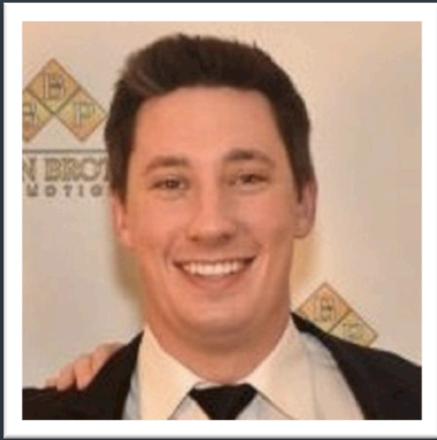


Collaborative Compensation

AGENDA

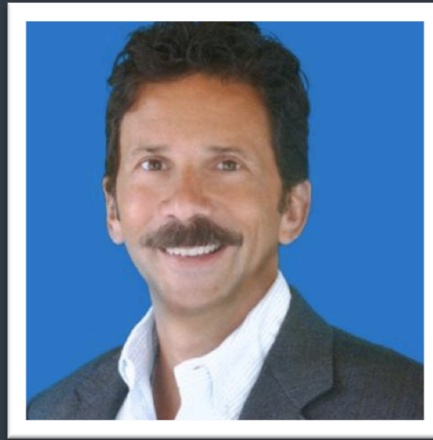
- 1 Today's Speakers
- 2 A Brief Story About This Plan
- 3 The Problems With Commissioned Sales Plans
- 4 Walk-Thru Of A Collaborative Plan In Action
- 5 Key Takeaways

TODAY'S SPEAKERS



David Shepherd

HubSpot



Rick Kranz

OverGo
STUDIO



David McNeil

HubSpot

The Problems with Commissioned Sales Plans

- They create a zero sum game mentality. “What percentage do I get?”
- They create a sense of entitlement on recurring revenue accounts
- It is tough to change percentages once established
- They can discourage constant improvement



The Problems with **Commissioned Sales Plans**

What percentage is going to be good for your agency ?

The Problems with **Commissioned Sales Plans**

What is Your Gross Profit Margin Today?

What is Your Net Profit Margin Today?

What Will They Be in Two Years?

What If **There** Was a **Plan** That:

- Aligned perfectly with your business goals each year
- Could be changed easily as market conditions evolved
- Encouraged your salespeople to improve each year
- Could be customized by salesperson to meet their professional goals
- Kept your sales team focused on your business goals
- Allowed adjustment as your GP and NP margins mature



Collaborative Compensation For Sales Teams



This Year's Business Goal

5 New Retainers

Average of \$6,000/month

5 New Retainers

X

\$6,000/month

=

\$360,000

But What is it Really Worth
This Year?

This Year's Earned Revenue \$150,000

Month	Sales
1	
2	
3	
4	6,000
5	12,000
6	24,000
7	36,000
8	54,000
9	72,000
10	96,000
11	120,000
12	150,000
Total	150,000

What Commission Do You Pay on \$150,000 ?

10% ?

15% ?

20% ?

**What About Next Year When the
Remaining \$210,000 Comes In?**

**What About New Deals
And Renewals Too?**

What Can You Afford To Pay

For \$150,000 in Additional Revenue?

- You're making an investment in sales
- \$210,000 more coming next year
- Potential multi-year renewals

Collaborative Compensation

You both agree on sales compensation based upon these goals:

5 New Retainers Avg. \$6k/month - \$150,000 in Earned Revenue 1st Year

Salesperson	Wants to make	Needs to Survive	Base	Bonus	Target Comp
Beth	\$50,000	\$36,000	\$36,000	\$20,000	\$56,000

So That's 13% Commission?

Nope

Collaborative Compensation

Targets, Triggers, Bonuses

	Target	Number of Triggers	Trigger Value
Target Sales	\$150,000	8	\$18,750
Target Bonus	\$20,000	8	\$2,500

Note: You can pick any number of triggers. However less than 10 triggers could mean a long stretch between bonus payouts so be careful of that.

