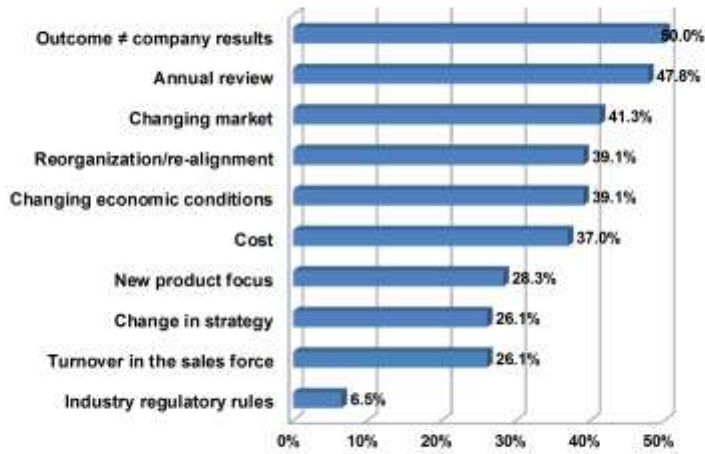
How long does it take you to calculate variable compensation payments?



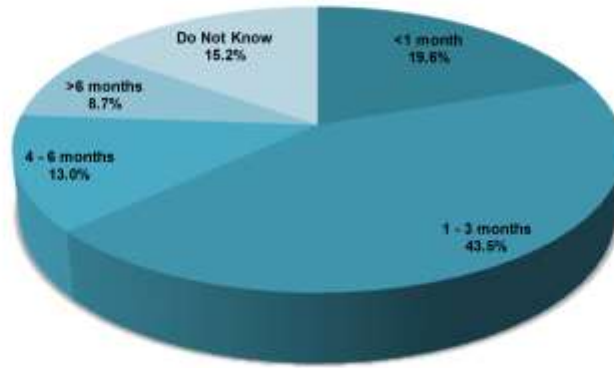
How frequently do you review and change your compensation plans?



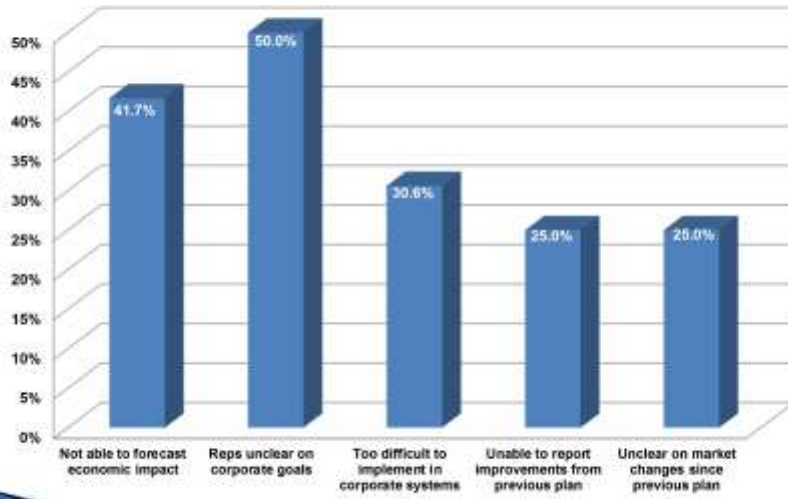
What are the prime motivators for plan changes?



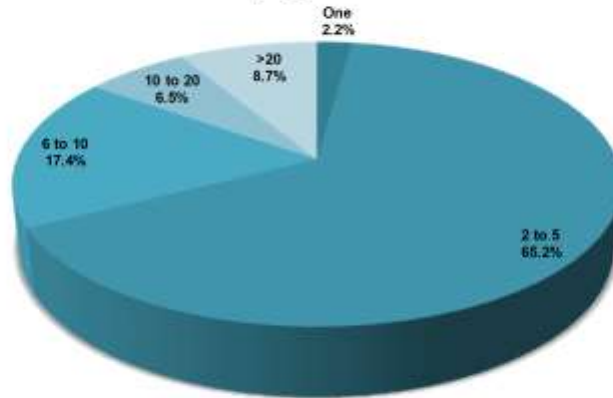
How long does it take to modify your sales comp system?



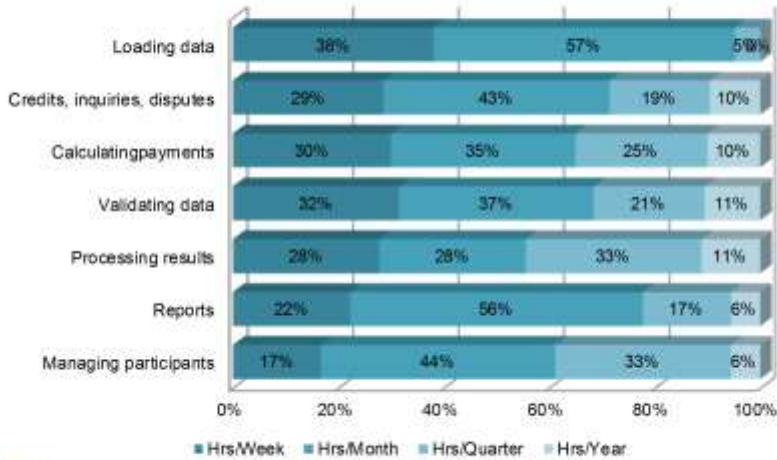
What are the biggest challenges you face when rolling out compensation plans?



