



SALES INCENTIVES

Should you use the carrot or the stick?

Author

Christoffer Hansen
ch@hanei.se

HANEI
CONSULTING GROUP



5 TYPES OF NEW SALES INCENTIVES

1 Role-specific

Companies need to identify what types of roles they need in their organization so that they can decide what kind of compensation model they should implement. As the world is getting more and more digital, we are moving away from products and towards services. These services can be digital platforms that require an ongoing relationship with the customer, which means that the sales representatives need to have the know-how and expertise about what it is they are selling, i.e., be specialist sellers. Companies may also need customer-care experts and advisory sales representatives that are experts in an industry so that they can guide the customer to the right product before entering a buying cycle.

The sales representatives and specialists are the once at the front line acquiring the customers and have the highest impact on revenue. They get rewarded with classic incentives such as quotas or commission when they meet their sales targets. Customer care and advisory sales representatives, on the other hand, get rewarded based on how the entire team performs and feedback from sales representatives on how much support they received in a sales process. The incentive could be a bonus plan.

2 Split

Often several sales representatives are working together on the same deal. For there to be no conflict sales managers, need to set up clear guidelines on who has what role and how each person will be credited for their work. One solution could be to give each sales representative double rewards to motivate them to work together. This is only a short-term solution since it is not economically the best solution for the organization to give double payment. Another solution is to split the revenue equally between the sales representatives.

3 Presales

Customers today tend to do their research before deciding what product to purchase. This results in a longer buying cycle, which can make the sales representatives lose motivation. To counter this, a compensation model where sales representatives can collect commission when they reach temporary progress in long deals is needed to keep the motivation up both short- and long-term. When the deal is then finally closed, the compensation can be a big bonus. Another solution is to give the sales representatives both short- and long-term cycles so that they are consistently rewarded. Sales representatives can also be focused on only long-term cycles but have a higher base pay so that they are not dependent on commissions.

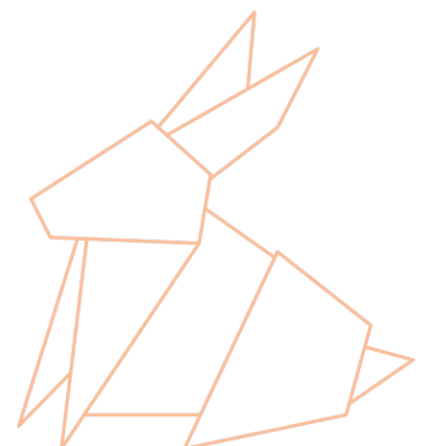
4 Omnichannel

Customers are moving more towards purchasing online, and for sales representatives to not become obsolete, companies are working on making online sales an asset and not a threat. One solution has been to reward sales representatives that have been consultative to the customer early in the buying cycle. Companies have also been able to link purchases with customers' prior engagement in sales webinars.

5 Advanced analytics

Since customers are making their purchase online and doing their research, it has become more difficult for companies to identify customers' demands and use it to set goals and quotas for the sales team. Instead, companies are turning to analytics and data and creating an algorithm that provides an accurate picture of customer demand, sales projection, and quota, which in turn is used to set goals for the team.

When companies decide on a new sale-incentives model, it should be based on the company's sales strategy and support goals in its go-to-market strategy. For sales incentives models to succeed, the company needs to collect data about the entire sales process so that the sales team has information that provides clarity.



A STORY FROM THE REAL WORLD



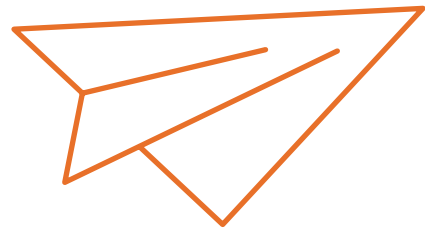
CHOOSING THE RIGHT MODEL

A global market leader in the industrial manufacturing industry wanted its sales reps to spend more time with prospects. They allocated 20 percent prospect accounts to each sales rep. After a month, not a single prospect has got a visit, which gave the management something to reflect about. They decided to give the sales reps ten dollars per visit to see if that could change their behavior. Not surprisingly, the prospect visits rose to 100 percent the next month, and the management team got excited. Still no sales to prospects. What was the actual issue? The incentive model that was in place was commission-based, so it did not matter whether the sales were made to existing customers or prospects. The learnings here was that incentives must be linked to the behavior you want to achieve; otherwise, it will not work in reality.

SO WHAT?

It is essential for sales representatives to **stay motivated** since they have a significant impact on **sales growth**. Sales managers need to **know their team** and what motivates them to understand **which compensation model** to use. The sales representatives always **go where the reward is**, so the compensation model needs to fit in with the organization's sales **strategy and goals** so that both the sales representatives and organization is working towards the **same purpose**.

If you want to learn more about Sales Incentives and how implementing the right model can increase sales growth, feel free to reach out to us at Hanei Consulting Group.



ABOUT US

We are a team of independent professionals from diverse backgrounds who want to make consulting simple. We have extensive experience from strategy- and technology consulting firms, start-ups, and corporations, where we have solved problems in 50+ countries – from start-ups to Fortune 500 companies. We are the architects of your growth.



www.haneiconsultinggroup.com