



2024 Sales Compensation Trends Survey

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Alexander Group Overview

Revenue growth management consulting services to the world's leading marketing, sales and services organizations.

- ▶ Fact-Based
- ▶ Client-Focused
- ▶ Contemporary Expertise
- ▶ Results-Oriented

KEY INDUSTRIES



Business Services



Healthcare



Media & Consumer
Technology



Distribution



Life Sciences & Analytical
Instruments



Private Equity



Financial Services



Manufacturing



Technology

Alexander Group Overview



MANAGEMENT CONSULTING

Revenue growth strategy and execution

- ▶ Revenue Growth Specialists
- ▶ 3,000+ clients across industries
- ▶ Global 2000 focus



RESEARCH

Benchmark data

- ▶ Proprietary database of 10M+ data points
- ▶ 1,200+ sales forces
- ▶ 200,000+ unique sales time profiles



COMMUNITY

Connections and knowledge sharing

- ▶ Full calendar of revenue-centric leadership events
- ▶ Forums, symposiums, roundtables and webinars
- ▶ Insights Newsletter and LinkedIn group

Alexander Group Consulting Services

Alexander Group provides executives with **actionable data, insights and solutions** to **upgrade their commercial strategies and tactics**

Digital Strategy & Programs

What roles, tools and enablement are needed to drive a digital channel? What does it take to stand up a digital program?

Organization & Job Design

What is the optimal organizational structure across segments, particularly with complex teams?



Sales Productivity & Deployment Optimization

What are the most profitable sales channels? How many commercial resources are needed to win against competition or launch a new product?

Segmentation, Revenue Motions & Targeting Models

How do we prioritize customers in each segment to identify the highest potential new and expansion revenue?



Sales Compensation Design

Do compensation plans align with sales strategy and incentive design best practices? Are the supporting quotas robust enough to drive performance?

Commercial Strategy

Which strategic, structural and management levers are critical to drive profitable revenue growth?



Annual Commercial Planning

What adjustments are needed to strategy, structure, compensation and deployment to exceed next year's growth target? How are adjustments made while still meeting next year's cost budget?

Join Our Community



FORUM SERIES

Focused on strategy, operations and implementation, the annual Leadership Forum series of events provides participants with strategic and tactical insights from highly regarded speakers, executive panelists and the revenue growth experts at Alexander Group.



SUMMITS

Customized, half-day sessions designed for 10-12 senior executives to discuss specific, contemporary issues and key topics in an intimate roundtable setting. Invitation only.



ROUNDTABLES

Cross-industry and industry-specific discussions for senior revenue, sales and operations leaders. Held in person or virtually.



WEBINARS

Virtual events covering revenue, sales-centric and sales compensation topics for executives, sales, marketing, sales/commercial operations and HR/compensation leaders. Recorded webinars are available on-demand.



SYMPOSIUMS

Topic-focused, one-day events that combine Alexander Group research with deep insights from leading industry practitioners. Built around today's most important sales management issues and a unique opportunity to collaborate with peers.



SURVEYS & RESEARCH STUDIES

Alexander Group sponsors multiple industry-specific research studies each year, along with targeted client-sponsored surveys. Alexander Group sales compensation and sales pulse surveys are conducted annually.



SALES BENCHMARKING

The value of sales analytics rests in having quality data, client context and expert interpretation. Alexander Group-cultivated benchmarks provide quantitative insights to event and study participants.

LEARN MORE:
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2024 Sales Compensation Trends Survey Demographics

