INSIDE SALES METRICS & COMP

2015 RESEARCH

The Bridge Group, Inc.

Build. Expand. Optimize. Sales Strategies

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Introduction

Since 2007, we have produced five rounds of research on the topic of Inside Sales. We are focused on how metrics & compensation change over time.

For this report, we surveyed **303 B2B companies** with inside sales teams tasked with closing business.

We've organized the report into five sections:

1. Group structure
2. Ramp & retention
3. Quota & compensation
4. Activity & technology
   -and-
5. Sales Leadership.

Feel free to skip around and dive into whichever section corresponds to your needs. We want you to use this information to build a better business.

To receive ongoing updates on Inside Sales methods, metrics, and trends, you can subscribe to our Inside Sales Experts blog.

If you have any questions, please reach out to us directly. We want to hear from you.

Email us at **community@bridgegroupinc.com**.

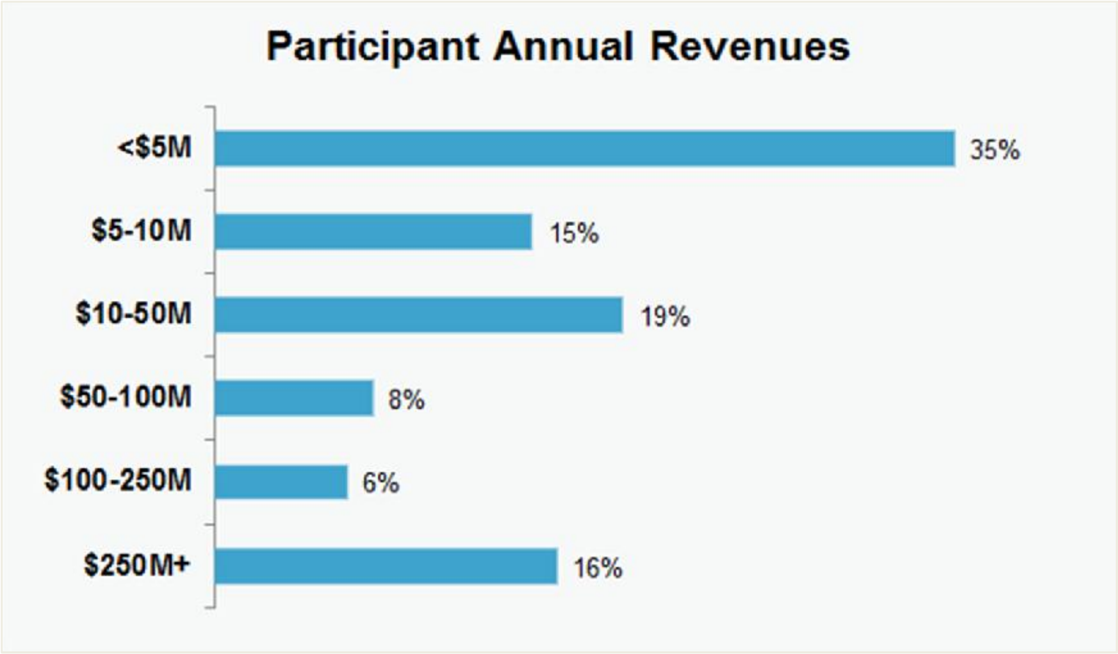
Survey Participants

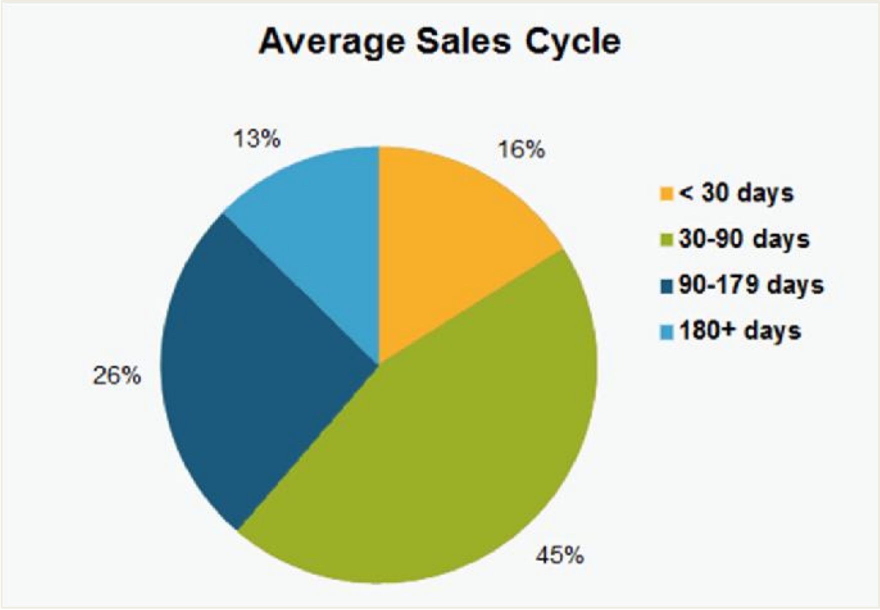
ABOUT THE COMPANIES WHO PARTICIPATED

A large and diverse group of companies participated. This year's research involved 303 B2B companies.

Roughly 90% of respondents are in B2B technology sales (software, hardware, etc.). Another 7% represented medical device companies. The remainder include services, manufacturing, and other industries.

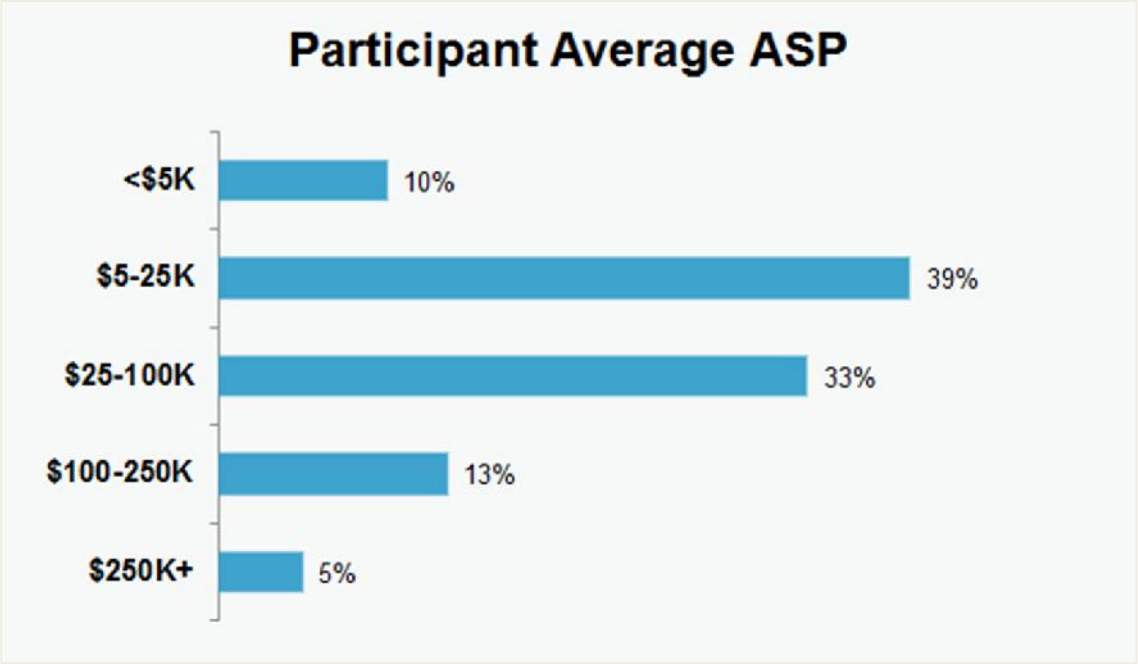
Respondent demographics are as follows.





To simplify analysis and make findings more consistent throughout the report, we will use **Average Sales Price** (ASP) as our primary unit of measurement.

Respondents had a median ASP of $60K, with 10% below $5K and 18% above $100K.



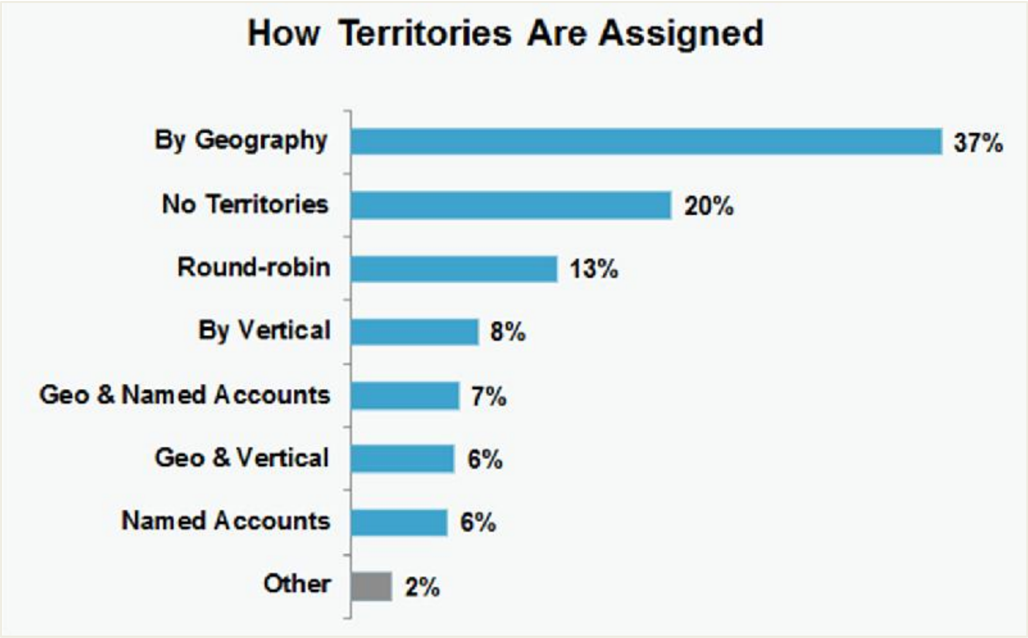
1

Group Structure

HOW ARE TERRITORIES ASSIGNED?

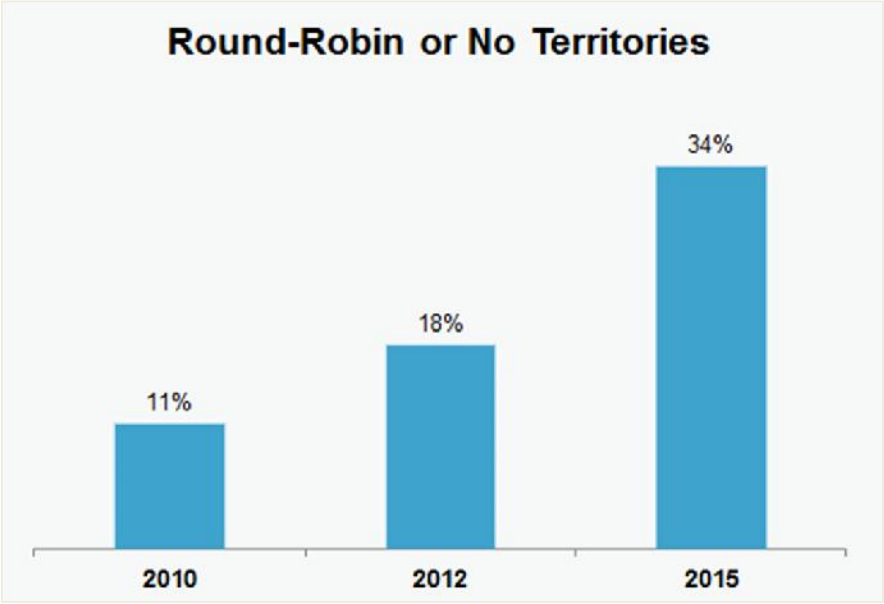
While the occasional company uses 2, or even 3 factors, the vast majority (86%) use **a single factor** to assign territories.