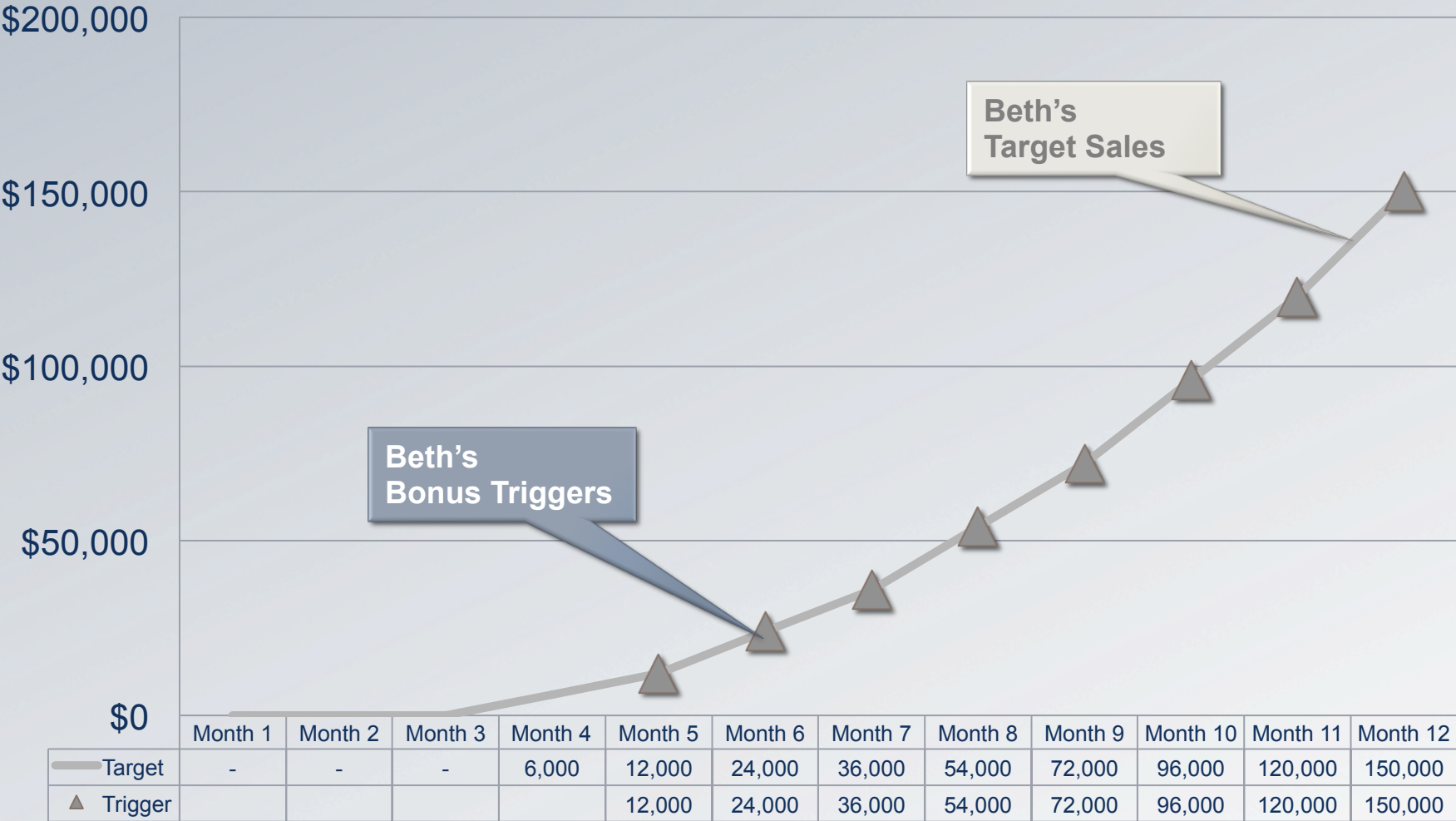
It is best to keep bonus payouts equal. In this example they are \$2,500 each. It is not necessary to keep the triggers equal. As you will see in the next slide we chose to adjust the triggers to allow for easier wins earlier in the year.

