

EXCELERATE 

“EXCELERATE YOUR BUSINESS” SERIES

Drive Growth with Data Driven B2B Sales Incentive Plans

About Excelerate

Excelerate is a management consulting firm focused on strategic execution to ensure ROI is achieved and not just a theoretical exercise. Headquartered in San Diego, CA with offices in Portland, OR, their areas of expertise are customer experience and market strategies, governance and portfolio management, human performance, digital acceleration and business process improvement. They service clients across the US in many industries including life sciences, retail, manufacturing, financial services, public sector, conservation, energy and technology. To learn more about Excelerate, visit their website at www.exceleratellc.com.

Five ways we supercharge your business

At Excelerate, our consultants specialize in helping your business put strategy into motion. We do this by focusing on five key areas that can bring high-value change to any organization.

Customers.

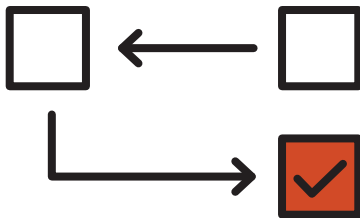
Employees.

Data.

Process.

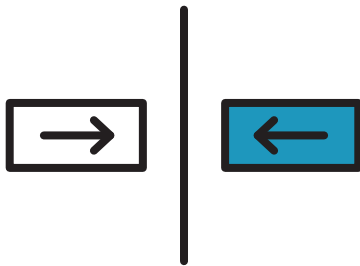
Digital.

In any business environment, sales are key. Therefore, most B2B companies rely heavily on hiring the right salespeople to drive success. However, the effort only begins when you have a new sales team in place....now you need an incentive plan to drive top line with strong margin. An effective incentive plan can reduce cash burn for a newly funded startup, and can significantly help established business get better valuations. We recently helped a \$100M B2B company double their EBITDA (and thus double their valuation) simply by developing a creative way of modifying their incentive plan to drive better deal margins. Here are some thoughts to consider when initiating or revising an incentive plan:



Strategy and KPIs

The strategy of your company is a key component of an incentive plan that is often overlooked. What are the key financial goals? Revenue growth? Profits? Efficiency? Repeat business? Ultimately the business goals need to map well to the incentives given to a sales team. Salespeople are driven by incentives....it's what makes them successful. If incentives are well aligned to business goals, all parties will win.



Counter Measures

Salespeople love to modify behaviors to optimize their payouts. It doesn't mean they don't work as hard as possible....most work extremely hard. But they will find the paths to drive the highest return possible against time invested. Therefore, a successful sales incentive plan must consider the "holes" that might be exploited. The best incentive plans consider counter measures to offset unintended consequences.

For example, many companies prefer a simple plan around total bookings or total revenue, however that often leads to a margin challenge when lacking tight process controls on pricing. Even if tight controls on pricing exist, when scaling the business, one leader cannot review the margin potential on every deal, thus a tighter incentive plan with pricing or margin considerations can drive the desired behavior at scale.

Another common miss we see is around repeat business. In a heavy service-oriented business, who drives follow-on or cross-sell opportunities? Is it the salesperson, or is it the operations/ implementation team, or is there an account team? Understanding that dynamic will allow for a thoughtful approach on how to incent new business vs. repeat business.



Data Analysis

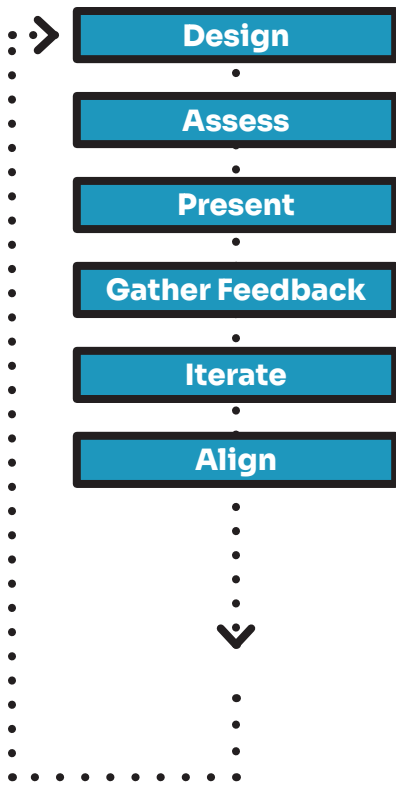
Constructing an incentive plan is only half the challenge. After all, salespeople are humans. Competitive, financially driven humans. That's what makes them great salespeople. But that also means companies must invest heavily in change management when launching or changing the incentive plan. The next section talks more about change management, but gathering the right data is the first key step.

We recommend capturing data by salesperson for the previous two years. Depending on the new incentive plan under consideration, the deal metrics are often some combination of the following:

- Bookings or Revenue Amount (in common currency)
- Margin Amount (in common currency) and or %
- Discounts Applied
- Customer Type or Segment
- Contract Duration
- New vs. Existing Customer
- Customer Size (or another metric for LTV potential)
- Others as needed

The next step is to “run” the month by month and annualized outcomes by salesperson by applying the proposed commission plan drivers against their sales from the previous year. You can then show how each salesperson would have performed under the new plan. That's before behavior change associated with the yet to be implemented new plan, of course, but more on that later.

We also recommend pulling company financial performance metrics by month to see if you can identify trends between commission plan payouts against Net Income, EBIDTA, and/or Revenue in a given month. The analysis will show if the new payouts better represent the desired financial outcomes of the business. Although make sure to look at the data over the entire year as most financial result impacts come a couple months after the commission payout month.



Change Management and Iterations

Now the human part of this entire exercise, sharing the results with the leader of the sales team (as the representative to the sales team). Show them the results of the past analysis, which means, how would the payout per person looked if the proposed plan was in place during the current and/or previous year. Yes, the sales team did not operate under the proposed plan, so the payouts might not present optimally, but that’s where you must inspire the change. If their payouts are close to what they get today BEFORE they change behaviors to apply the components of the new plan, then imagine their performance once they change behaviors. Another outcome that usually shines through in the analysis...one or two of the salespeople actually would have performed better under the new plan. Thus, showing that the new plan will benefit the “right” behaviors. That is the story to emphasize.

We also recommend asking for feedback from the team that might impact iterations. Like any negotiation, make sure to capture feedback which might lead to compromise to inform a win-win outcome.

Launch, Measure, Repeat

Then you’re ready to launch. Of course, this means updating the commission plans for each role and rerouting them for signatures. But the most important step is to measure performance during the following year and see if the “right” kind of deals are garnering the “better” payouts. Make sure you’re getting the outcomes you want. And capture the items that are falling short, so you can reconsider them for the following year’s adjustments!

About the Author



Nilay Thakker

Nilay is the CEO & Founder at Excelerate and has more than 15 years technology and marketing experience in retail (with a focus on Direct to Consumer and Digital), financial services, energy/utilities, and the non-profit sector. He has supported clients with expertise in program management, process optimization, sales enablement, portfolio prioritization, agile transformation, and strategic planning.

Nilay has a BS in Systems Engineering from the University of Virginia and an MBA from Santa Clara University.



www.exceleratellc.com
contact@exceleratellc.com

San Diego (HQ)

11975 El Camino Real
Suite 102
San Diego, CA 92130

Portland

1355 NW Everett St
Suite 100
Portland, OR 97209