For all companies surveyed, we found the following:



As you can see, geographic territories remain the leading approach. That lead, however, is eroding.

In 2010, only 11% of companies reported deploying *no territories* or *round-robin*. That number has more than tripled, now sitting at **34%**.



Round-robin is an approach most often adopted by companies with lower price points and/or selling into more mature markets. These companies are, in all likelihood, filling the sales funnel with inbound (marketing-generated) opportunities.

Setting equitable, geographic territories in an inbound environment is like a Rubik's cube – you can spend a lot of time on it and get nowhere. It is much easier to set uniform quotas, go to a round-robin approach, and remove the potential for human error or bias.

Some companies take this approach outbound and adopt **no territories**. This can be deployed in many flavors:

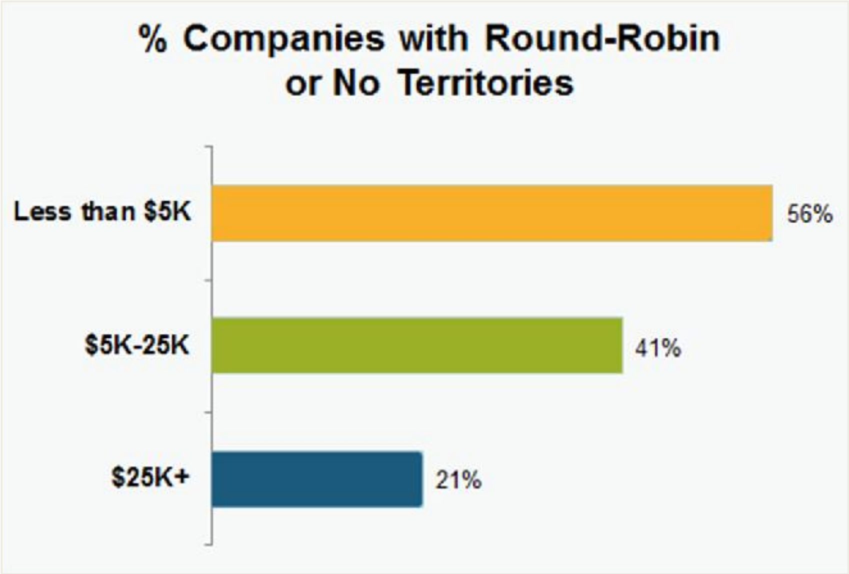
- **Pack leader**
  These companies give their "best" leads to their best salespeople. In essence, reps must "earn" the highest quality leads.

- **Shark tank**
  Another approach allows reps to claim ownership by remaining 'active' in an account. If they fail to do so, the account is redistributed away.

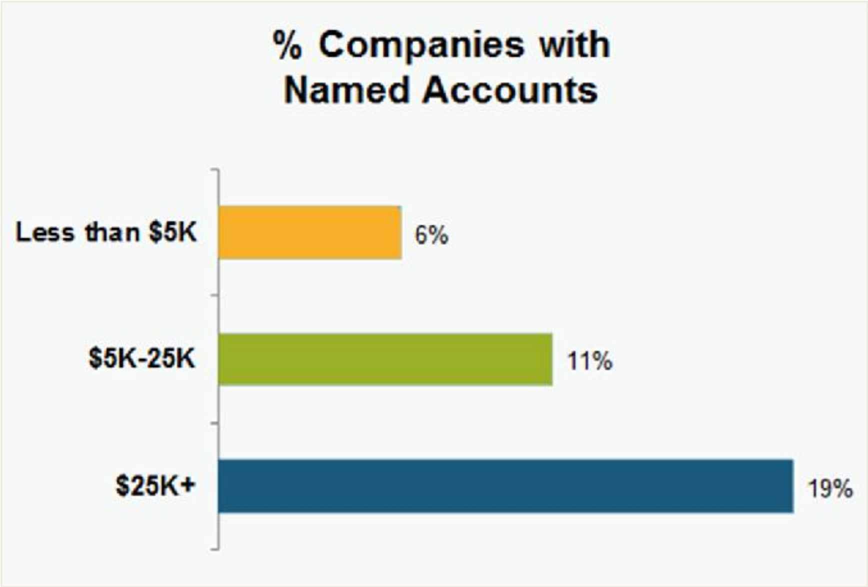
- **Account sprinkler**
  Where accounts are randomly assigned in an effort to remove any human error or bias. This is essentially round-robin for a universe of fixed, named accounts.

To give more context to the types of companies adopting these approaches, here are a few things to consider:

1. Companies with lower ASPs are more likely to adopt *no territories* or *round-robin*.



2. As ASP rises, companies are more likely to include *Named Accounts* as a factor in territory assignment.



At higher ASP, deals are more complex and there is less marketing-sourced pipeline. This necessitates some form of outbound selling where reps are focused on penetrating strategic, high-value, and hopefully high-probability accounts.

In this and many other decisions, ASP is a critical variable. Joel York of Chaotic Flow shares his view:

I don't know any single statistic that provides more insight on a SaaS startup, or any business for that matter, than average selling price (ASP). Average selling price is the intersection of supply and demand and as such it measures external factors like customer value and competitiveness, while it constrains operational metrics like costs, volume and risk.

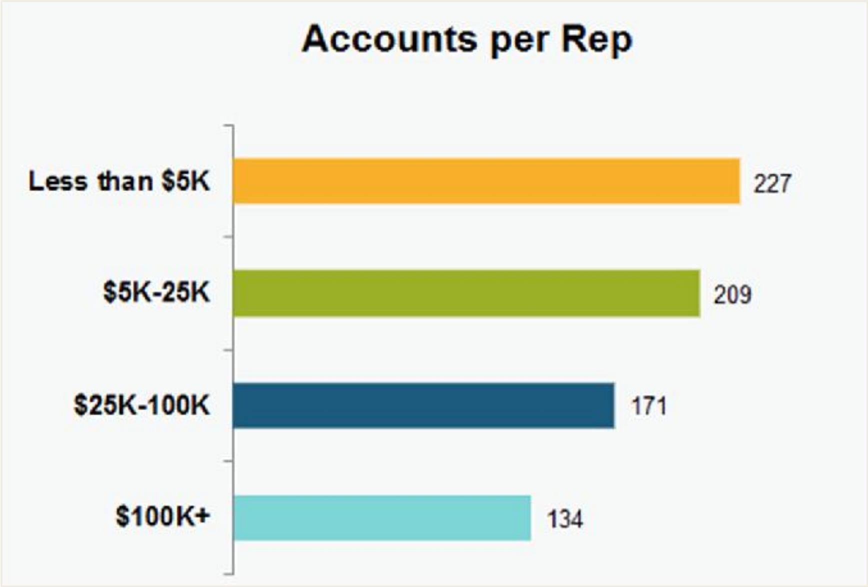
Your ASP places a ceiling on your customer acquisition cost, which in turn limits your sales model options. The volume requirement implied by ASP flows back through the sales process to put pressure on every upstream metric.

Low ASPs require large target markets, more leads, more pipeline, higher conversion rates, shorter sales cycles, and so on to deliver a high volume of customers.

Read the full post >>

HOW MANY ACCOUNTS ARE OWNED PER REP?

Reps own an average of **208 accounts**. This number decreases as ASP rises.



It is no secret that right-sizing territories is a bit of a dark art.

Give too few accounts and your reps are forced to chase anyone with a pulse. “Bad breath is better than no breath” strategies lead to wasted energy on non-ideal prospects. Give too many accounts and your reps will skim the cream via a Goldilock’s ‘too hot/too cold’ tendency leaving money on the table for your company.

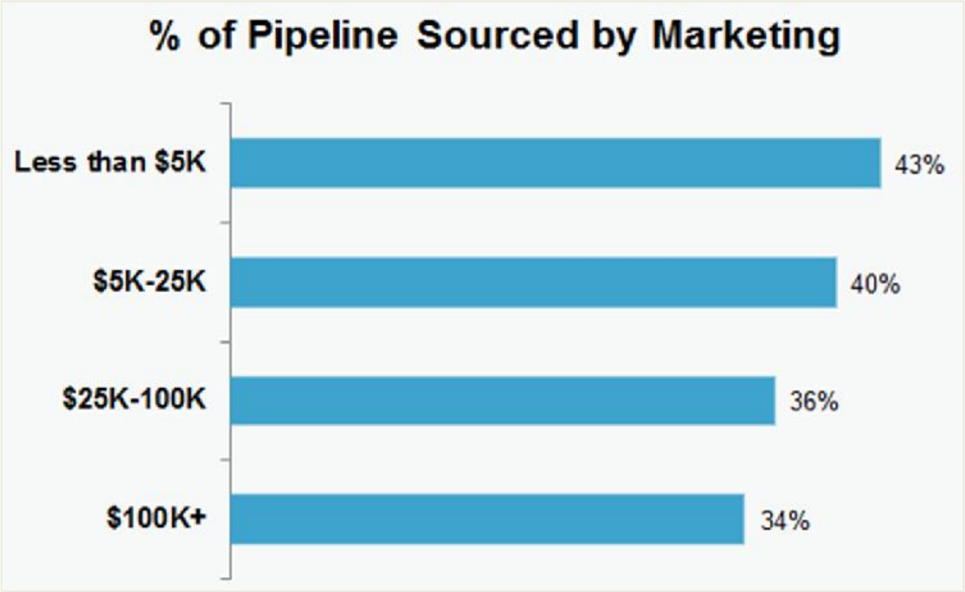
Two professors at the Kellogg School of Management published an interesting paper on this dilemma.

Only you can decide how best to balance the need to increase productivity per territory and reduce the likelihood of mutiny and in-fighting, that comes from territory re-aligns.

WHAT % OF PIPELINE IS SOURCED BY MARKETING?

On average, **37%** of an inside group's pipeline is generated by Marketing. This is in line with our 2012 finding of 38%.

Notice that the percentage of Marketing-sourced pipeline decreases as ASP rises.



SiriusDecisions advises clients to think about marketing contribution based on three go-to-market strategies: Tier 1: Enterprise, Tier 2: Commercial, and Tier 3: SMB.

