

Collaborative Compensation for Sales Reps



Presented By
Rick Kranz

OverGo
STUDIO

What We'll Cover

- 1 A Brief Story About This Plan
- 2 The Problems With Commissioned Sales Plans
- 3 Walk-Thru Of A Collaborative Plan In Action
- 4 Questions

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 % is right 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 Reps



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 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

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

10% ?

15% ?

20% ?



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

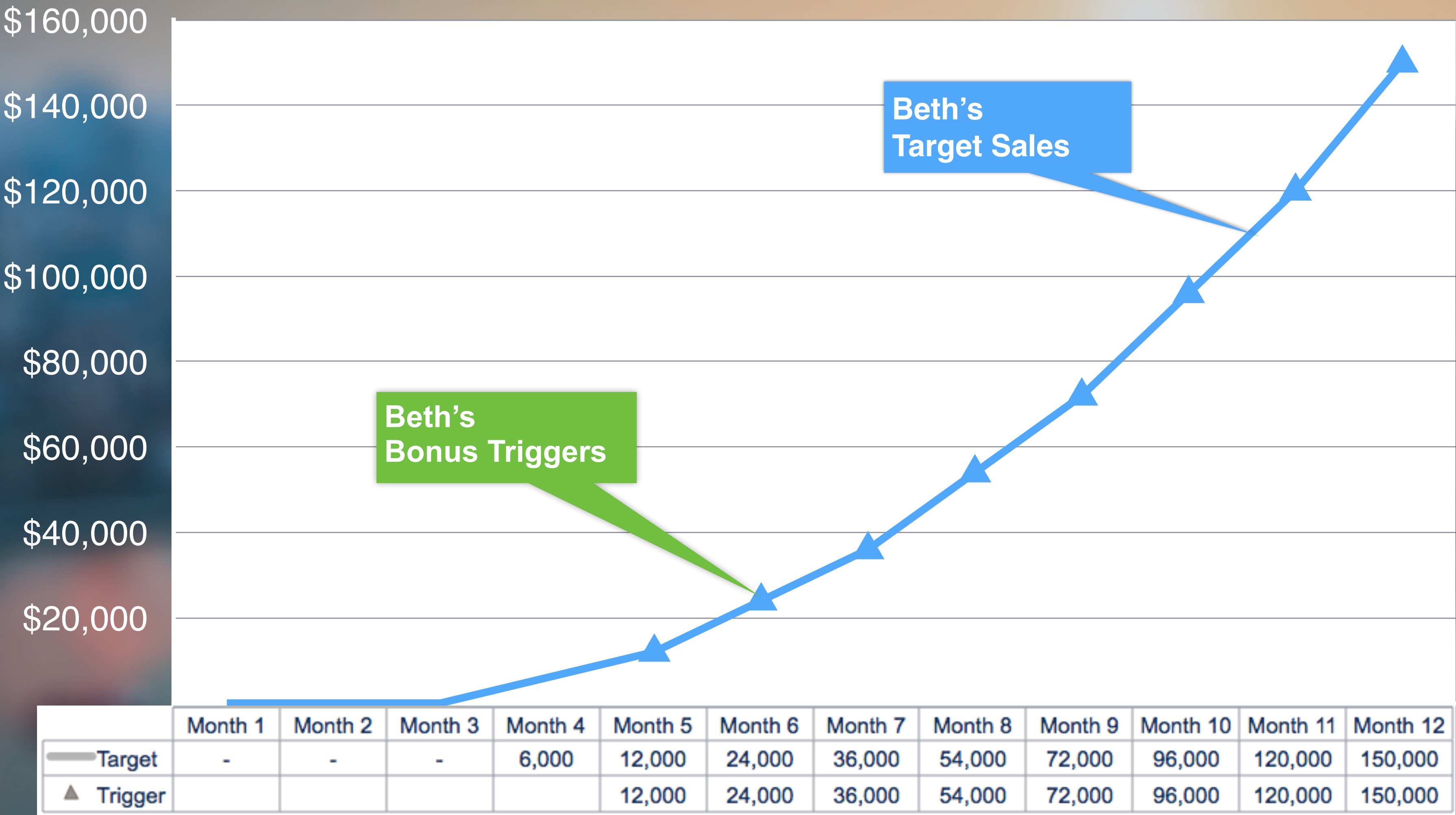
Targets, Triggers, Bonuses

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

Collaborative Compensation

Month	Target	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

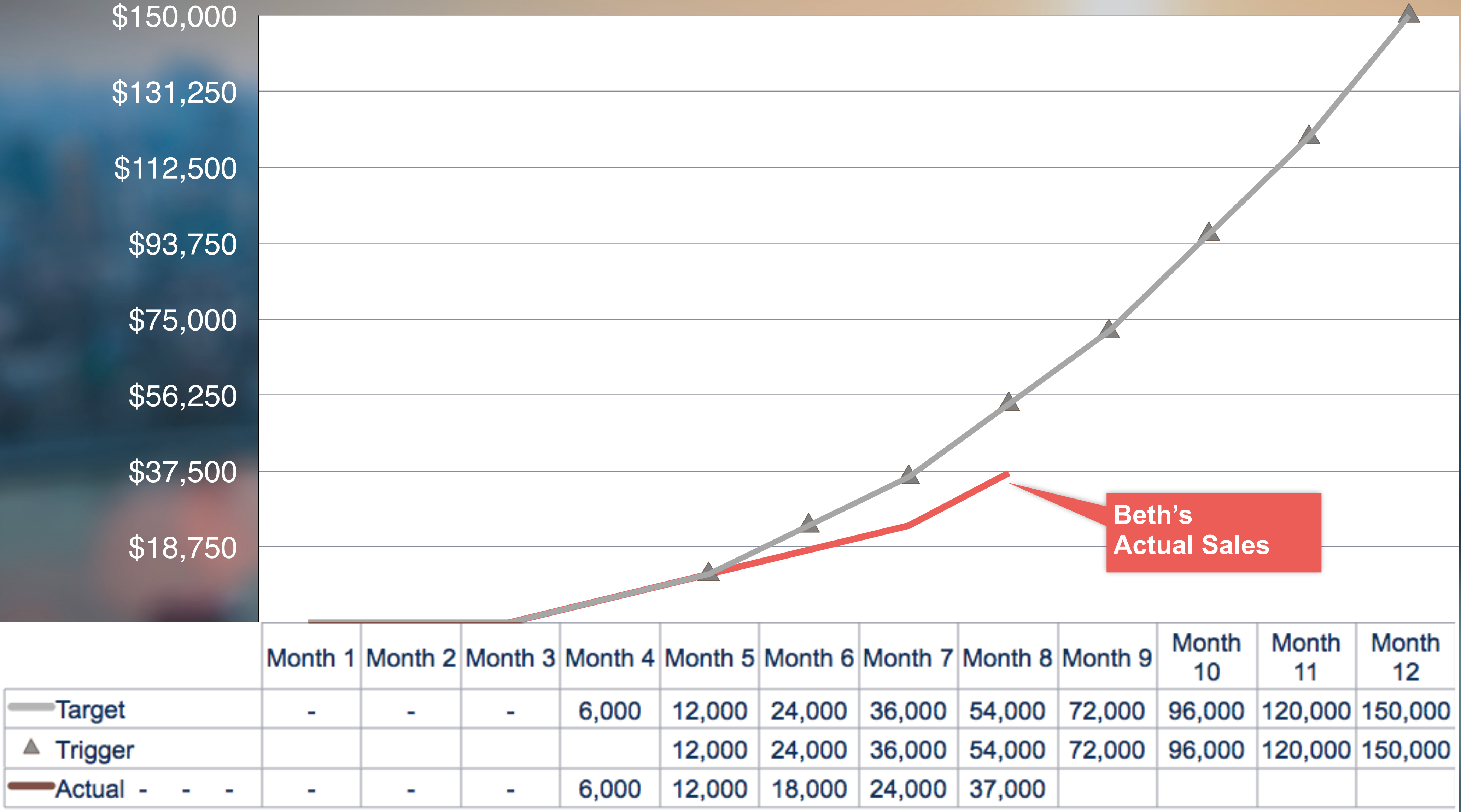


Fast Forward to Month 8

