

SALES INCENTIVE PLANS

MYTH: Market practice is best practice

From the outside, it's easy to look at a successful sales organisation and think, "What they are doing must be right." But just because something is popular elsewhere doesn't mean it's best for you.

Those popular SIP design features may not even be effective where they're currently being used. In some industries SIPs are commonly adjusted each year. There's also no reason to automatically assume these plans will be effective and best fit for your situation. Even in the same industry, it's rare for competitors to have an identical sales strategy, sales process, sales force structure and culture.

Myth: There's a silver bullet to sales incentive design

The optimum
pay mix is
70:30

The perfect
pay level is
\$65,000

There is no
better KPI than
sales revenue
versus target

The best
weighting for
KPI is always
100%

A commission
rate of 2% is
proven to be
the best

Plans with
quarterly
payments
outperform

FACT: Following marketing practice means following the market. A much better strategy is to express your unique and differentiating business strategy in your SIP. A successful SIP is differentiated and aligned, not cookie cutter designed.

Mercer's data and deep market knowledge tell us:

- Good sales incentive design begins by respecting and responding to organisational differences
- Simplicity does not always equate to solution when it comes to SIPs. Some sales incentive solutions are necessarily complex, but complexity can be made elegant. In fact, it is common to have multiple plans tailored to individual needs within sales teams¹
- There is no universally optimal pay mix (e.g. 70:30)
- There are many sales performance indicators – not just revenue compared to target – and sales performance measures are becoming more team-based.

Our global data and local knowledge shows:

- Australian companies use a diverse range of sales incentive plans. While 65% of SIPs in Australia are "on target earnings based," commission and hybrid plans make up more than 25% of SIPs
- Tailored sales incentive plans that are aligned to the sales strategy, structure, process and cultural of your organisation result in cohesion, efficiency and higher ROI
- It's important to always remember that whilst market practice is a valuable input to the design process, it's not the automatic answer – i.e. an output or a "silver bullet"
- Market practice is important to SIP design in ensuring a competitive offering. However, pivotal decisions should be answered by the individual organisation
- Developing key design principles is crucial in producing an effective sales incentive plan. Mercer begin the process by comprehensively collecting data before undertaking rigorous analysis and diagnostics.

¹ Mercer, Australian Sales Incentive Survey (2018)

There are even significantly different sales incentive plans within organisations, usually customised for different types of sales roles, who use a different sales process. The key is finding the unique combination that matches your organisation's sales strategy, structure, process and culture.

Mercer's 'workshop thinking' and unique market overview means that we can rapidly review and design your SIP and recommend forward-thinking changes.

Changes that will align your strategy, culture and vision with a custom SIP that will keep your team performing.

Contact Mercer today and get 2020-ready.



David Heazlett
Principal
Mercer Consulting
david.heazlett@mercerc.com



Michael Moses
Principal
Mercer Consulting
michael.moses@mercerc.com