They share the following:

SiriusDecisions
Intelligent Growth™

Tier 3: SMB/Channel Accounts

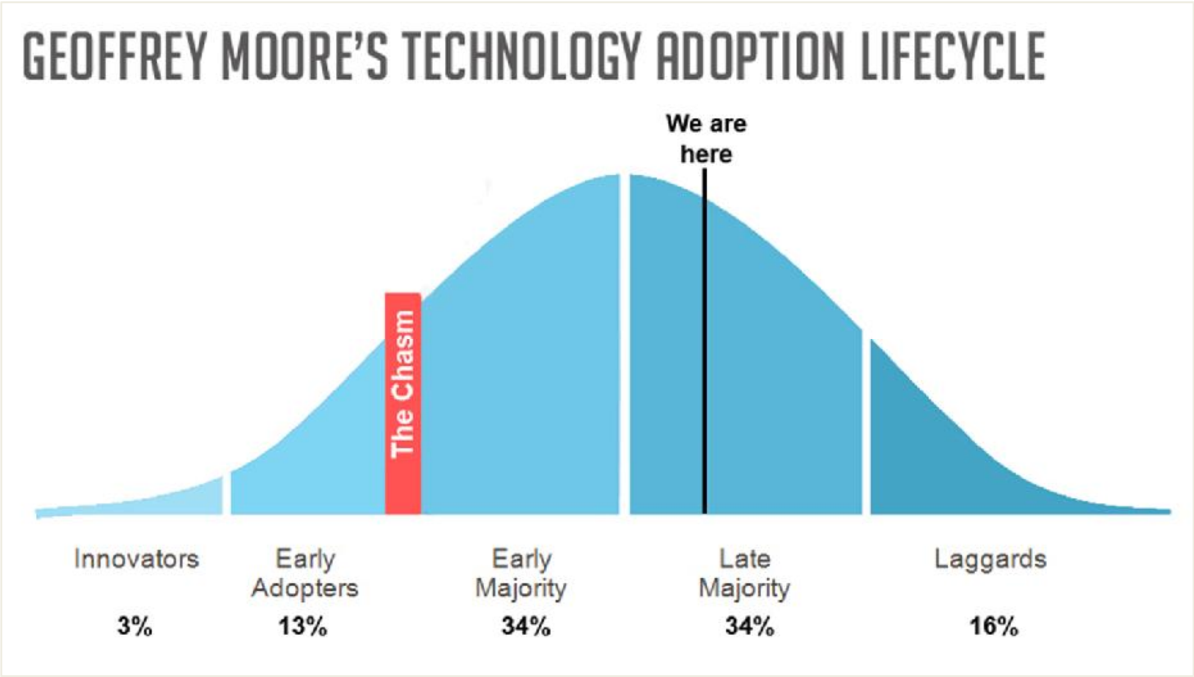
Marketing continues to play a strong role in influencing purchasers (50 to 60 percent) and plays a much larger role in sourcing leads (30 to 45 percent) as the lead pool is much larger in this space. Whereas enablement and demand generation are marketing's primary tasks for Tier 1 and 2 accounts, the main focus for SMB/channel accounts tends to be driving awareness, followed by demand generation and then enablement.

Read the full post >>

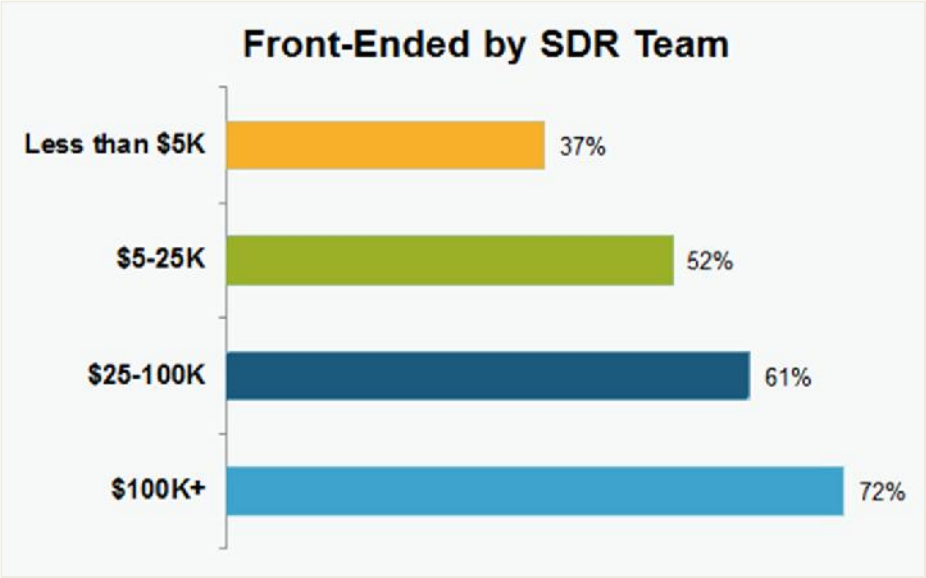
ARE THE GROUPS FRONT-ENDED BY AN SDR TEAM

Nearly six out of ten companies front-end their closing reps with an SDR team. Excluding companies below $5M in revenue, that number rises to **63%.**

In terms of Moore's chasm, we are in the late majority for this role -- at least in the technology space.



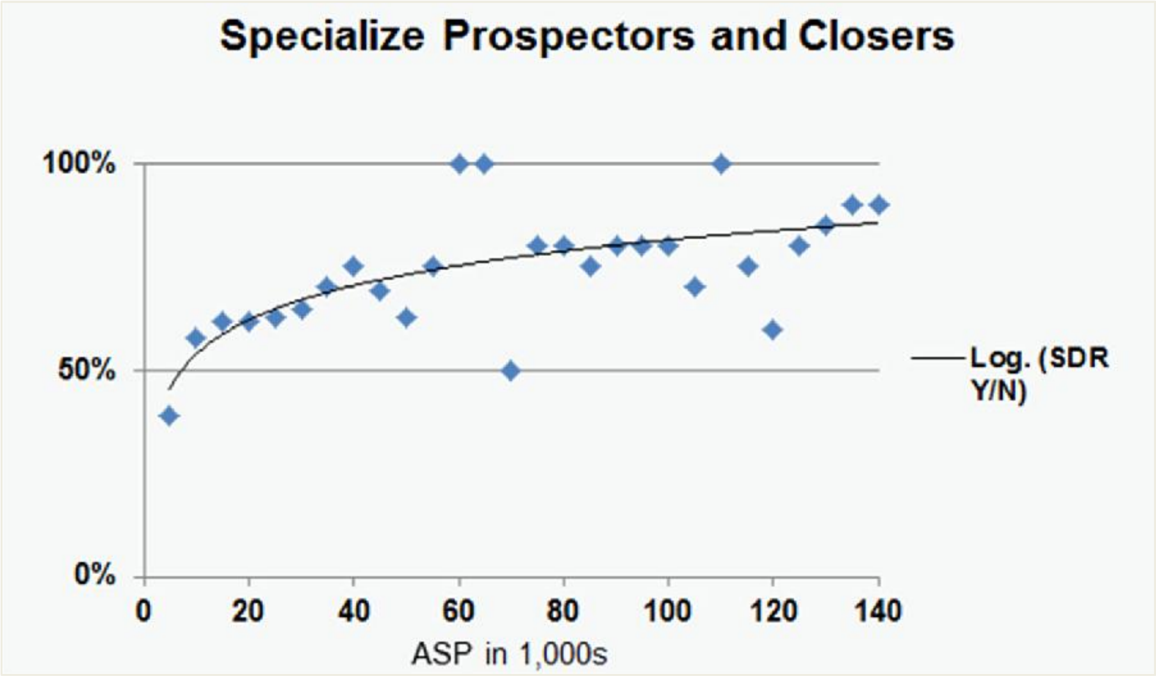
Much as you would expect, as ASP rises, so does the percentage of companies deploying the SDR function.



Unfortunately, there is no glaring dividing line between "**Never!**" and "**Always!**" for building an SDR group to support the closing team.

We will say this: at **roughly $10-25K ASP,** the scales tip in favor of the "Yes SDR!" camp.

In the chart below, each blue diamond is the percentage of companies specializing (in $5K ASP increments). The black curve is the trend line.

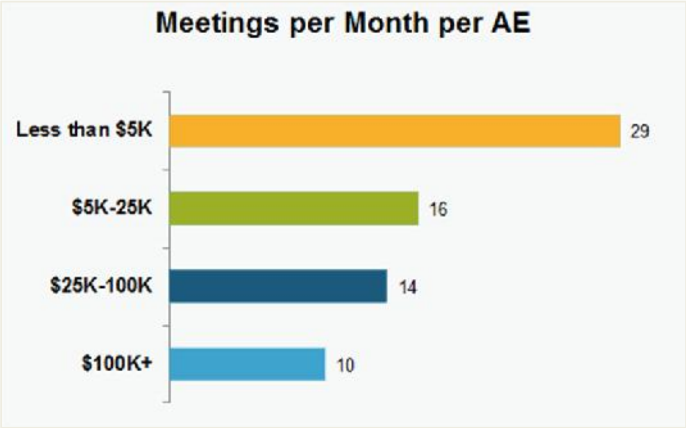


HOW MANY 'LEADS' DOES EACH CLOSING REP RECEIVE?

Fair warning: the definitions of 'meetings' and 'opportunities' vary from organization to organization.

For those teams supported by *appointment setting SDR teams*, on average, 16 meetings are received per rep per month. For those groups supported by SDR teams *generating qualified opportunities*, on average, 6 opportunities are received per rep per month.

As you might expect, this number ranges widely based on ASP.



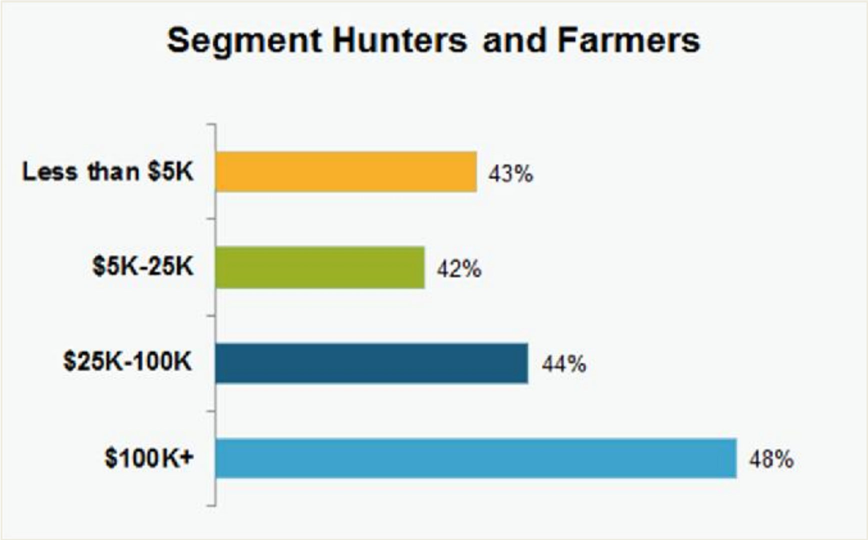
Thanks to respondents who provided both meeting and converted opportunity counts, we are able to calculate an average Meeting-to-Opportunity conversion rate of **41%**.

