

Media Tech Company Improves Incentives, Increases Gross Margins

Situation:

This digital media technology company sells products and solutions through multiple channels, including a global network of independent distributors, value-added resellers, dealers and retailers. Their direct sales channel consists of inside sales and e-commerce sites. Customer service and professional services are offered both directly and through third-party channels. The company recently created a single worldwide sales organization that spans multiple business units and brands, bringing four separate sales teams under a single management structure. With the consolidation, the company recognized the need to untangle the partially overlapping product and customer assignments across the sales organization. They also needed to assess and redesign its obsolete sales incentive program.

Solution:

Through interviews with sales teams and analysis of account and territory revenue performance by product, over time, Alexander Group clarified the newly-defined selling roles and developed alternative incentives and crediting rules. We then designed a set of compensation plans that emphasized revenue growth and new bookings. The new sales compensation solution was designed to create global consistency - including pay measures, a weighting scale, commission ramps and upside potential.

Benefit:

As the client continued its restructuring and consolidated operations around the world, the sales incentive program permitted the company to manage its cost of sales effectively and supported the transition to product/service solution provider.

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Challenge:

The company wanted to assess current sales plans against their own sales strategy and industry best practices, and prioritize areas for improvement. They also wanted to develop new incentive plans while ensuring that the expense to revenue ratio remains constant or decreases.

- * During its restructuring, the expense/revenue ratio remained constant at roughly 2.7%
- * One year after implementing the new sales and professional services structure, with the aligned incentive program, gross margins for services increased by 6.6%.