PARTICIPANT PROFILE

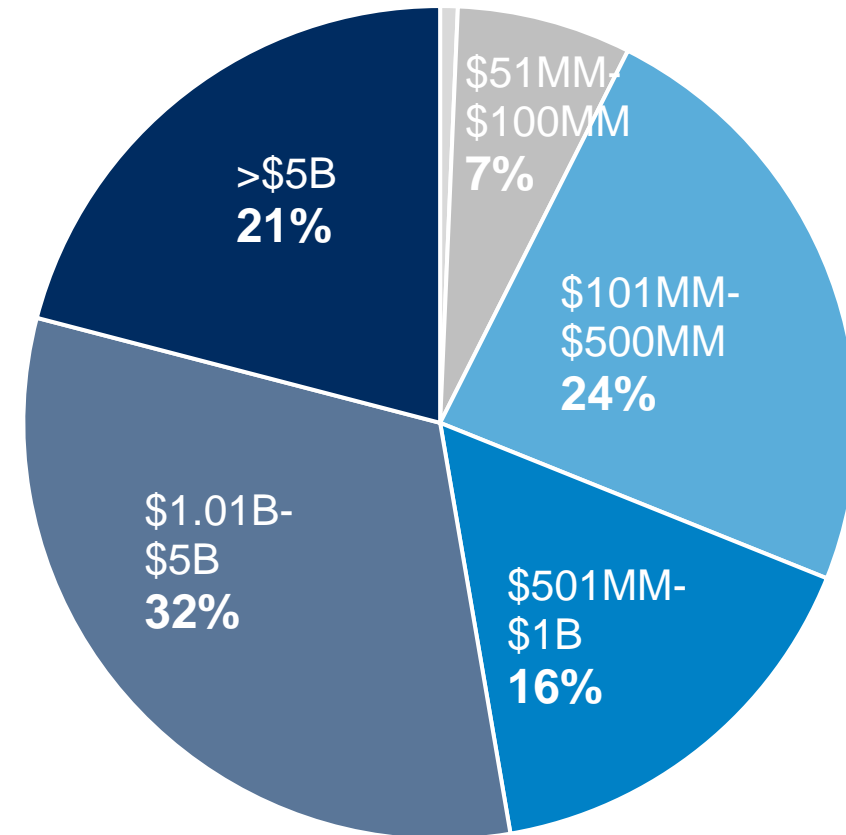
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Industries

- Business Services
- Distribution
- Financial Services
- Healthcare
- Life Sciences
- Manufacturing
- Media
- Pharma
- Technology

300+
Companies

- Vice Presidents
- Directors
- Managers

COMPANIES BY ANNUAL REVENUE



Executive Summary

Executive Summary



Companies Accelerate **Revenue Growth** and **Talent Investment**



Sales **Compensation Costs** are Climbing, Along with a Push for **Profitability and Productivity**



Lukewarm About Last Year's Plan Effectiveness, Companies Resolve to **Update Plans Next Year**



What's Driving Plan Changes? **Pay for Performance** and **Strategic Goal Alignment**



How Are Plans Changing? Pay for Performance and Strategic Goal Alignment Impact Specific **Plan Elements**



Talent Practices and Pay Are Also Changing Due to Evolving Workplace Models



Sales Compensation Program Management is Being Transformed by **Artificial Intelligence**

Companies Accelerate Revenue Growth and Talent Investment

Revenue **growth** is on the rise...



Companies **expect to grow 13%** in 2024, up **+3 pts** from 2023



Over half of sellers predicted to achieve **quota** and **target incentive** in 2024

...and companies **are increasing their talent investments**



61% expect to **increase headcount** in 2024, highest rate since 2019
Only **12%** expect to **decrease headcount**, down from 29% in 2023



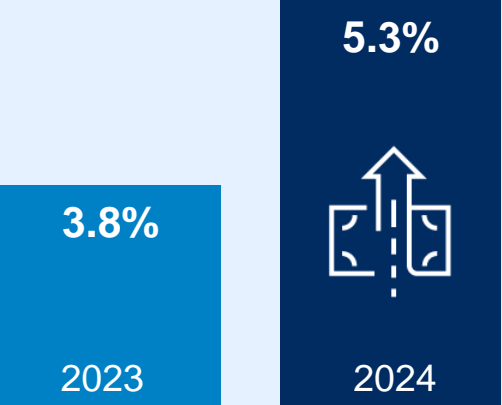
Employee turnover expected to fall to **9%** in 2024, from **14%** 2022 high



38% are changing which jobs are **eligible** for a sales comp plan

Sales Compensation Costs are Climbing, Along with a Push for Profitability and Productivity

Total compensation cost expected to increase at a *faster pace* in 2024



Total Compensation Cost Change from Previous Year

Increasing cost necessitates a high focus on **profitability and productivity** to maintain efficiency