Collaborative Compensation

Targets, Triggers, Bonuses

Month	Target Sales	Triggers	Bonus
1			
2			
3			
4	6,000		
5	12,000	◆	1,500
6	24,000	◆	1,500
7	36,000	◆	2,000
8	54,000	◆	2,500
9	72,000	◆	3,000
10	96,000	◆	3,000
11	120,000	◆	3,000
12	150,000	◆	3,500
Total			20,000

Collaborative Compensation



Fast Forward to Month 8

Beth closes 2 new clients during the first 8 months

	Sales								
Month		1	2	3	4	5	6	7	8
1	\$0								
2	\$0								
3	\$0				Client 1				
4	\$6,000				\$6,000				
5	\$6,000				\$6,000				
6	\$6,000				\$6,000				
7	\$6,000				\$6,000				Client 2
8	\$13,000				\$6,000				\$7,000
Total	\$37,000								

Collaborative Compensation



	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Target	-	-	-	6,000	12,000	24,000	36,000	54,000	72,000	96,000	120,000	150,000
Trigger					12,000	24,000	36,000	54,000	72,000	96,000	120,000	150,000
Actual	-	-	-	6,000	12,000	18,000	24,000	37,000				

Beth's Compensation as of Month 8

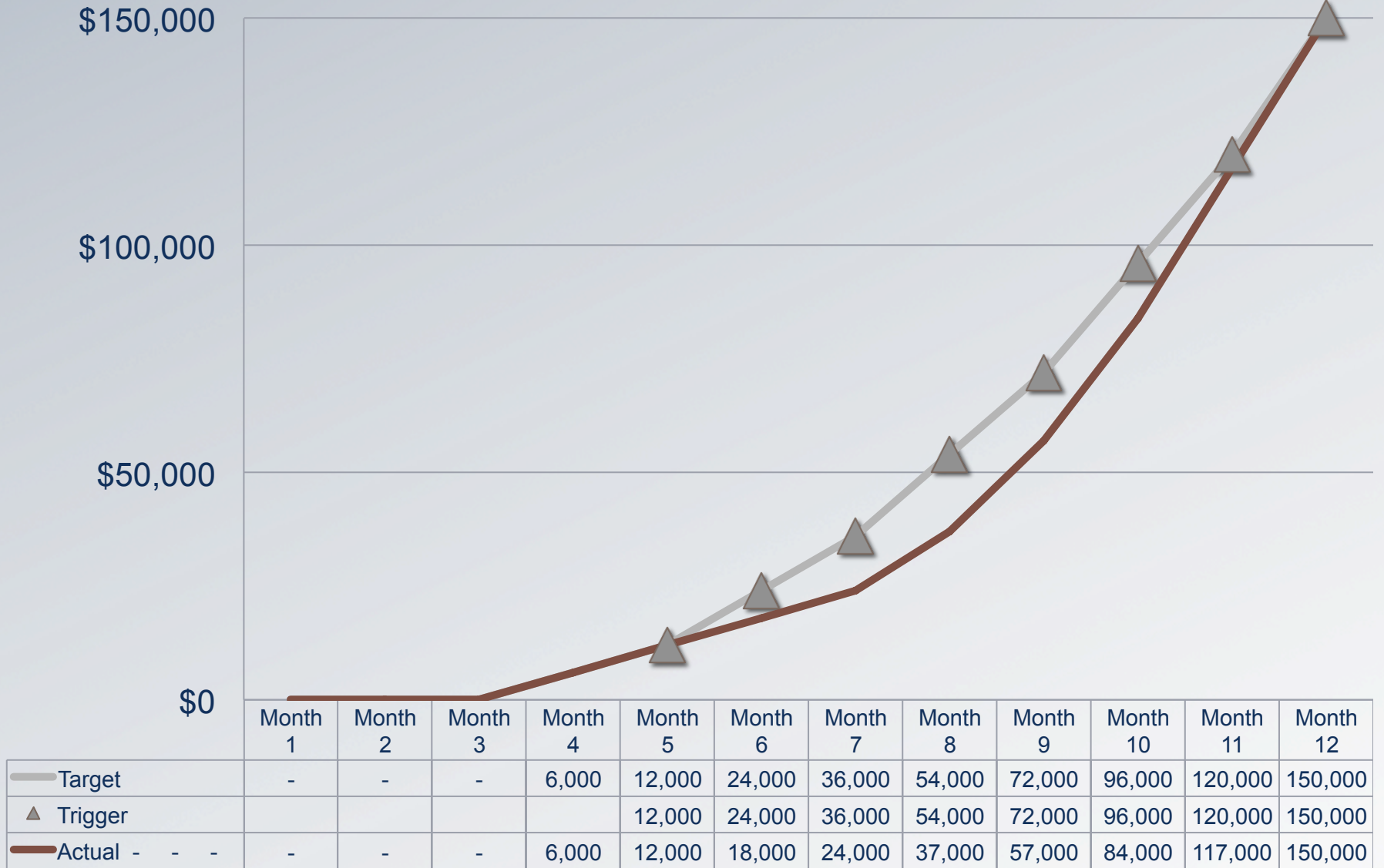
Month	Cumulative Sales	Trigger Points	Base	Bonus	Total Paid
1	0		\$3,000		\$3,000
2	0		\$3,000		\$3,000
3	0		\$3,000		\$3,000
4	6,000		\$3,000		\$3,000
5	12,000	12,000	\$3,000	\$1,500	\$4,500
6	18,000	24,000	\$3,000		\$3,000
7	24,000	36,000	\$3,000	\$1,500	\$4,500
8	37,000	54,000	\$3,000	\$2,000	\$5,000
Comp to Date			\$24,000	\$5,000	\$29,000

