

A Software Company Looks at Benchmarks to Understand Reasons Behind Rep Turnover

IP Leader: Arshad Carim

The Challenge



A software company was experiencing sales rep

turnover at almost twice the industry benchmark rate. As revenue growth slowed, the rep turnover issue became much more costly. Sales management hired the Alexander Group to determine the cause of the issue and recommend solutions.

The Analysis

To diagnose the root cause of the high turnover, the Alexander Group evaluated the company's territory design, quota-setting and rep compensation methodologies.

Pay for performance data showed that rep quota attainment distribution was bimodal: nearly half of all reps were failing to achieve even 50% of their quota. As part of the analysis, the project team also ran a sales time benchmarking survey of all reps. Results showed that high performers, who were veteran reps, were spending considerably less time prospecting than their newly-hired, low-performing peers.

A territory analysis showed that newly-hired reps were given territories with little to no revenue potential, while veterans had been grandfathered into the best territories. In essence, the veteran high performers were leveraging existing accounts to drive sales, whereas new-hire low performers were forced to spend large chunks of their time prospecting new accounts with very little probability of success. Not surprisingly, the majority of reps who turned over were new to the company.

The final part of the Alexander Group's analysis looked at sales compensation plans. The client's plans had abnormal pay mixes, with very low base salary and high target incentive compared to benchmark. The plans also included aggressive accelerators for high performers and low payout for low performers, causing top performers to earn upwards of 2x benchmark and low performers to earn 50% below benchmark. This caused newly-hired, low-performing reps to not only struggle to succeed within their territories, but also to earn little to no variable pay until they reached their quota.

The Benefit

With inequitable territories, poor support and no clear path to high earnings, the outlook was bleak for newer reps, and they were leaving the company in droves. The Alexander Group recommended a new territory methodology, a quota relief policy and a new target incentive structure to correct the abnormal pay mixes, flatten the steep accelerators above target and increase incentives for reps below target.