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



Beth's Compensation as of Month 8

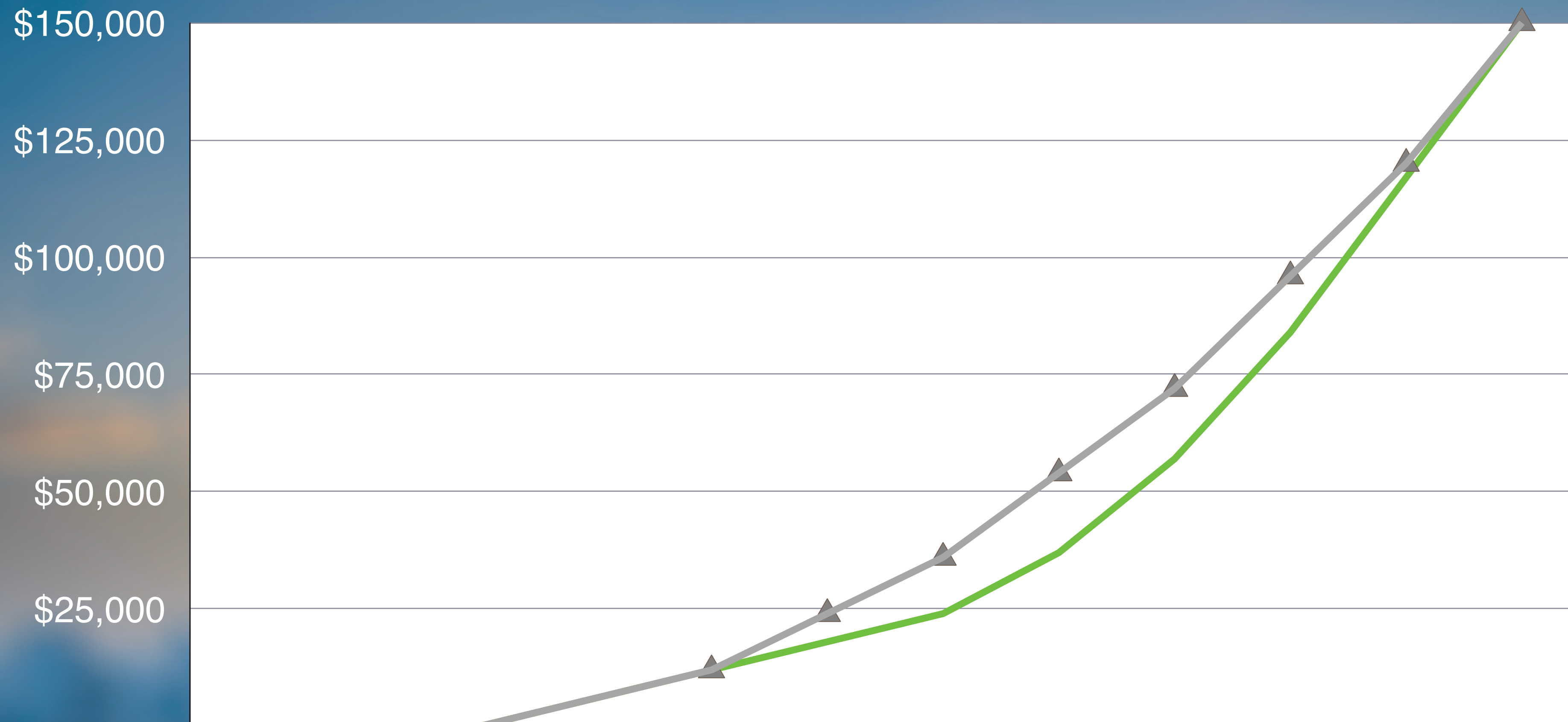
Month	Cumulative Sales	Trigger Points	Base	Bonus	Total Paid
1	0		\$3,000		\$3,000
2	0		\$3,000		\$3,000
3	0		\$3,000		\$3,000
4	6,000		\$3,000		\$3,000
5	12,000	12,000	\$3,000	\$1,500	\$4,500
6	18,000	24,000	\$3,000		\$3,000
7	24,000	36,000	\$3,000	\$1,500	\$4,500
8	37,000	54,000	\$3,000	\$2,000	\$5,000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

