

DEVELOPING AN EFFECTIVE SALES COMPENSATION PLAN

PREPARE

- Determine your annual revenue goal and break it down into quarterly and monthly targets.
- Determine how much revenue will come from new business vs. existing customers.
- Determine how much of the goal should come from each salesperson.
- Develop your ideal client profile to enable your salespeople to focus on bringing in the type of business you really want.



CREATE

- The overall comp target (base plus commission = On Target Earnings).
- The percentage of base vs. commission (70/30, 80/20, 50/50).
- A clear definition of your ideal client.
- A breakdown of ideal clients by size, geography, or product line.
- The commission percentage by size of deal.
- The bonus for exceeding annual goal.
- A comp plan model that includes these components.



TIPS

- Keep it simple - easy to understand and easy to track.
- Make it attainable.
- Don't get cute - spiffs and contests rarely work.
- Don't cap commissions.
- Revisit and revise every year to keep it aligned with the company's objectives.