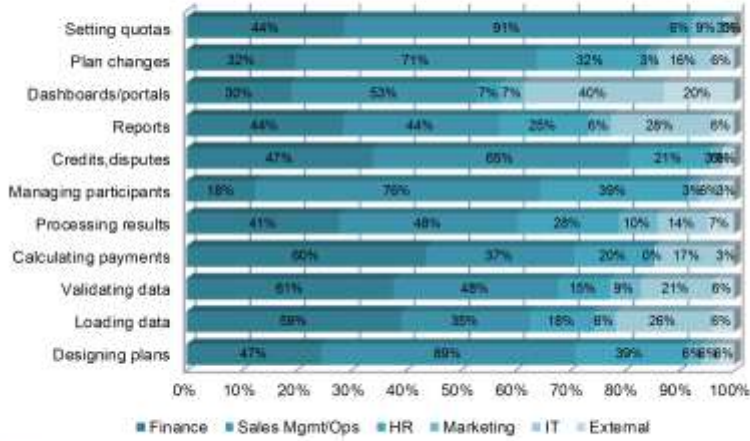
How many people are directly involved in administrating your incentive management program?



What is the level of effort each of the following tasks requires?

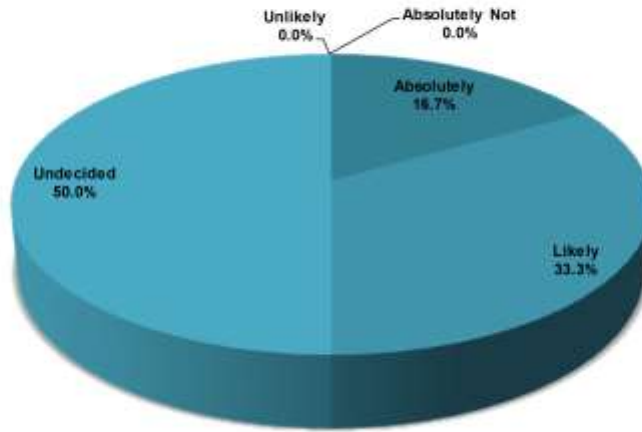


Which functional areas are involved in your compensation/incentive management program?

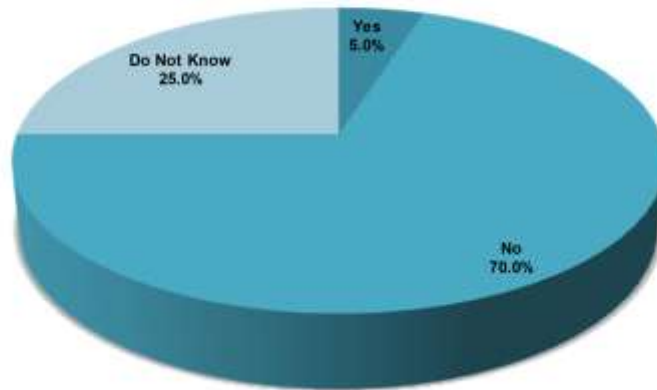


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Would you buy from again/recommend your primary Incentive/Sales Performance Management vendor?



Are you planning to implement a commercial Incentive Management system in the next 12 months?



Demographics from surveys included in this report

Revenues		# Sales Reps	
<\$10M	20%	<10	23%
\$10M - \$50M	16%	10 to 50	20%
\$51M - \$250M	20%	51 - 750	27%
\$251M - \$1B	13%	751 - 1500	9%
>\$1B	31%	>1500	6%

Average Deal Size		Industries	
<\$10K	41%	0% Medical: Pharma	0%
\$10K-\$25K	14%	0% Medical: Devices & Equipment	0%
\$25K-\$50K	12%	0% Medical: Products (non-equip)	0%
\$50K-\$100K	12%	0% Non-Profit	0%
\$100K-\$250K	10%	0% Professional Services: Business	0%
\$250K-\$500K	6%	0% Professional Services: Finance	0%
>\$500K	6%	0% Professional Services: Hi Tech	0%
		0% Shipping/Logistics	0%
		0% Software: On-Premise	0%
		0% Software: SaaS/On-Demand	0%
		0% Software: Other	0%
		0% Telecommunications	0%
		0% Transportation	0%
		0% Travel/Hospitality	0%
		0% Utilities	0%
		0% Other	100%
			0%