Fast Forward to Month 12

Beth closes 5 new clients during the first 12 months

	Sales												
Month		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

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

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

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

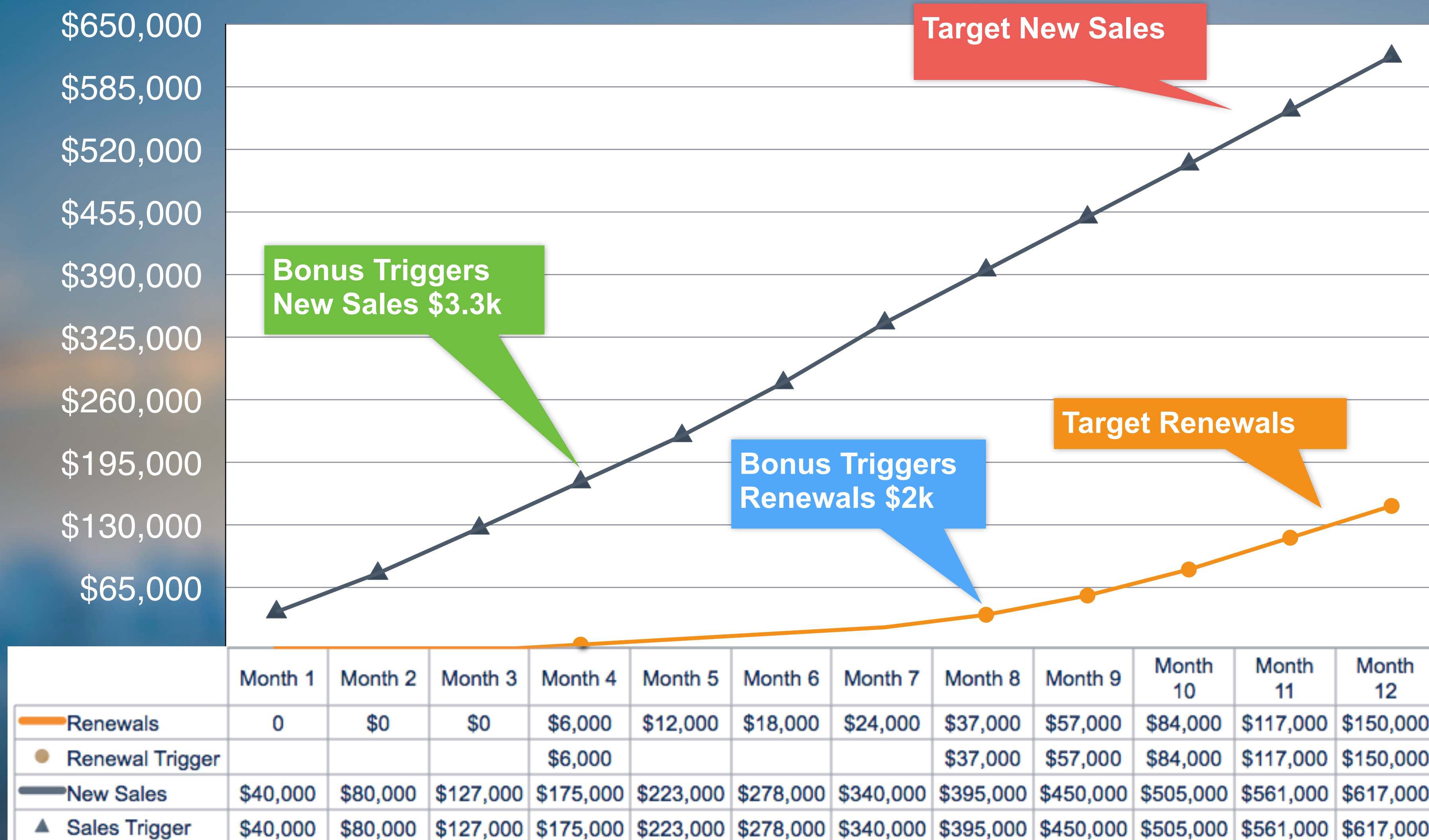
Salesperson	Wants to make	Needs to Survive	Base	Bonus	Target Comp
Beth	\$95,000	\$50,000	\$50,000	\$50,000	\$100,000