✓ **PROFITABILITY**

Profitability is the #1 plan design change reason (**49%**)

! **PRODUCTIVITY & QUOTAS**

Productivity & Quotas are tied for the #1 plan design challenge (**47%**)

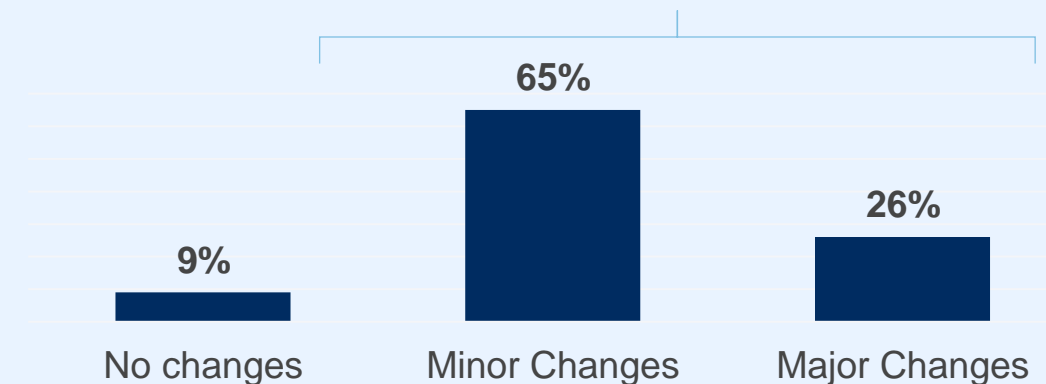
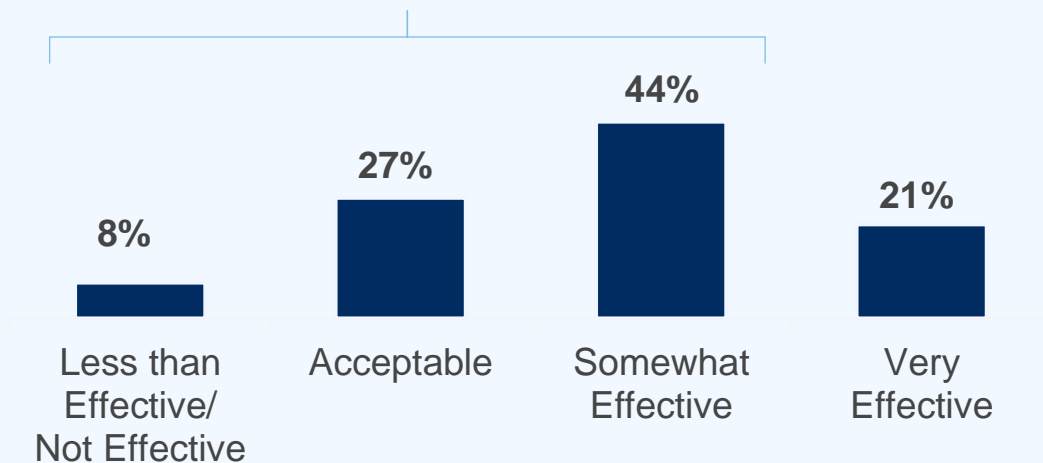
Lukewarm About Last Year's Plan Effectiveness, Companies Resolve to Update Plans Next Year