Conversion rate was remarkably consistent across ASP, size of company, and other factors.

DO YOU SEGMENT INTO 'HUNTERS' AND 'FARMERS'?

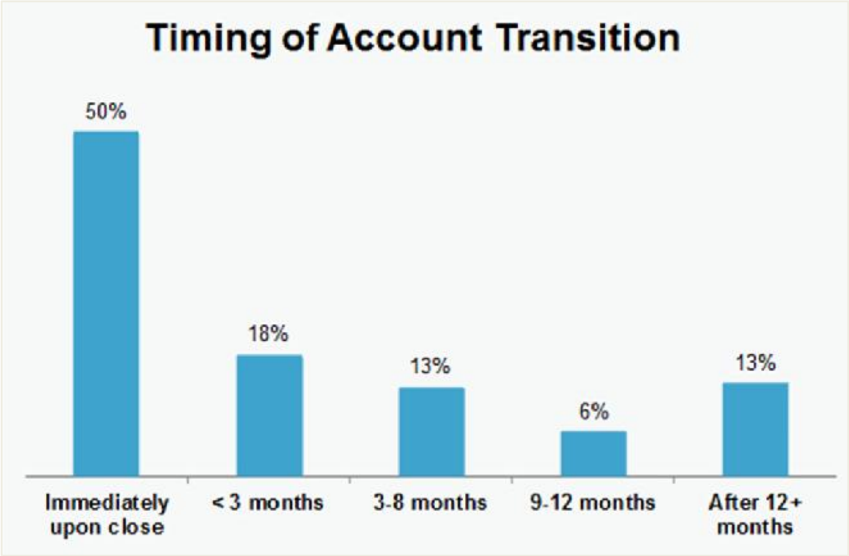
For all respondents, 45% of companies separate hunters and farmers. Excluding companies below $5M in revenue, that number rises to **56%.**

The higher the ASP, the more likely companies are to keep their closing reps focused exclusively on new logo acquisition.



WHEN ARE NEW ACCOUNTS TRANSITIONED?

Half of companies transition new customers to farmers **immediately upon closing.**



Companies with higher ASPs are much more likely to transfer new customers immediately post-sale.

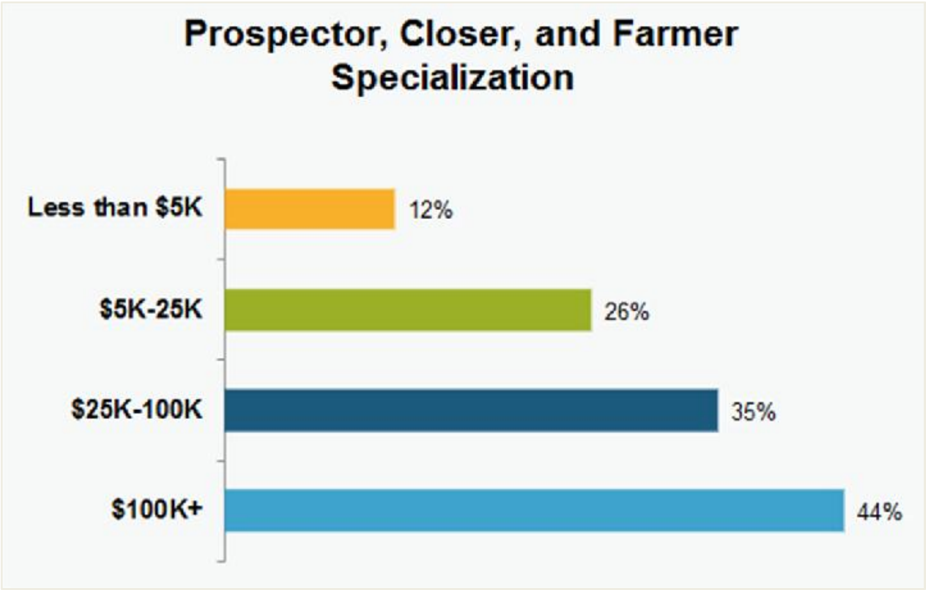
Higher ASPs typically require a longer sales cycle with more decision makers involved. Moving the account immediately to the farming (or customer success) team applies the right resources to the right job: getting the customer up, running and successful.

HOW MANY REPS ARE INVOLVED IN PROSPECTING, CLOSING, AND GROWING A NEW CUSTOMER?

As we saw above, 59% of companies segment SDRs and closers while 45% segment hunters and farmers.

So how many companies do both? Turns out, **roughly 3 out of 10**. These organizations have triply specialized roles: *prospector, closer, and farmer*.

This degree of role specialization has cost of sale implications. It follows that a larger ASP would be required to “afford” a three rep team.



As you can see, at lower ASPs, three rep teams are rare. At higher ASPs, they’re much more common.

At lower ASPs, the sales cycle is typically very short. An initial call can lead from uncovering needs, qualification, to and through demo. Adding another person adds needless complication (and cost).

Unfortunately, there isn’t a definitive number that cleanly divides the yes’s from the no’s. Each company needs to weigh their customer acquisition costs and customer lifetime values, to best balance the economics of their operations.

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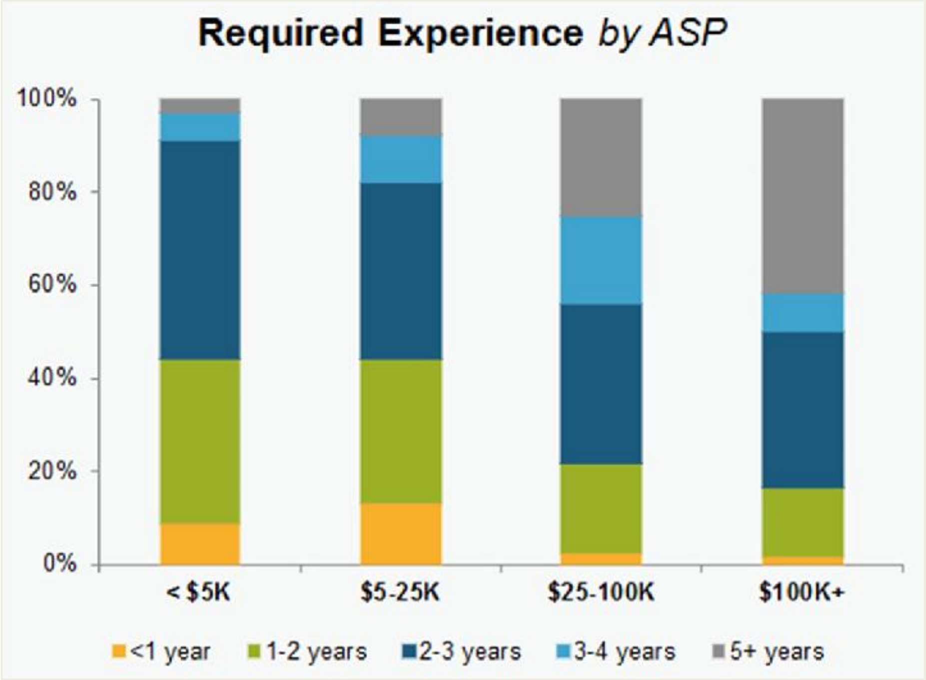
2

Ramp & Retention

WHAT DO YOU REQUIRE AS EXPERIENCE WHEN HIRING?

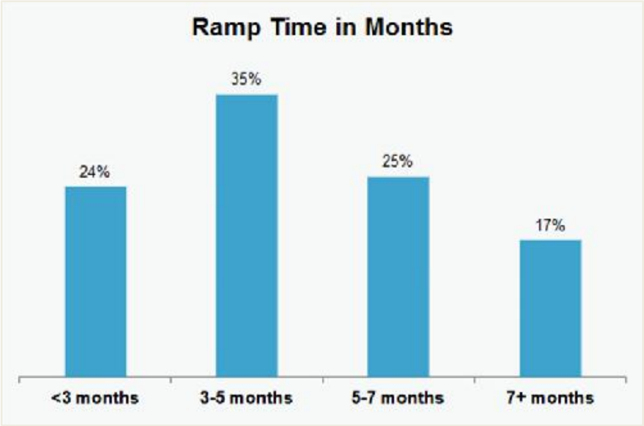
Average experience prior to hire is **2.7 years**. This is in line with our 2012 finding.

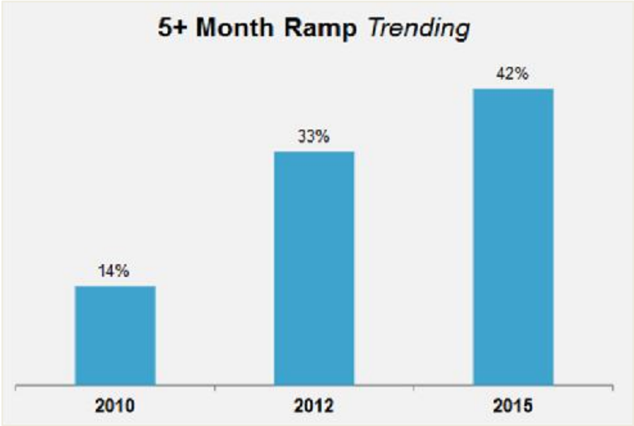
Not surprisingly, as ASP rises, more sales experience is required. Companies with ASPs greater than $50K require 60% more experience than those with ASPs below $5K, 3.2 years and 2.1 years respectively.



HOW LONG UNTIL A NEW REP BECOMES FULLY PRODUCTIVE?

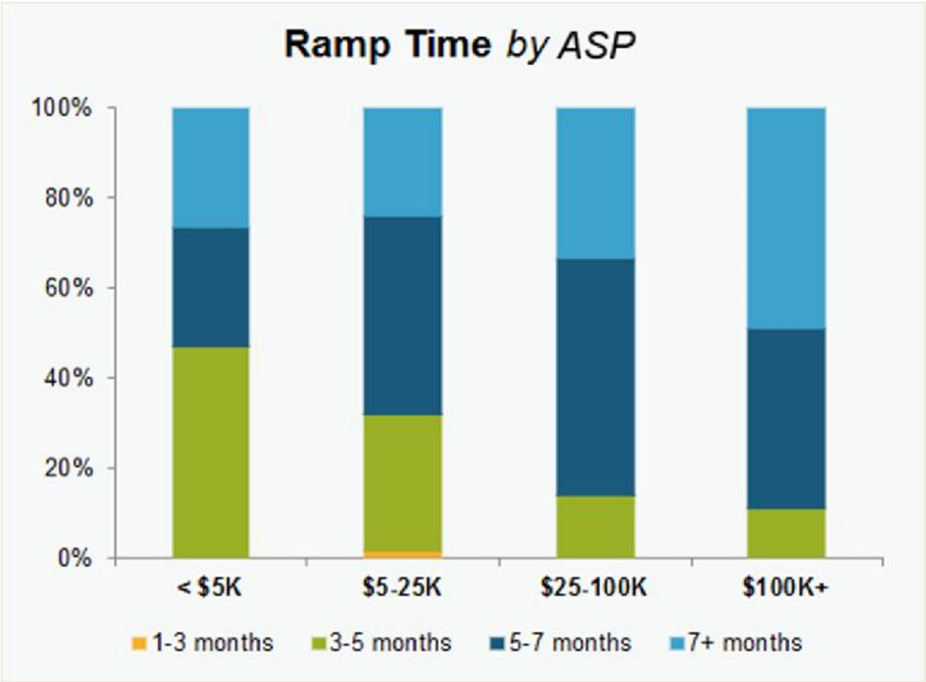
Average ramp time jumped sharply from 4.4 months (2010) to **4.9 months** (2015). The long-term trend shows a steady rise in the percentage of companies with 5+ month ramp time.