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

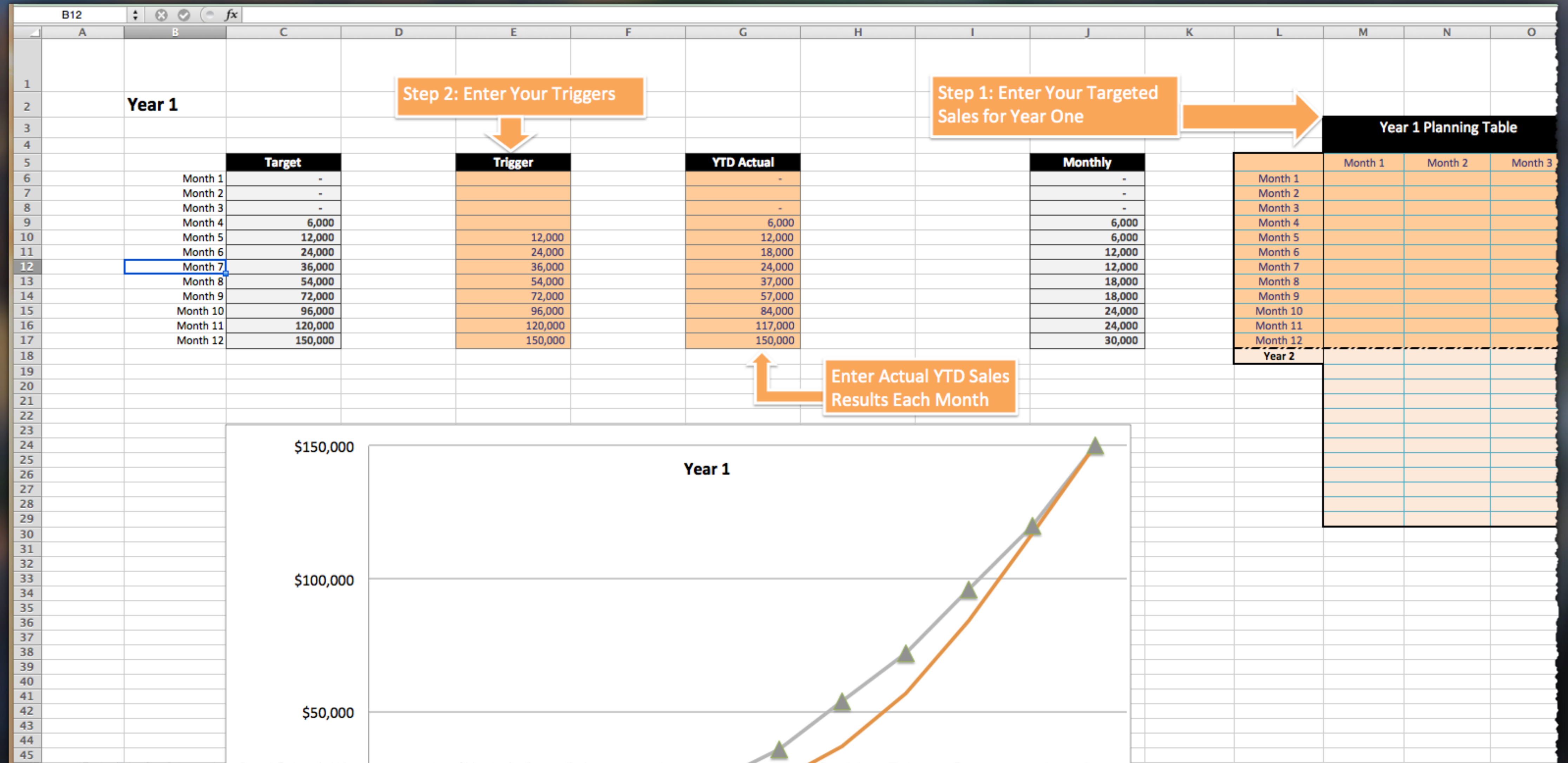
Planning **Next Year**

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



Spreadsheet Tool



Collaborative Compensation

Key Takeaways

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

Next Steps

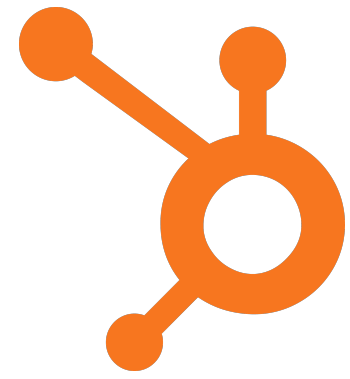
If you would like the excel sheets send me an email

rick@overgostudio.com

Questions?

OverGo
STUDIO





Next Up

Coffee / Snack Break in the Atrium. Then...

The Sales Acceleration Formula Using Inbound Selling

(Mark Roberge, HubSpot)

In Benioff

Marketing Innovations Show n' Tell

(SpinWeb, IMPACT, OverGo)

In Angelou

Re-targeting Strategies for Agencies

(John McTigue, Kuno Creative)

In Aristotle

How to Be a Hero With Sales Enablement for Your Clients

(Brooke Freedman, David Weinhaus, HubSpot)

In Walske