79%

Most companies feel that their plans can be **more effective**

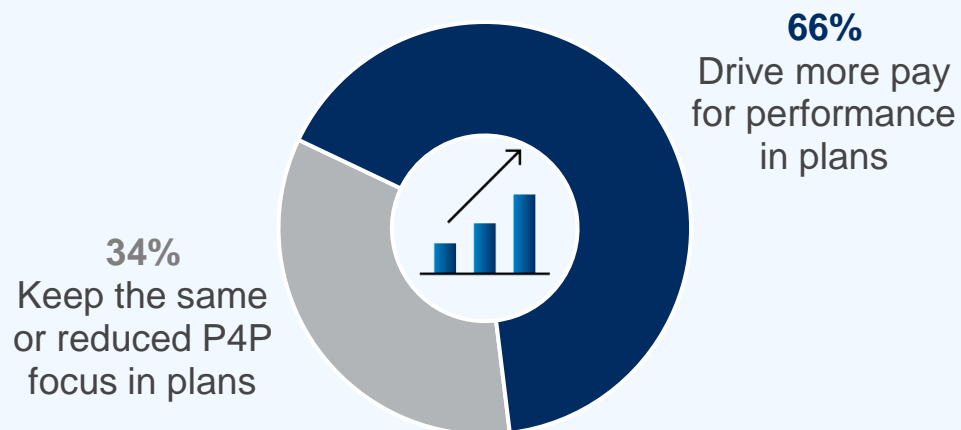
91%

Almost all companies are making changes to plans in 2024, up **+8 pts** from 2023 (**83%**)



What's Driving Plan Changes? Pay-for-Performance and Strategic Goal Alignment

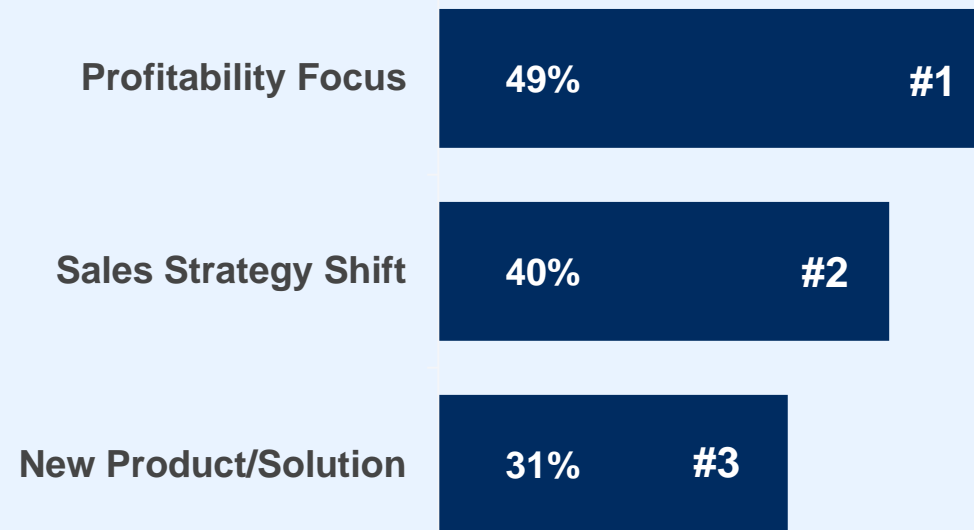
Two-thirds of companies drive more **pay-for-performance** in their plans



Alexander Group Insight

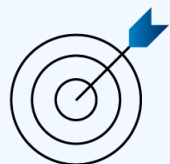
Pay-for-performance (P4P) plan design best practices include clearly linking business performance to rewards, driving individual accountability in the plan, aligning pay mix to degree of persuasion and differentiating between top and bottom performers

Top three 2024 **plan change reasons** focus on driving alignment with **strategic goals**



How Are Plans Changing? Pay-for-Performance and Strategic Goal Alignment Impact Specific Elements