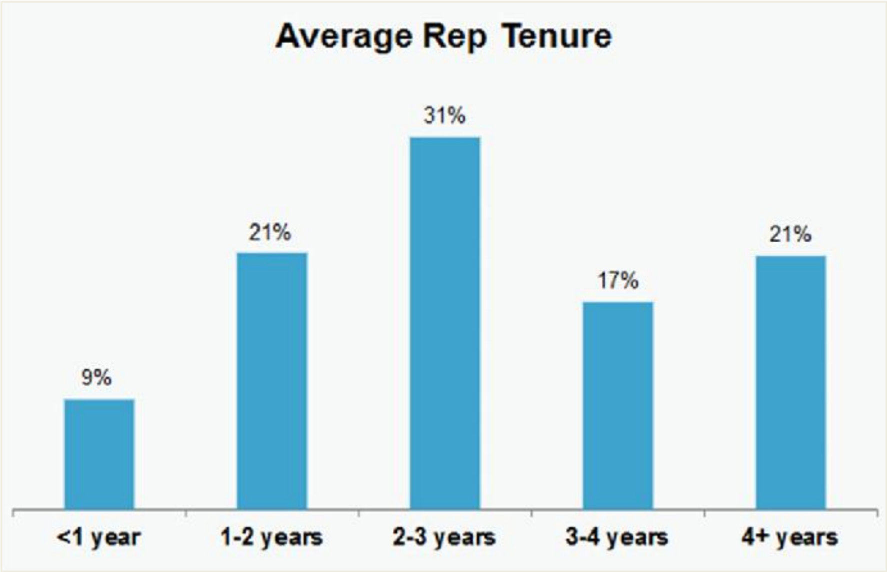
Companies with ASPs greater than $50K report average ramp time of 5.5 months while those with ASPs below $5K average 4.4. That's 25% longer.

You might think that insignificant, but recall that higher ASP companies are hiring more senior reps. It appears that more experience alone isn't able to offset the complexities of a larger ASP – with longer sales cycles, more buyers, and assorted other challenges.



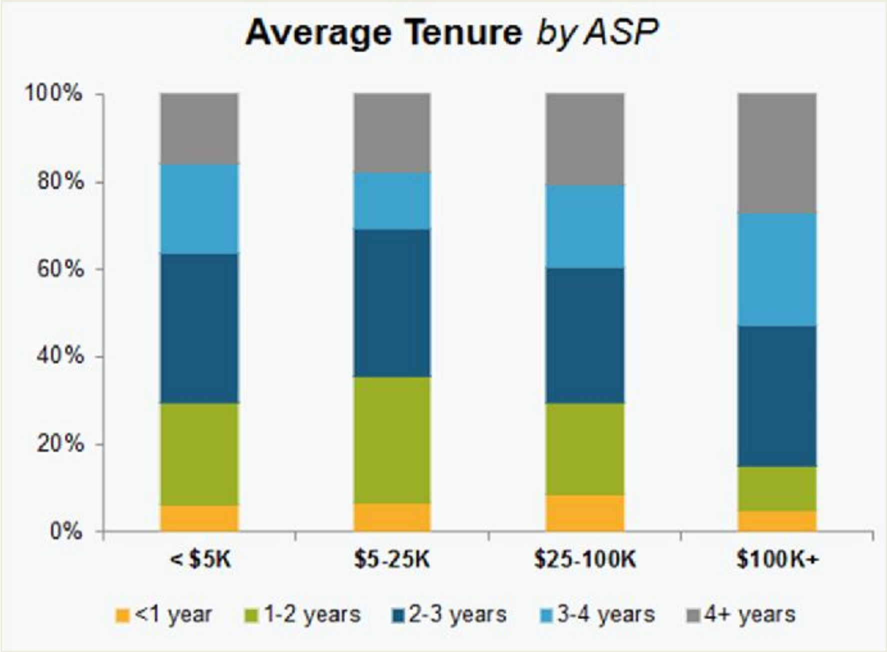
WHAT IS THE AVERAGE TENURE OF YOUR REPS?

Virtually unchanged since 2010, average rep tenure sits as **2.5 years**.



Interestingly, as ASP rises, average rep tenure grows.

Companies with ASPs greater than $50K experience 15% longer tenure than those with ASPs below $5K.



Would you be surprised to learn that companies hiring less experienced reps have shorter average tenure? *We didn't think so.*

EXPERIENCE AT HIRE & AVERAGE TENURE	
< 1 year	23 months
1-2 years	29 months
2-3 years	31 months
3-4 years	35 months
4+ years	38 months

Less experienced reps leave faster. They are often in search of their next big thing.

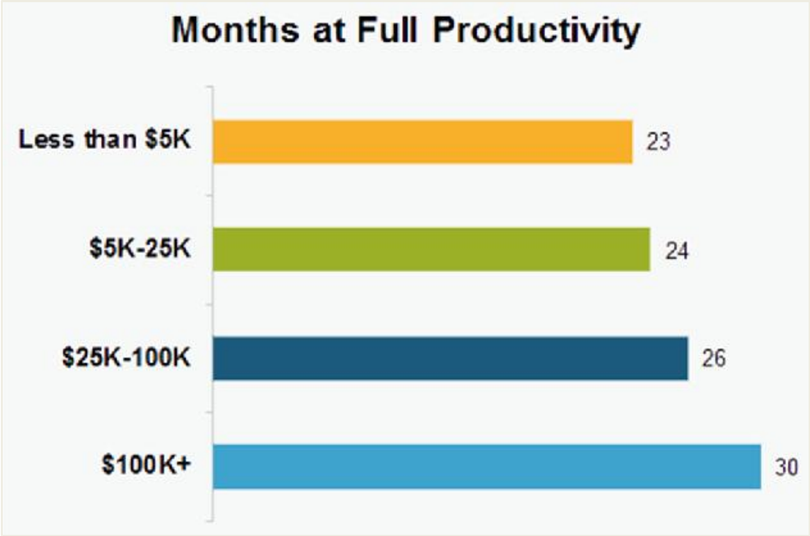
Providing a rep with their entrée into the wonderful world of sales doesn't prevent them from jumping ship. They have their eye on the prize and they are being recruited heavily.

As you'll see in the following chapter, for each additional year of sales experience, fair market base pay jumps. Additionally, the more experienced you are, the more attractive you are to companies with higher ASPs - *those companies tending to offer the largest OTEs*.

Every Sales Leader wants a stable and predictable team. As you build out future plans, take average tenure into account.

AVERAGE MONTHS AT FULL PRODUCTIVITY

Despite the longer ramp times we shared above, companies with higher ASPs are experiencing greater months at full productivity (*defined as TENURE minus RAMP*).



An important question remains: *do more months at full productivity correlate with better company performance?*

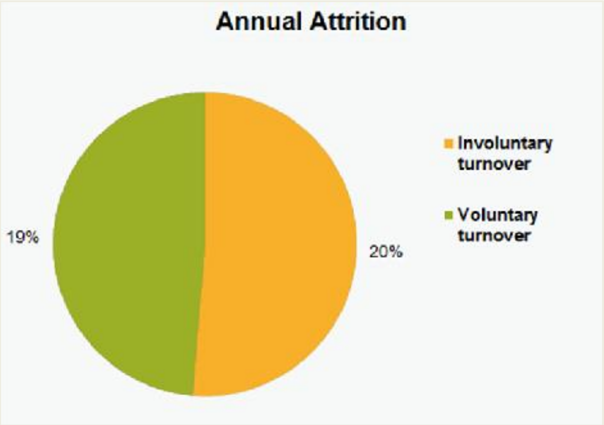
The only yardstick available for making this comparison is *percentage of reps at quota*. Here's what we found:

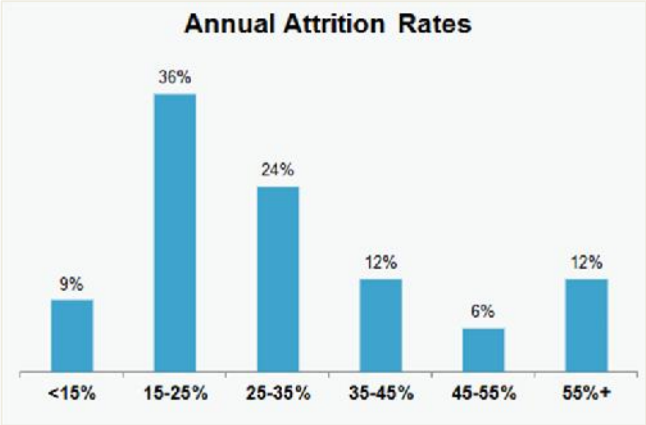
Companies experiencing 20+ months at full productivity had roughly 10% more reps achieving quota. Neither insignificant, nor earth shattering.

A more pronounced difference emerges when comparing *quota attainment* and *turnover*.

WHAT IS AVERAGE ANNUAL TURNOVER?

Excluding internal promotions, we found average annual attrition to be **39%**. Involuntary turnover makes up nearly two-thirds of that number.





The distribution of attrition rates surprised us. Notice the spike at the right -- more than 1 in 10 companies experience turnover rates in excess of 55% annually. Wow.

MIT Sloan MBA candidate Victoria Young recently urged companies to conduct and act on insights from exit interviews. She argues:

Employees are able to be honest during the exit interviews, so gleaning insights on ways to improve the organization from their feedback is extremely valuable. These types of questions can yield interesting answers:

- Why did you decide to leave the company?
- What did you find most and least satisfying about working for the company?
- What kind of performance feedback did you receive?
- Did any company policies or procedures inhibit you from performing your job duties to the best of your ability?
- How would you rate the level of support you received to perform your job duties?
- What advice would you pass on to the next person selected to perform your job duties?