Fast Forward to Month 12

Beth closes 5 new clients during the first 12 months

Month	Sales	1	2	3	4	5	6	7	8	9	10	11	12
1	\$0												
2	\$0												
3	\$0				Client 1								
4	\$6,000				\$6,000								
5	\$6,000				\$6,000								
6	\$6,000				\$6,000								
7	\$6,000				\$6,000			Client 2					
8	\$13,000				\$6,000			\$7,000	Client 3				
9	\$20,000				\$6,000			\$7,000	\$7,000	Client 4			
10	\$27,000				\$6,000			\$7,000	\$7,000	\$7,000	Client 5		
11	\$33,000				\$6,000			\$7,000	\$7,000	\$7,000	\$6,000		
12	\$33,000				\$6,000			\$7,000	\$7,000	\$7,000	\$6,000		
Total	\$150,000												

Fast Forward to the End of 12 Months



Results and Next Year's Plan

First Year	Total Sales	Triggers Hit	Base	Bonus	Total Paid
Beth's	\$150,000	8	\$36,000	\$20,000	\$56,000

Year 2

Planning Next Year		Total
Remaining Balances	5 accounts	\$246,000
Potential Renewals	5 accounts	\$150,000
Total Potential Recurring Sales		\$396,000

Collaborative Compensation

Planning Next Year

8 New Clients at \$7,000/month - (Contract value \$672,000)

\$371,000 in Earned Revenue

\$150,000 in Renewals

Beth's New Goals	Goals
New Sales	\$371,000
Contract Balances	\$246,000
Contract Renewals	\$150,000
Total	\$767,000

It's Clear Now Why Commission is a Problem

15% of \$767,000

Yikes!

Collaborative Compensation

You both agree on sales compensation based upon these goals:

8 New Clients at \$7,000/month - \$371,000 in Earned Revenue.

\$150,000 in Renewals & \$246,000 in Contract Balances

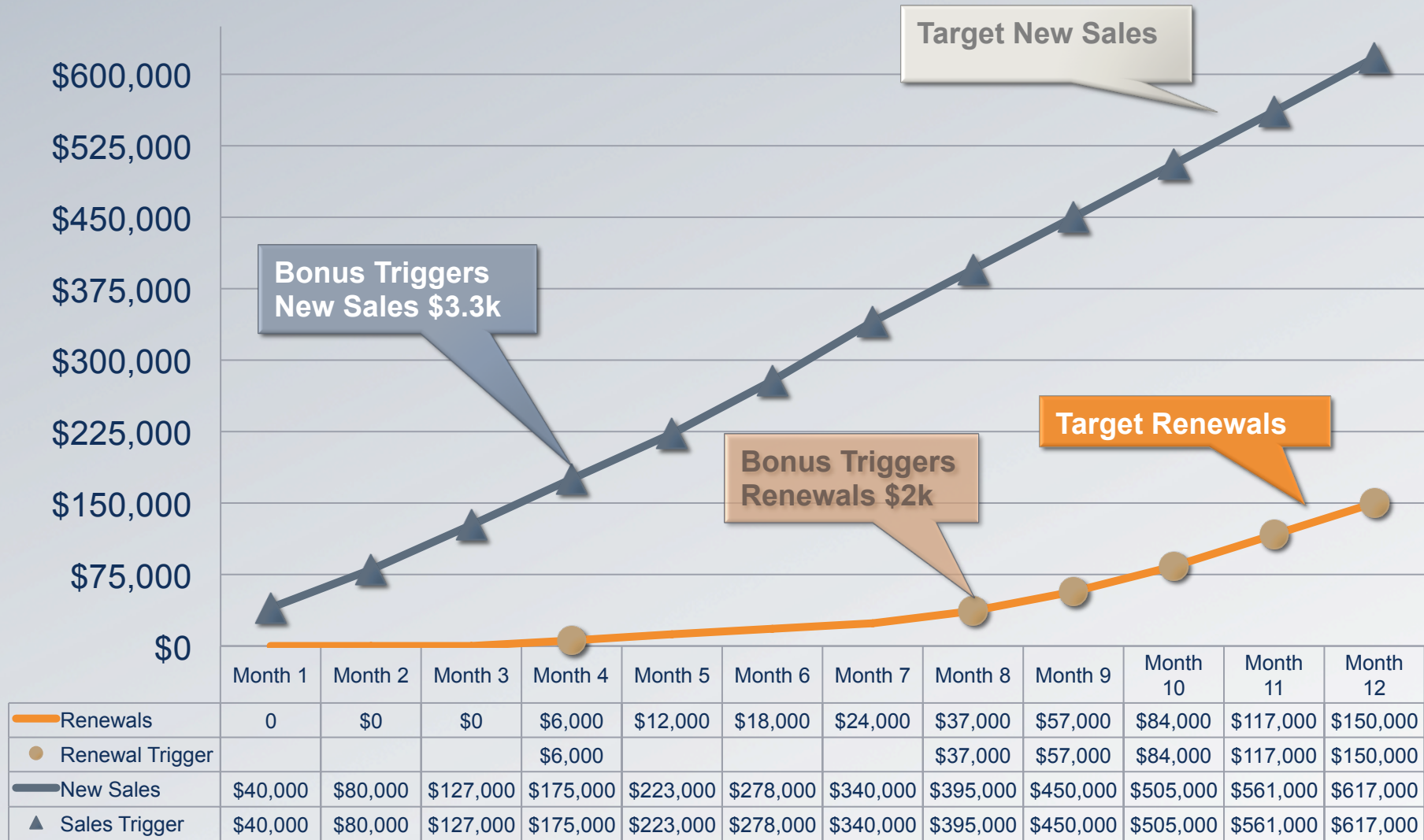
Salesperson	Wants to make	Needs to Survive	Base	Bonus	Target Comp
Beth	\$95,000	\$50,000	\$50,000	\$50,000	\$100,000

Note: Typically we would also create an accelerator for exceeding the goal

Planning Next Year

Beth's New Goals	Goals	Bonus	Triggers	Trigger \$
New Sales	\$371,000			
Contract Balances	\$246,000			
Balance & New	\$617,000	\$40,000	12	\$3,333
Contract Renewals	\$150,000	\$10,000	5	\$2,000
Total	\$767,000	\$50,000		

Year 2 Plan Includes Renewals & Balances from Year 1



Collaborative Compensation

Key Takeaways

- The focus becomes alignment
- Conversations about percentages stop
- Easy to adjust plan as your agency's margins mature
- Requires annual alignment with sales team

Next Steps

If you would like the excel sheets send me an email

Rick@OverGoStudio.com

Questions?