2024 specific **plan changes** include

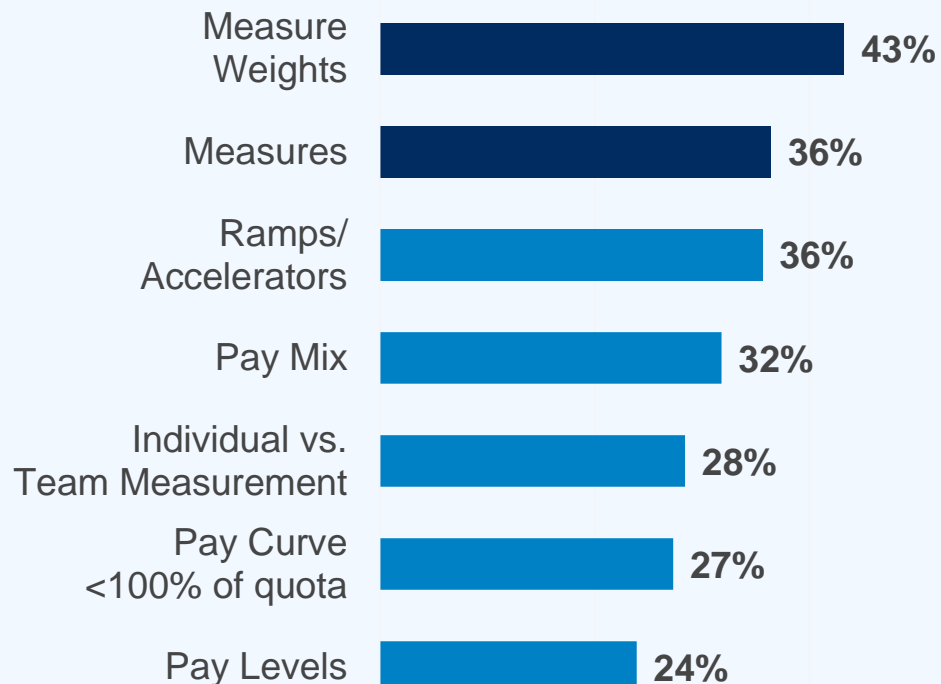


1) **measures** and **weights** to align plans to **strategic goals**



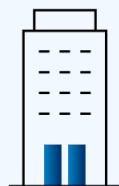
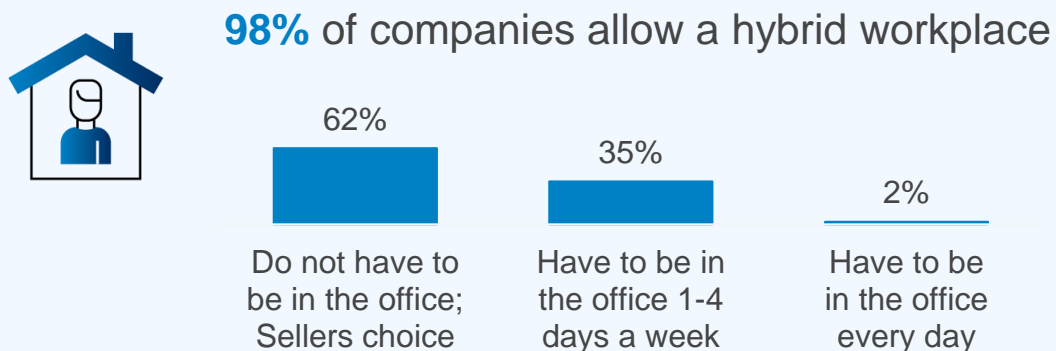
2) **pay curves**, **pay mix**, **pay levels**, and **team vs. individual focus** to drive **pay-for-performance**

2024 Plan Element Changes



Talent Practices and Pay Are Also Changing Due to Evolving Workplace Models

Most companies allow a **hybrid workplace**, with many encouraging/requiring more time in office



20% moving to encourage/require more time in the office

More than half of firms offer **relocation adjustments** and **vary pay by location**



56% offer relocation pay adjustments



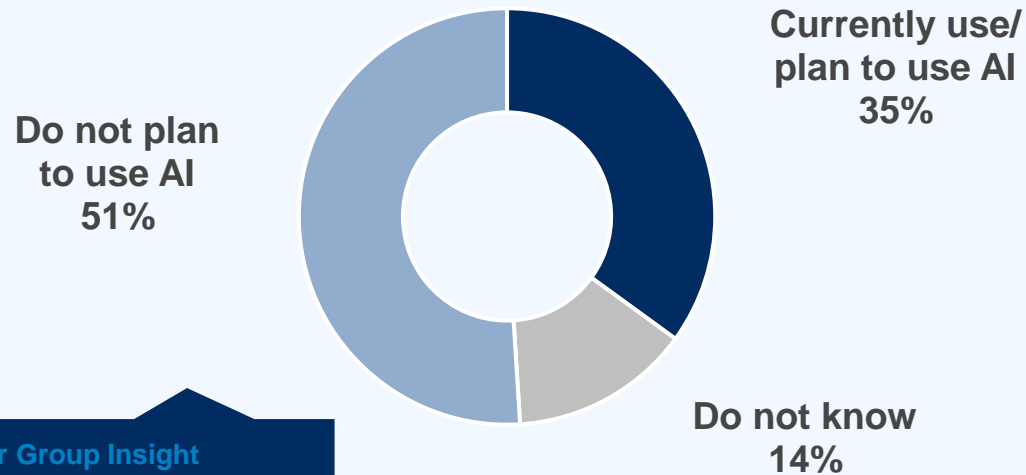
73% vary compensation levels by cost of labor location