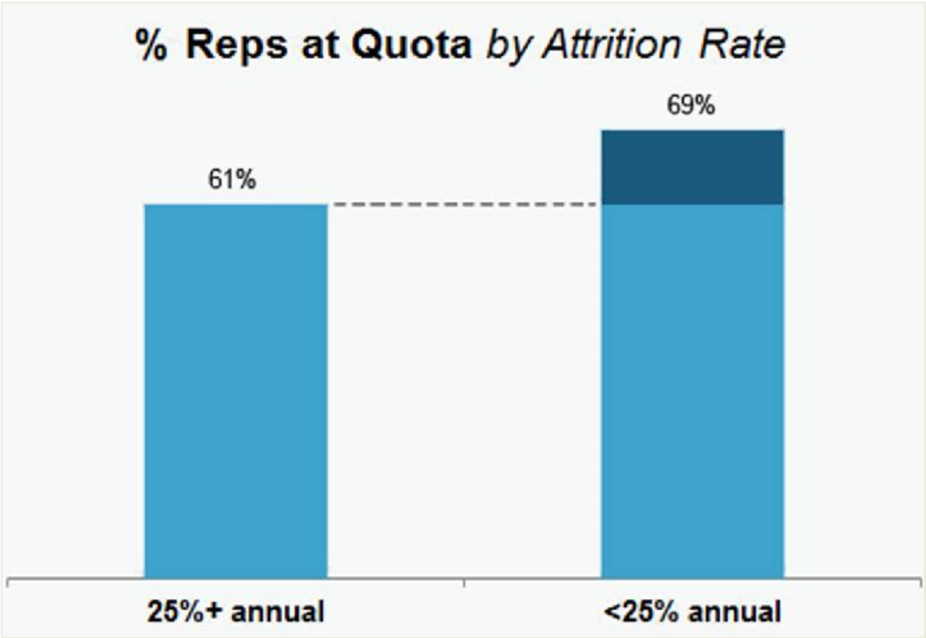
The next step is to develop a review process for revising management strategy and policies to reflect the feedback from employees who are leaving. Too often, this feedback is left dormant in the files of employees who have left.

Read the full post >>

IMPACT OF TURNOVER ON QUOTA ATTAINMENT

Again, we must ask ourselves: *does lower attrition correlate with better company performance?*

Using our yardstick of *percentage of reps at quota,* it appears **it does**.



Companies below 25% in annual attrition have 13% more reps at quota than those with 25%+.

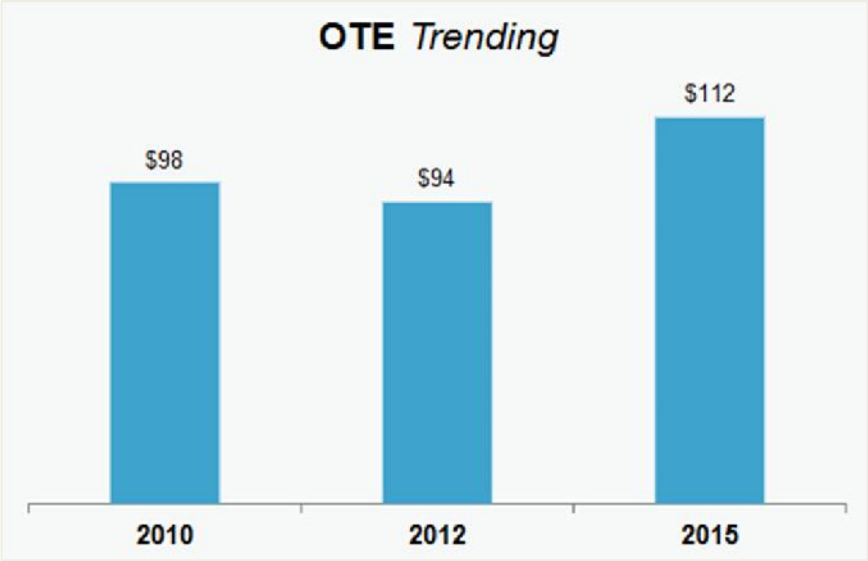
3

Compensation & Quota

WHAT ARE BASE SALARY AND OTE?

Average Inside Sales compensation rose to record highs in 2015.

We found an average base salary of **$57K** and average on-target earnings (OTE) of **$112K.** This reveals a roughly 50% : 50% (base : variable) split.



Although a smaller subset of respondents shared customer success compensation, we found average farmer compensation as follows.

FARMER COMPENSATION	
Base	$63K
OTE	$108K
Mix	60% : 40%

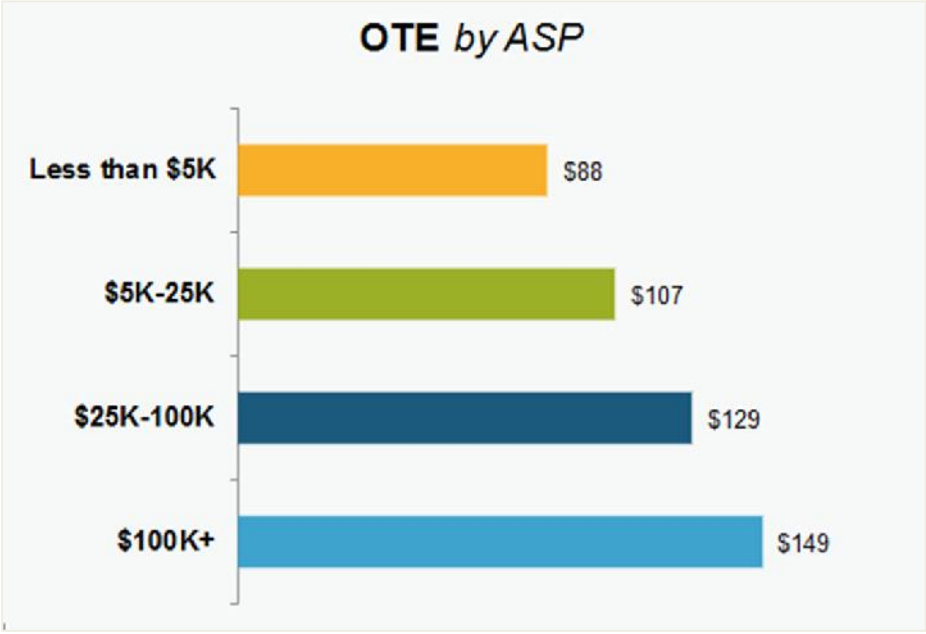
As a general rule, Customer Success reps earn lower OTE with a higher percentage of total compensation delivered as base.

Notice the small delta between hunter and farmer OTEs. At one point in time, hunter compensation far outpaced that of farmers. Now, companies are seemingly investing in talent that can go beyond retention and deliver revenue expansion.

IF I'M A REP, WHAT DOES THIS TELL ME?

It tells me that for every year I'm in the sales game, my base salary should increase by roughly 13%. This is market rate, not raise-reality.

It also tells me that to find higher OTE, I should seek out companies with higher ASP.

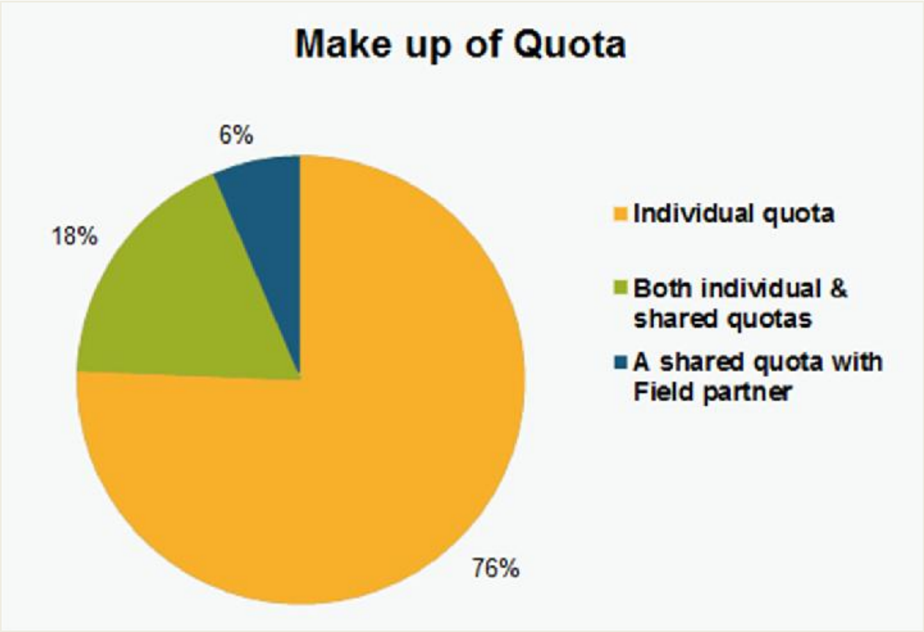


In the current hiring market, and for better or worse, there's no shortage of companies like those to choose between.

As sales leaders, we need to be aware of the market reality. If you are working hard to develop your people, know that five others are working just as hard to poach them away.

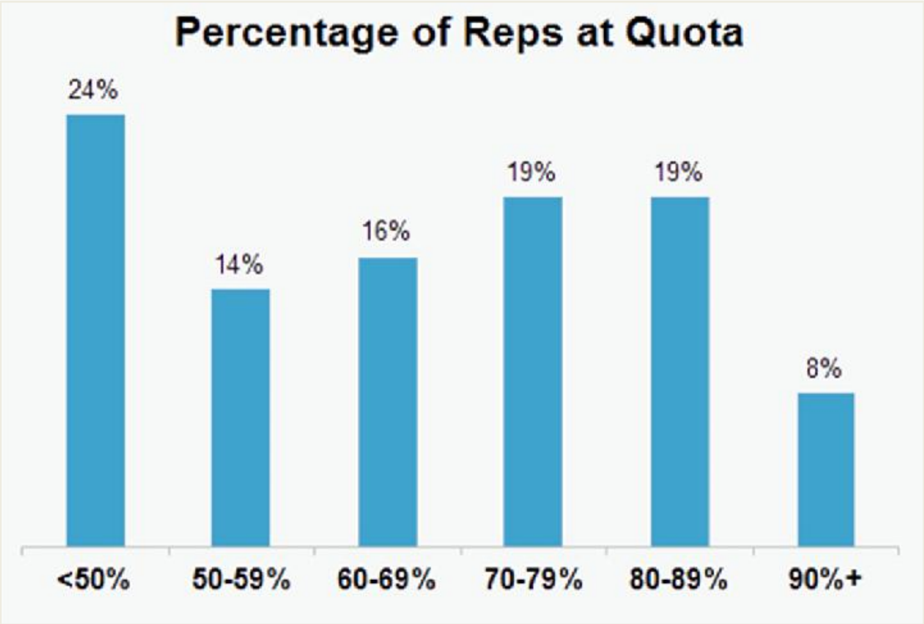
WHAT MAKES UP REPS' REVENUE QUOTAS?

The vast majority of companies, 76%, assign their inside sales reps individual quotas.



WHAT PERCENTAGE OF REPS ARE AT QUOTA?

In a given group, **66%** of reps are achieving quota. This is in line with our 2012 finding.

