

November, 2018





What we heard from Chief Sales Officers from a recent Hay Group survey:

Only **37%** feel confident about hitting their revenue target

68% say sales roles are more complex and require a greater need to develop career paths

Less than 50% report that their sales teams are effectively equipped to sell in today's market

Just 19% believe their sales force is focused on the right activities 79% would like their sales incentive plans to better differentiate top performers at their organization

Merely 31% believe they currently have the right talent in place



Sales Effectiveness: The sales performance model

World-class sales organizations look to align their business strategy and market focus to execute revenue growth. Sales organizations will group their sales functions in an organized and efficient structure to amplify results. Our Sales Performance Model (SPM) identifies the key sales practices needed to maximize objectives.

The Sales Performance Model

Go-to-Market Strategy	Customer Segmentation	Product & Service Segmentation	Sales Strategy	Value proposition for the customers and the business
Operating Model & Structure	Channel Definition & Coverage Model	Organizational Structure	Sales Process & Resource Deployment	Alignment of sales structures, channels and process
Sales Roles & Talent Strategy	Sales & Support Roles	Selling Competencies	Assessment & Leadership Development	Defining roles and behaviors for success
Performance & Productivity	Sales Targets & Quotas	Metrics & Performance Management	Sales Compensation & Rewards	Performance standards and rewards
Implementation & Support	Sales Operations & Technology	Communications & Engagement	Recruiting & Sales Training	Building a high performance organization to match overall strategy



Symptoms of Incentive Disconnect





The roles sales value matrix

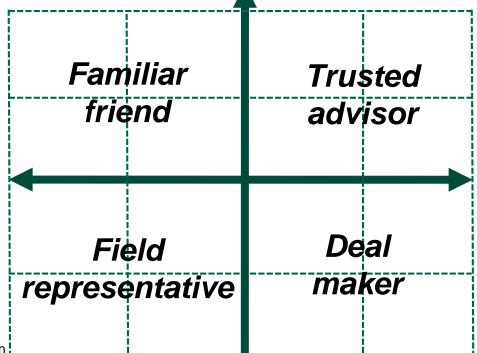
Where are your roles in the matrix?

Once we determine the role, we can benchmark the roles to typical plan design, pay-mix, competencies and other elements from our database.

- Do you keep customers satisfied and stock shelves?
- Are you selling up pushing promotions?
- Do you observe and report on condition of products?

Transactional

- Do you identify and qualify prospects?
- Do you "hook" the customer?
- Do you need to overcome buyer's obstacles?
- How quickly and often do you close sales?



Hunter

Farmer

- Do you leverage relationships
- Do you scan for new techniques?
- Are you mobilizing resources?
- Do you influence collaboratively?

Consultative

- Do you scan for opportunities?
- Do you focus on team selling?
- Are you adaptable and persistent?
- Do you influence through bold actions?