Alexander Group Insight

Best-in-class companies are updating their job and pay architecture to provide career path transparency, provide market competitive pay, align to workplace policies and avoid legal risks related to pay and equity transparency laws

Sales Compensation Program Management Is Being Transformed by Artificial Intelligence

AI uptake on the rise: **more than a quarter of companies** adopt AI solutions to transform processes, drive efficiencies and deliver insights



Alexander Group Insight
AI will impact most if not all jobs and processes in the future



Highest rated AI use cases

- Cost Modeling
- Quota Setting
- Compensation Administration
- Forecasting
- Tracking Profitability
- Communication & Training

Key Takeaways

Action Items for Successful Sales Compensation Program Management



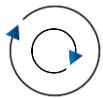
Plan Design: Design pay-for-performance plans that drive strategic goals, while driving the right productivity to manage compensation costs



Job and Pay Architecture: Update job and pay architecture to provide career path transparency, provide market competitive pay, align to workplace policies and avoid legal risks related to pay and equity transparency laws



Quotas/Goals: Set stretch, achievable, believable and transparent goals that are customized by deployment type (e.g., opportunity, account, territory and overlay)



Change Management: Implement updates using a robust change management methodology; the sales compensation program impacts your people's livelihood



Governance: Ensure governance team is set up to monitor the program design and cost and is prepared to manage uncontrollable external factors



Metrics/Dashboards: Create a sales compensation dashboard with real time data and insights for best-in-class monitoring



Ongoing Learning: Continue to educate your team on trends that impact sales compensation plans; participate in Alexander Group ongoing research and events