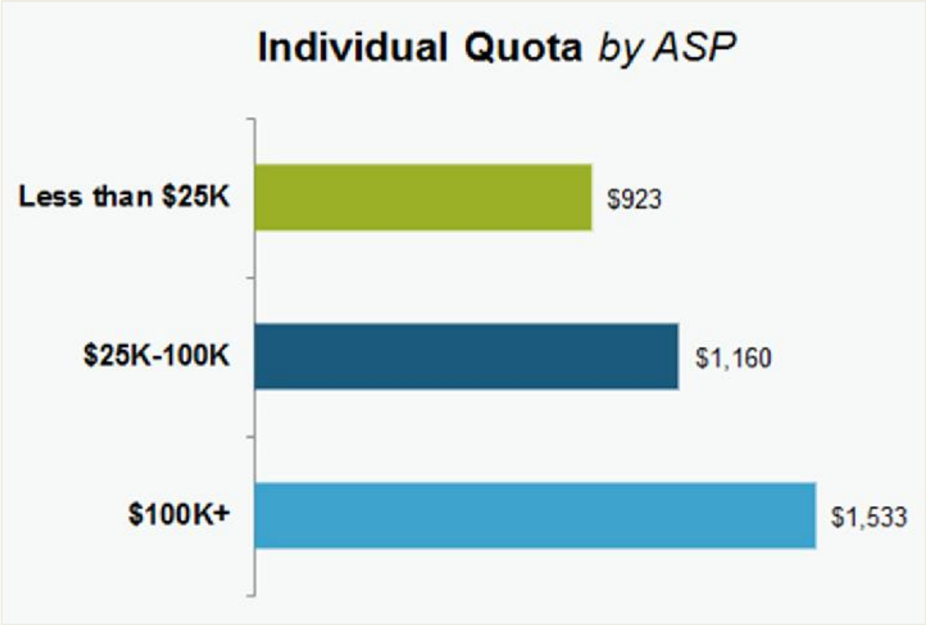


WHAT ARE REVENUE QUOTAS?

For those reps holding an individual number, average quota is **$1.2M**.

INSIDE SALES QUOTAS	
Individual	$1.2M
Individual & Shared	$740K : $2.4M
Shared with Partner	$4.6M

There is wide variation in quota based on company ASP.



Companies with ASPs over $100K set quotas 66% higher than those with ASPs below $25K.

Recall that earlier in this chapter, we reported the delta in OTE between the two was roughly 50%. It is clear that the relationship between quota and OTE isn't linear.

DOES THE COMP PLAN INCLUDE ACCELERATORS AND/OR DECELERATORS?

For those unfamiliar, these are a method of adjusting commission rates up to incent over-achievement (*accelerators*) and down to punish under-achievement (*decelerators*).

Roughly **65% of companies use accelerators, decelerators, or both** in their compensation plans. As you can see below, accelerators-only plans are much more common than decelerator-only.

ACCEL & DECEL	
Accelerators only	34%
Decelerators only	4%
Both	62%

Twenty-three percent of companies use a cliff in their comp plans.

Sometimes called a wall, a cliff sets a percentage of quota below which reps earn no commission. Nearly four in ten of those using a cliff set it at 25% of quota (i.e., reps only begin to earn incentive compensation when they reach 25% of goal).

CLIFF BREAKPOINT	
At 25% of quota	39%
At 50% of quota	30%
At 75% of quota	31%

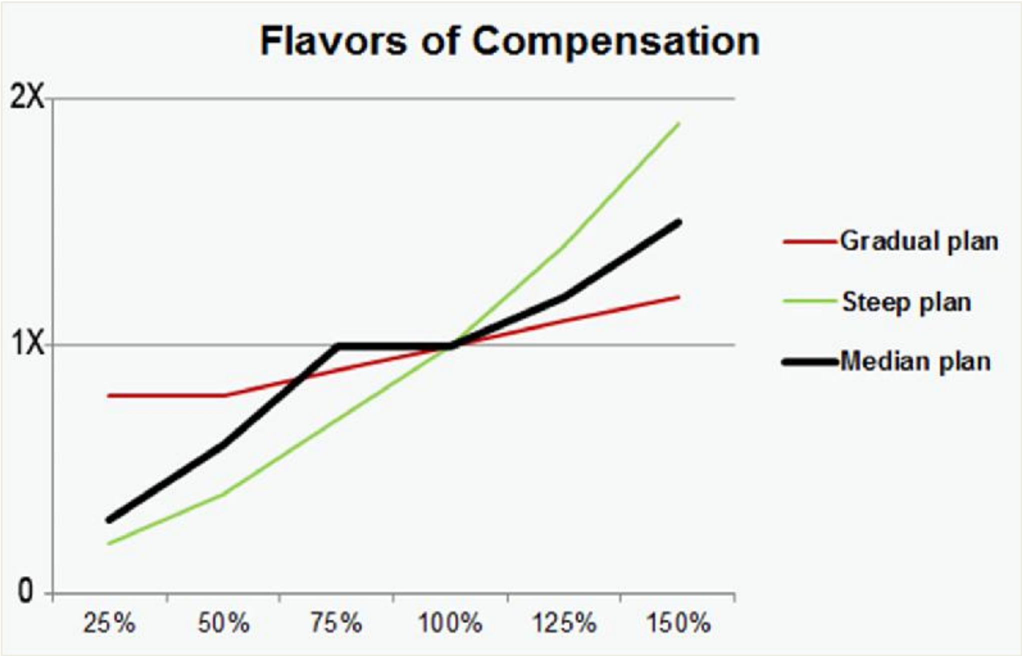
WHAT IS THE SHAPE OF COMPENSATION?

Taking a closer look at the various compensation plans, we found three basic flavors: **flat, gradual, and steep.**

- **Flat plans** are, well, flat. They pay 1X the commission rate linearly across attainment. Hit 80% of quota, earn 1X the base rate. Hit 130%, still earn 1X the base rate. Thirty-five percent of plans are flat.

- **Gradual plans** often use accelerators and sometimes decelerators. Their most prominent characteristic is accelerating gradually. Hit 80% of quota, earn .9X the base rate. Hit 130%, earn 1.25X. Twenty-eight percent of plans are gradual.

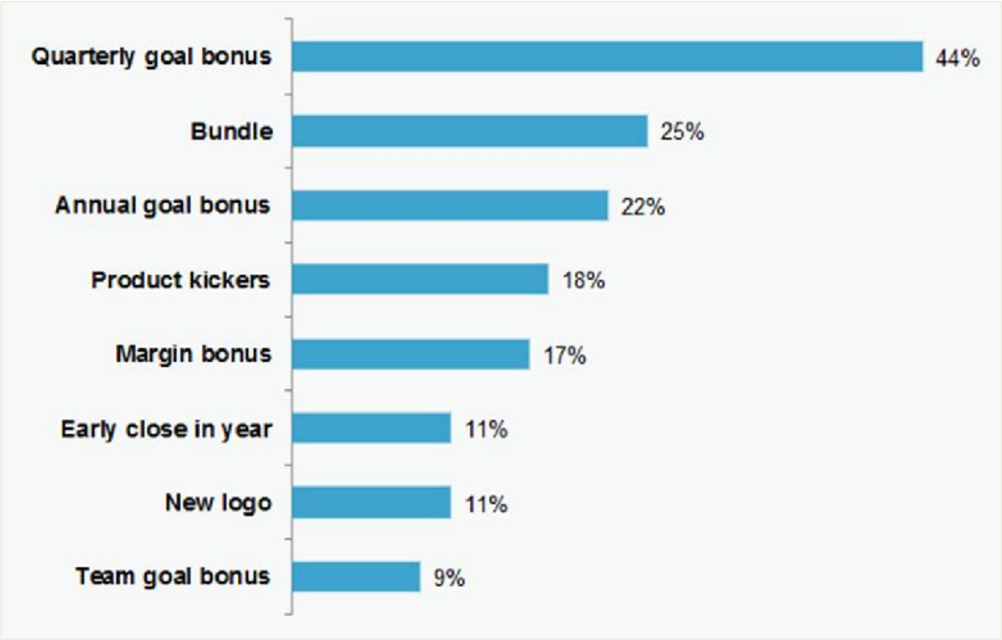
- **Steep plans** always use accelerators and sometimes decelerators. Their most prominent characteristic is significant acceleration for overachievement. Hit 80% of quota, earn .5X the base rate. Hit 130%, earn 1.5X. Thirty-seven percent of plans are steep.



WHAT OTHER COMPONENTS ARE INCLUDED?

Other kickers or motivators can also play a part in the compensation.

Quarterly goal incentives are the most popular with 44% of companies offering them.



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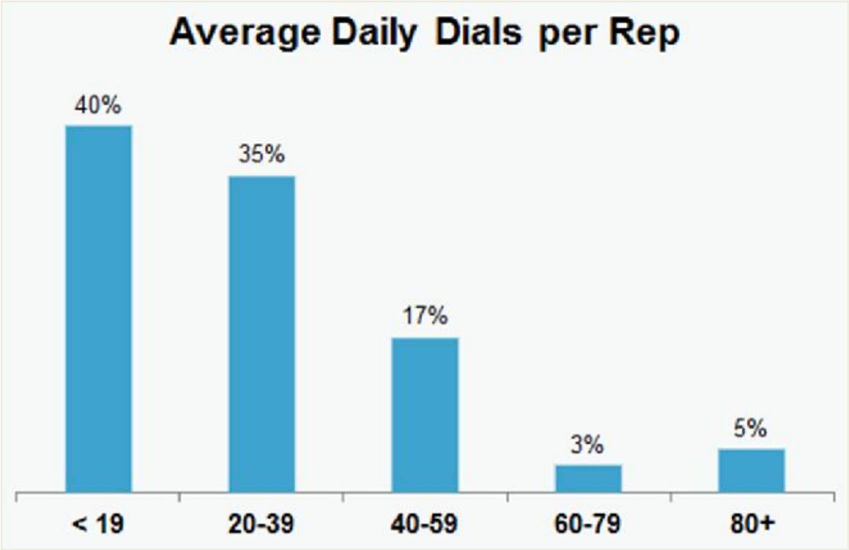
Activity & Technology

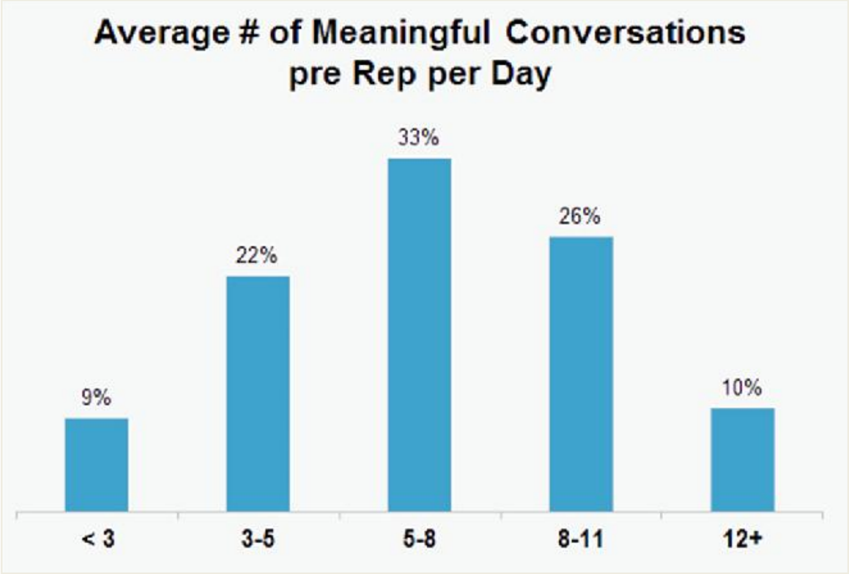
WHAT DAILY ACTIVITY METRICS?

