

# Redesigning European Sales Compensation Plans to Drive Growth

IP Leader: Paul Vinogradov | Project Leader: Jamie Riley

## The Situation



Revenue growth had become slow to flat for the Dutch division

of a global online advertiser. Leadership believed this was due in part to the lack of sales focus and performance. The current sales compensation plan wasn't helping matters, as it did not drive over-achievement or strategic behaviors that the company desired. Buyer behaviors were changing and the current transactional sales focus wasn't keeping up with an evolving marketplace, with buyers seeking longer-term contracts.

## The Challenge

The client needed to create focus on more strategic selling and foster a stronger pay for performance sales culture. They decided it was time to update the sales compensation plans to align to best practices, company principles and market realities. A new plan would help motivate and drive the desired behaviors and, as a result, the growth needed.

## The Solution

The Alexander Group, Inc. (AGI) completed an assessment of the sales strategy realities in the local market and their impact on sales compensation design. AGI then provided sales compensation best practices in conjunction with global client requirements as inputs into the design process to create and cost new plans. Working closely with sales leadership, sales operations, HR and finance, AGI drove a collaborative design process for the new program. AGI then facilitated approval of the new plans including local and corporate leadership. AGI provided guidance and expertise to support works council review and approval of the new program.

## The Benefit

The company's sales compensation plans align to new market and competitive realities. The newly designed plans were approved by all parties including work council. The client launched these new sales compensation plans in the subsequent quarter and is beginning to realize the growth desired.

# Assessment and Design:

Confirmation of strategic realities in local market and design to meet needs

### Summary Findings

**Finding Category**  
Sales Strategy Confirmation  
Interview Findings:

- 1. DIFFERENCES IN MARKET POS:** Marketplaces dictate different different areas to achieve
- 2. BLENDED JOBS DISCONNECT:** across new/existing business sales teams
- 3. CURRENT COMPENSATION PLAN:** tend to come in at or slightly downside than excellence p

**AGI sees three critical areas for invest:**

- 1 Strategy:** Do the plans meet current
- 2 Structure:** Are the plans aligned to ti
- 3 Management:** Are pay curves design

### Sales Compensation Plan Design Principles

**Goal**  
Enable commerce in p  
attracting, retaining and

**Guiding Principles**  
Strategy & Role Based Design  
Pay for Performance

**Component Guidelines**  
1 Eligibility  
2 Target Total Cash Comp  
3 Plan Types  
4 Pay Levels

**Support Elements**  
Financial Diligence  
Eff Comm

#### 2017 Proposed Plan: Programmatic Sales Manager

##### M1) Advertising Revenue Attainment 80% Weighting

##### M2) Team Revenue Attainment 20% Weighting

Measures	Weighting	Mechanics	Threshold	Excellence	Pay/Perf. Period
(M1) Automotive Advertising Revenue	80%	Bonus Formula	@ 85%	120%	Quarterly
(M2) Team Revenue Target	20%	Bonus Formula	@ 90%	110%	Quarterly
(M2) Revenue Mix (Mobile)	N/A	Modifier on M1	N/A	N/A	Semi-Annual

# Approval Communication:

Leadership role in gaining approvals from stakeholders including works councils

### Financial Impact Of Under Or Over Performance With Proposed Plan Designs

In accordance with the pay for performance philosophy, 2017 proposed plans will shift earnings from low performers to top performers

	Under performance					On-target	Over performance				
	75%	80%	85%	90%	95%	100%	105%	110%	115%	120%	
2016 Plan	€0	€3.8K	€7.6K	€11.4K	€15.2K	€19K	€25.3K	€31.5K	€38.0K	€44.3K	
2017 Plan	€0	€0	€0	€6.2K	€12.5K	€19K	€28.5K	€38K	€47.5K	€57K	
+/-	-	-20%	-40%	-27%	-14%	-	+17%	+34%	+50%	+67%	

Note: Figures were calculated on Auto team member assuming target incentive comp of €15,000 and strategic revenue mix attainment of 100%

### What Will The Impact Of These Changes Be?

Changes will offer more upside for top performers who achieve excellence and focus on strategic revenue goals.

**Assumptions:**  
Base Salary = €65,000  
Target Incentive = €35,000  
Revenue Quota = €1,000,000

**Quota Attainment Scenario 1:**  
M1 Quota Attainment = 90%  
M1 Revenue Booked = \$850,000

**Quota Attainment Scenario 2:**  
M1 Quota Attainment = 100%  
M1 Revenue Booked = \$1,000,000

**Quota Attainment Scenario 3:**  
M1 Quota Attainment = 110%  
M1 Revenue Booked = \$1,100,000

Scenario	2016 Plan Payout:	2017 Plan Payout:
Scenario 1	€21,000	€11,550
Scenario 2	€35,000	€35,000
Scenario 3	€58,100	€70,000

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