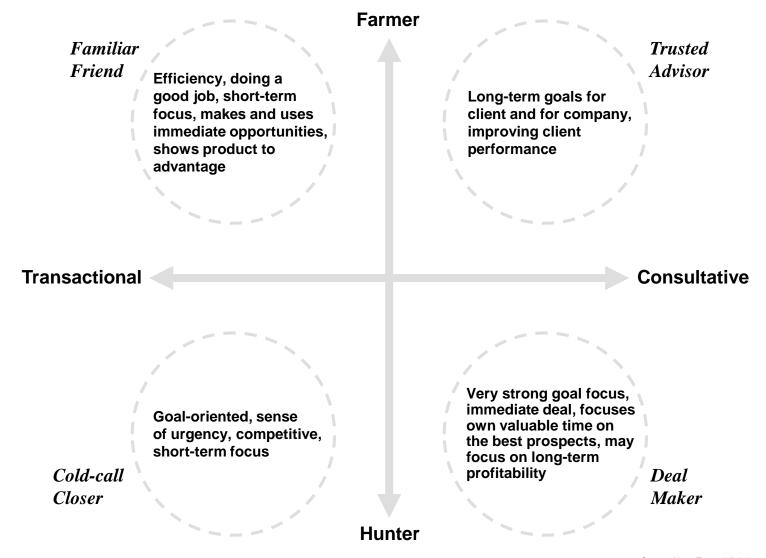


Sales Roles: Defining the Metrics of Success

Farmer Familiar Trusted Friend Advisor Client satisfaction Sales volume (repeat business) Product Sales volume placement (driven by client Customer satisfaction) satisfaction Profitability **Transactional** Consultative Number of Volume of new sales new Sales volume business Staying within Profitability – the rules **Long Term** · Efficiency (e.g., • "Locked-in" Cold-call Deal calls per hour) Relationship Closer Maker Hunter

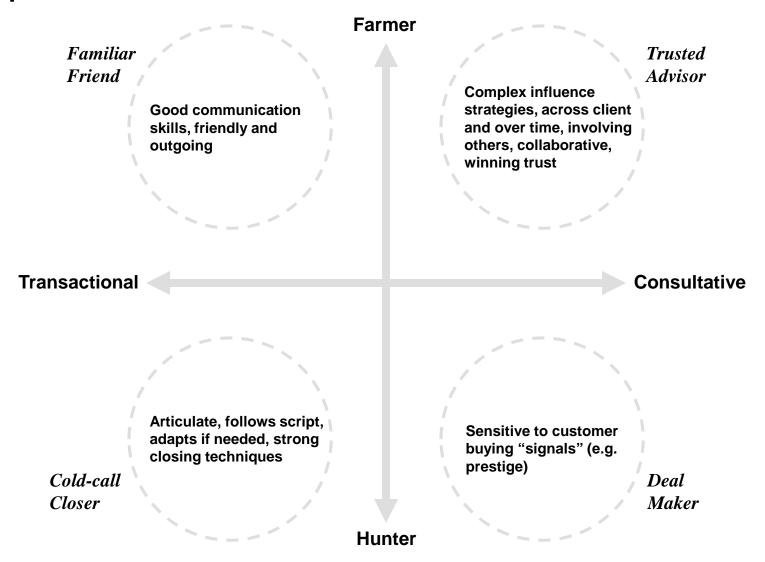


Sales Roles and Competencies: What does Achievement Look Like?



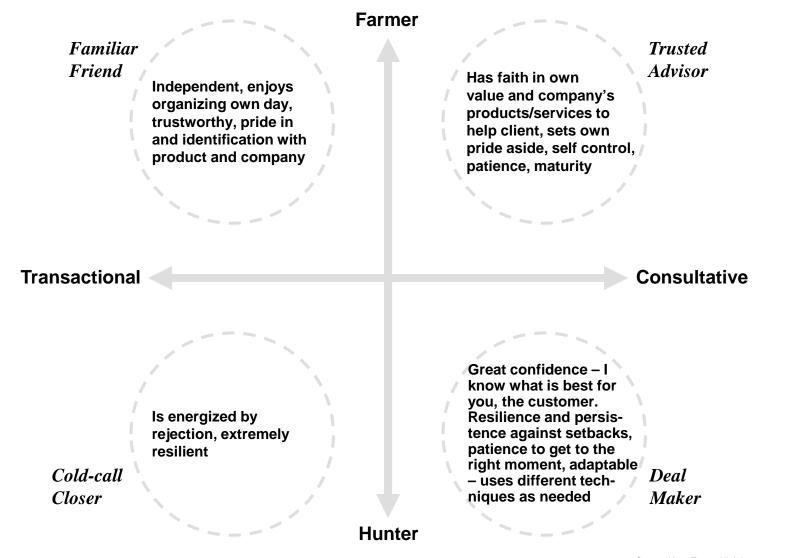


Sales Roles and Competencies: What Type of Influence Skills are Required?





Sales Roles and Competencies: What does Self Confidence Look Like?