We found an average of **33 dials per day**. This is down from 39 in 2012.



For many closing groups, dials per day is a problematic measure and there is much debate over its value. However, it remains one of the few levers that reps are able to pull. Remember, dials are 100% under your reps' control - conversations, demos, and meetings are not.

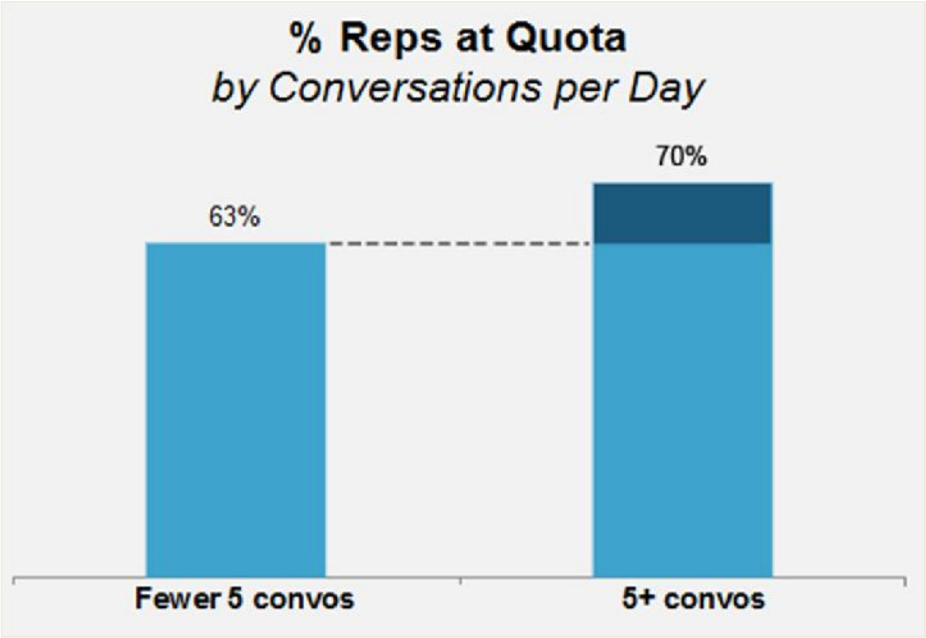
A more popular metric is **conversations per day**. On average, reps are having 6.7 conversations per day. This is down from 9.5 in 2012 – that's nearly a 40% drop.



We aren't willing to offer a cause for this drop. But we will caution – **this matters**.

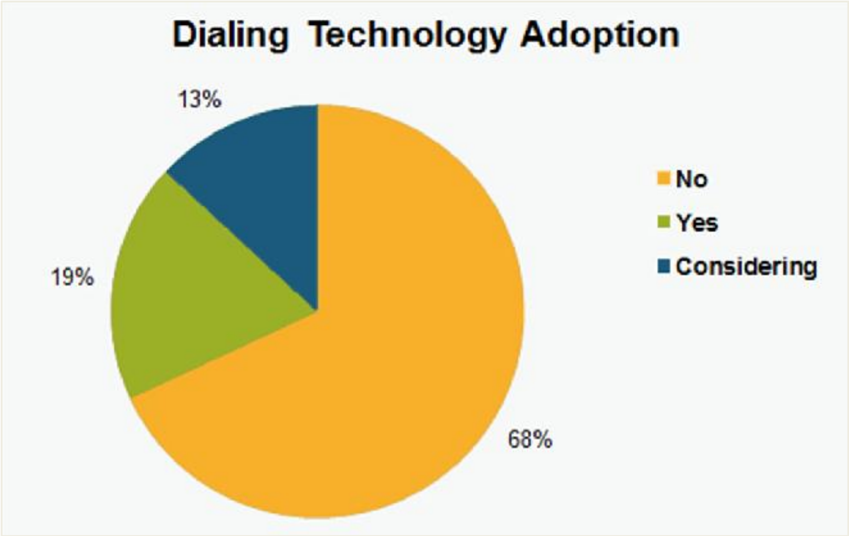
This year and in each other report we've produced, we have found that more conversations per day is correlated with higher quota attainment.

(*And yes, we did find statistical significance p= .05.*)



ARE YOU USING AUTOMATED / POWER DIALING TECH?

Nineteen percent of companies are using these technologies

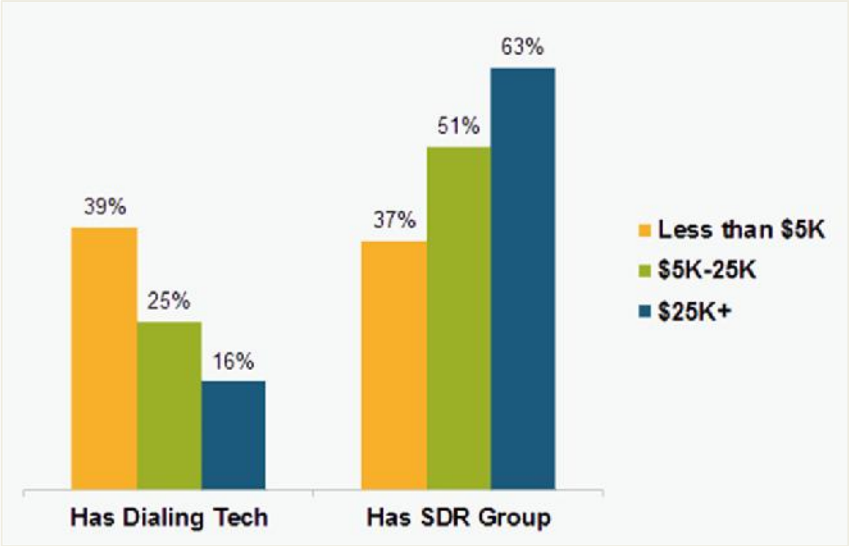


In terms of results, teams using dialing technology engage in **18% more** conversations per day.

USING DIALING TECHNOLOGY	
No	6.1 meaningful conversations per day
Yes	7.2 meaningful conversations per day

Teams that *are not* front-ended by SDR groups are **1.6X more likely** to use dialing technology than those that are.

For some companies, providing closing reps with dialing technology can serve as a replacement for SDR support. You can see adoption by ASP below.

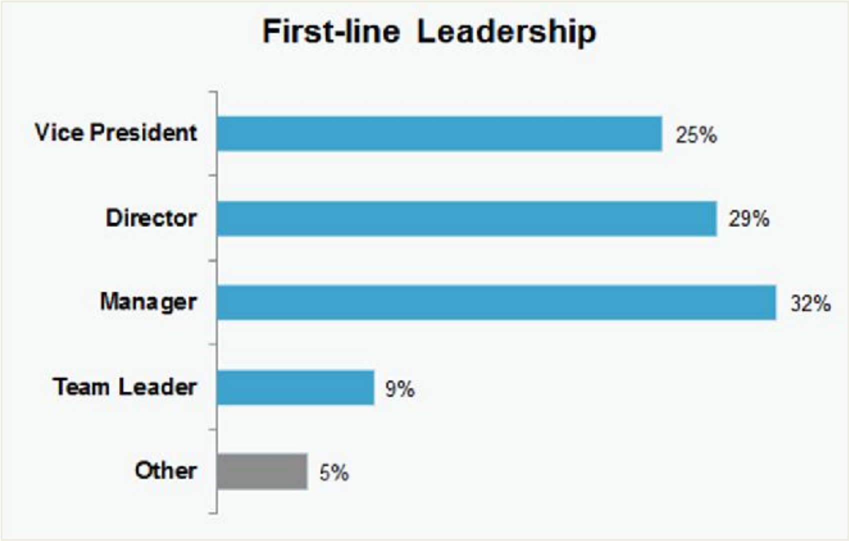


5

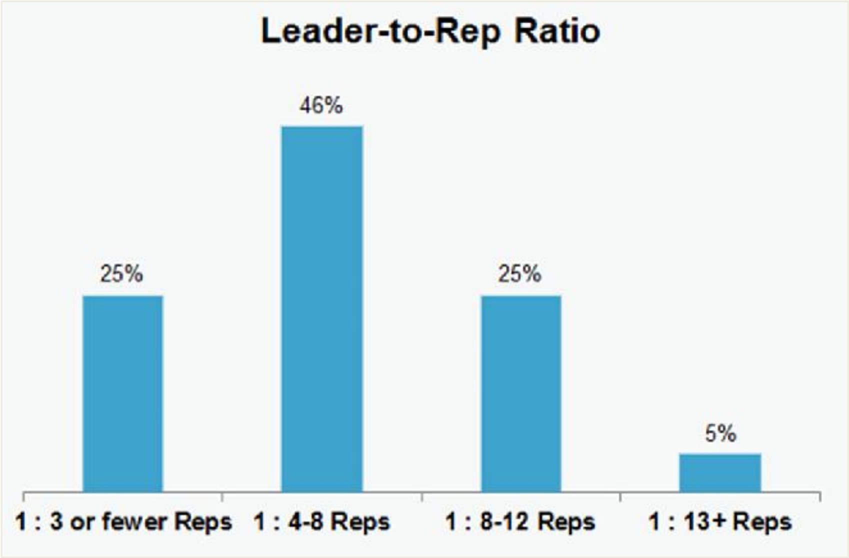
Sales Leadership

WHAT IS THE TITLE OF THE GROUP'S DIRECT LEADER?

Executives with **Manager titles** lead the largest share of groups.



The ratio of leader remained steady at **1:7**.



Direct manager to rep ratio needs to take into account:

- **The skillsets of the reps**
  Reps with less experience will require more coaching and mentoring

- **The sophistication of your strategy**
  The more sophisticated your sales strategy, the more time you will need to spend with each rep.

LEADER COMPENSATION

OTE TRENDING		
	2012	**2015**
MANAGER	$135K	**$147K**
DIRECTOR	$178K	**$172K**
VICE PRESIDENT	$212K	**$215K**

Leader compensation has remained flat since 2009.

Much like rep OTE, target income rises as ASP increases.

LEADERSHIP OTE *BY ASP*				
	< $5K	**$5-25K**	**$25-100K**	**$100K+**
MANAGER	$121K	$145K	$149K	$173K
DIRECTOR	$140K	$161K	$178K	$184K
VICE PRESIDENT	$168K	$197K	$203K	$263K

TOP CHALLENGES

We asked respondents to identify their top two challenges in managing their groups.

In previous years, responses to this question suggested we were in a 'mastering tools & technology' phase.

Now, it appears we are struggling with 'leading & motivating people' (recruiting, ramping, and developing).

Based on separate research, we recently published an ebook on this topic. You can learn about the **4 Pillars for Motivating & Retaining Sales Reps**.

ABOUT THE BRIDGE GROUP, INC.

Shameless self-promotion

I hope you've found this research useful. If you have any questions or comments, please let me know. I'm always interested to hear from the Inside Sales community.

Thank you!

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We're an Inside Sales consulting & implementation firm. We help inside sales leaders make the big decisions: on implementation strategy, process, technology, and tools.

We've worked with 250+ technology clients, helping them increase AE productivity, drive higher conversion from leads to revenue, and maximize SDR performance.

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