We develop the whole person: Korn Ferry's Four Dimensions of Leadership and Talent

Competencies

Skills and behaviors required for success that can be observed.

FOR EXAMPLE

Decision quality, strategic mindset, global perspective and business insight.

Experiences

Assignments or roles that prepare a person for future opportunities.

FOR EXAMPLE

Functional experiences, international assignments, turnarounds and fix-its.

WHAT YOU DO

WHO YOU ARE

Traits

Inclinations, aptitudes and natural tendencies a person leans toward, including personality traits and intellectual capacity.

FOR EXAMPLE

Assertiveness, risk taking, confidence and aptitude for logic and reasoning.

Drivers

Values and interests that influence a person's career path, motivation and engagement.

FOR EXAMPLE

Power, status, autonomy and challenge.



The Sales Function is Arguably the Most Sensitive to Change

A company could experience any number of changes in their sales organization:

- 1. Go-to-Market Strategy
- 2. Operating Model & Structure
- 3. Sales Roles & Talent Strategy
- 4. Performance & Productivity
- 5. Implementation & Support

Maintaining and improving the behaviors of sellers, to align to the sales model, is the best mechanism to ensure short-term success.

Sales compensation design review / adjustment provides the framework for driving behaviors through incentives.



Commission Plan: Profitable Growth

- Plan Design Overview
 - Monthly Commission with quota combines simplicity of a commission with a management-defined quota to help drive year-over-year growth
 - Commission rate is applied only to the dollars earned in the tier avoids holdback issues

	Monthly Tier Structure			
Measures (component)	Tier 1 = 3%*	Tier 2 = 5%* (6%* if unit goal is met)		
Revenue (Primary Business Line)	\$1 - \$135,000 ^{1*} (Quota)	\$135,001 – Uncapped*		
Measures (component)	Commission rate = 5%*			
Gross Margin (Cross Sell business line)	From \$1-Uncapped			

*Illustrative Rates & Tiers



Commission Plan: Building Territories

- Plan Design Overview
 - Quarterly tier structure for product sales
 - Tiered on meeting quota at dollar 1
 - Quarterly sales quotas
 - Premium commission rate paid at end of year for product sales and quarterly for service sales
 - YTD earned less YTD paid
 - For the first 6 months, we will have a monthly draw based on monthly performance against quarterly commission
 - No cap

Commission Rates by Country

Measure	Commission Schedule	Canada	US	France	Belgium	UK	Germany	Russia
	Tier 1	1.0%	1.0%	0.2%	0.4%	0.5%	1.0%	0.3%
Quarterly Product Sales	Tier 2	2.0%	2.0%	0.4%	0.6%	0.8%	2.0%	0.5%
	Tier 3	3.0%	3.0%	0.6%	1.0%	1.0%	3.0%	1.0%
Quarterly Service Sales	Tier 3 (paid at dollar 1)	3.0%	3.0%	0.6%	1.0%	1.0%	3.0%	1.0%



Scorecard Plan: Beyond Generating Demand

- Plan Design Overview
 - Quarterly payouts on Sales performance
 - Annual payouts on Personal Objectives
 - Payouts capped at 200% of target incentive opportunity for Sales and 150% for Personal Objectives

Sales Bonus Framework				Performance - Payout Matrix			
Measures (component)	Frequency	Weight		Threshold	Target	Stretch	
Sales	Quarter	60%	Perf:	80%	100%	150%	
(individual or team)	Quarter		Pay:	50%	100%	200%	
Personal objectives	Annual	40%	Perf:	80%	100%	150%	
Personal objectives	Alliluai		Pay:	50%	100%	150%	



Sr. Sales Rep: Direct Drive plans

- Example pay levels:
 - \$80,000 base (100% of proposed control point)
 - \$19,000 incentive target
 - Target \$14,000 for quarterly commission.
 - \$1 for every \$330 in gross sales below quota
 - \$1.15 for every \$330 in gross sales above quota
 - Target \$5,000 for annual bonus:

Total Cash				
Year 3	\$90,927			
Year 2	\$76,175			
Year 1	\$87,560			
Target	\$100,809			
Stretch*	\$112,809			

Cross Sell	Perf.	\$500K	\$667K	\$834K	\$1,000K	\$1,167	\$1,334K	\$1,500K
Bonus	Payout	\$1,250	\$1,667	\$2,084	\$2,500	\$3,333	\$4,166	\$5,000
Target	Perf.	4%	6%	8%	10%	12%	14%	16%
Account Growth	Payout	\$1,250	\$1,667	\$2,084	\$2,500	\$1,667	\$2,084	\$5,000



Plan framework overview

Nationa	National Brands		al Brands
		Regional Sales Director	30% leverageBonus on revenue
Business Development Manager	20% leverageBonus on target account growth and gross profit	Regional Sales Manager	attainment, cross- selling, target account growth
Senior Sales Rep	• TBD	Senior Sales Rep	25% leverageCommission on volume shippedBonus on cross-
		Sales Rep	selling, target account growth
		Trainee	5% leverageTeam volume achievement



Plan Terms and Conditions

- Purpose
 - Avoid confusion when the unexpected arises
 - Protect company and employee
- Development
 - Set in advance and defined in writing
 - Approved by the company's legal counsel
- Two main types
 - 1. Incentive plan qualifiers
 - 2. Employee administration



Plan Qualifiers The "Sales Event"

Timing	Explanation
Prior to sale	Milestones
Booking	When order is accepted by company
Shipment	Order leaves company
Invoice	Bill is sent to customer
Installation	Product is installed at customer site
Payment	Monies are received from customer by company
Combinations	Any of the above



Concepts of Proper Communication

- Plan based on company strategy / objectives
- Change ideas from multiple stakeholders
- Heavily tested from many perspectives
- "Ownership" of sales management
- Multiple communication levels



Face-to-Face Roll Out

Event	Media	Key Messages
National / regional sales meeting	Prepared presentationConcept video / slidesQ&A	Supporting strategyRationale for changesExpected resultsSchedule
District / local meeting	Prepared presentationSlides / overheadsHandoutsWritten plan documentQ&A	Objectives to meetKey plan changesPlan mechanicsExamplesHow to maximize pay
Supervisor's personal meeting with salesperson	 Notes on key messages (prepared outline) Written plan document Earnings impact report Memo of receipt to sign Q&A 	Pay plan detailsPersonal pay impactRequired behavioral changes



Written Plan Document Sections

- 1 Company sales strategy
- 2 Plan objectives and core job responsibilities
- 3 Summary of plan features
- 4 Detailed plan components
- 5 Calculation examples
- 6 Plan qualifiers
- 7 Administrative provisions
- 8 Appendix

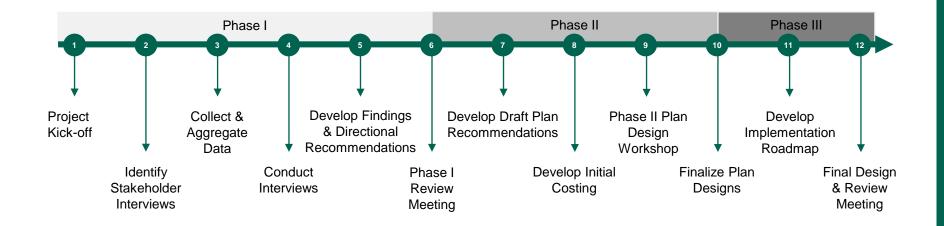


Ongoing Communication

- Reinforce the theme
- Accompany performance statements
- Include other specific information



Project Roadmap: Where are we today?



- The Project Team has completed:
 - 70+ data items gathered across 13 LoBs/Groups ["Areas"]
 - 5 stakeholder interviews and 12 focus groups
 - Development of findings (in-progress)
- Our conversation today will influence the following two phases of work



Thank you