Alexander Group Sales Compensation Model

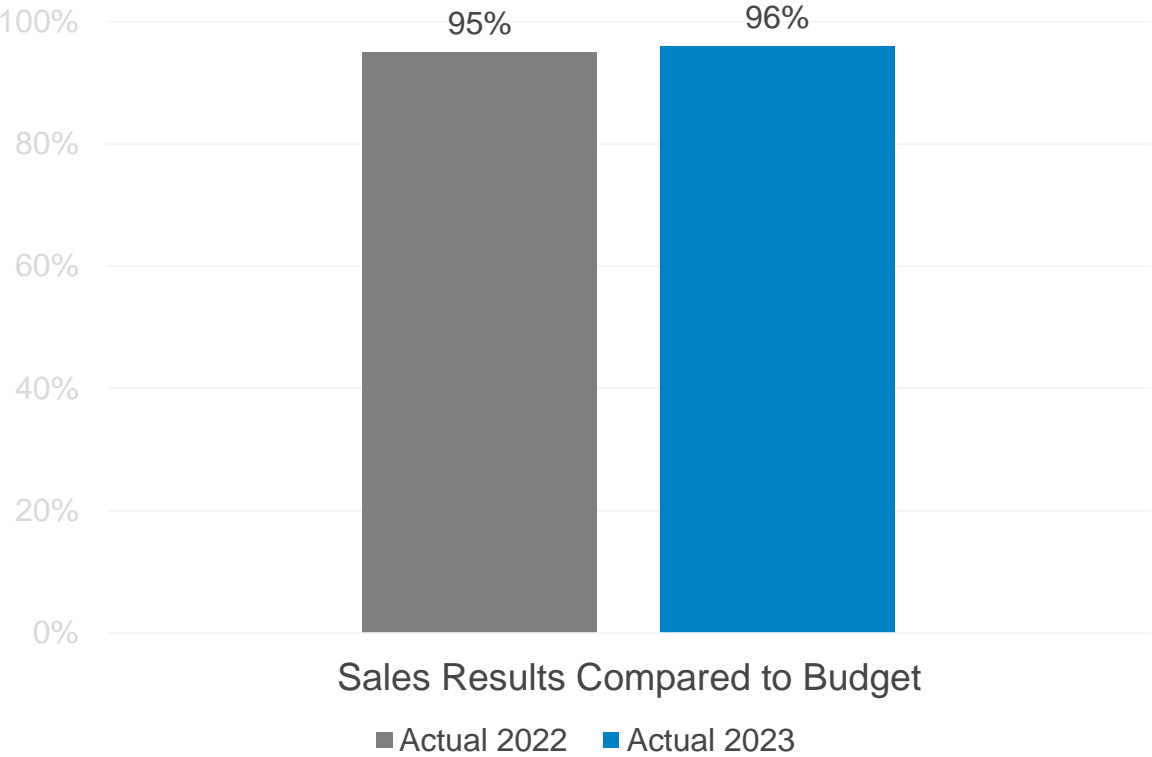
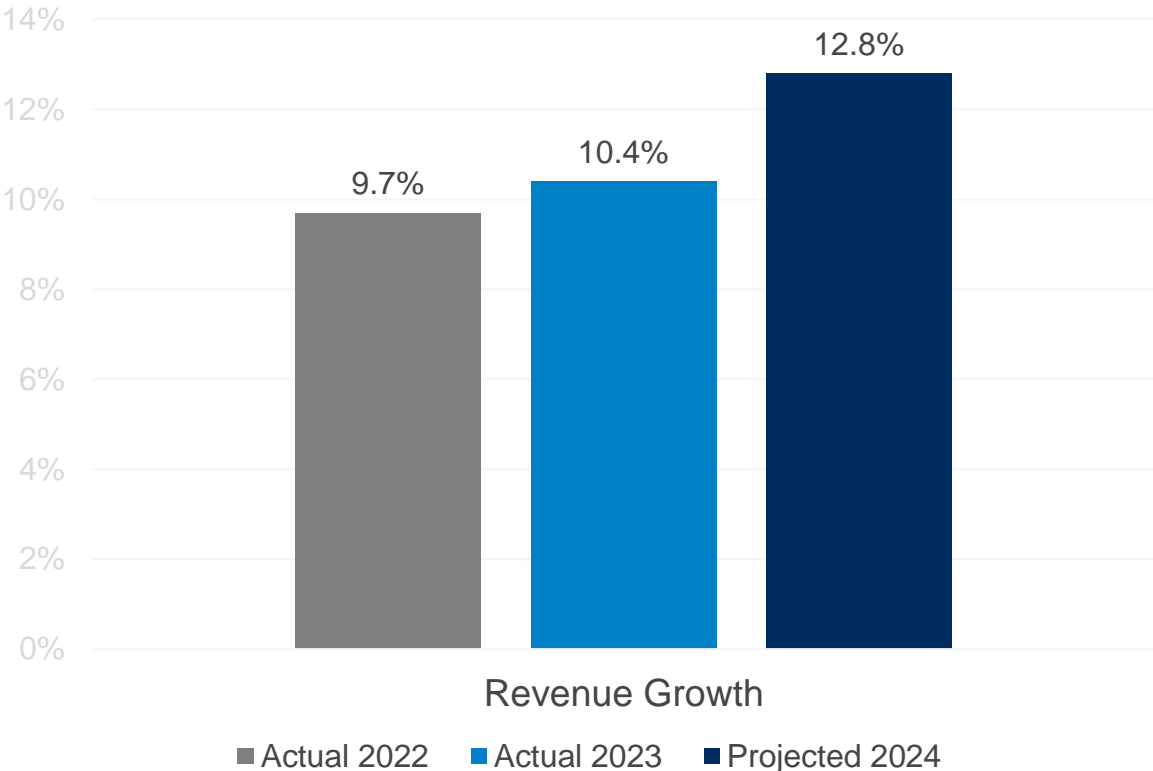
Leverage principles and best-in-class guidelines to effectively assess and design plans.



Sales Trends

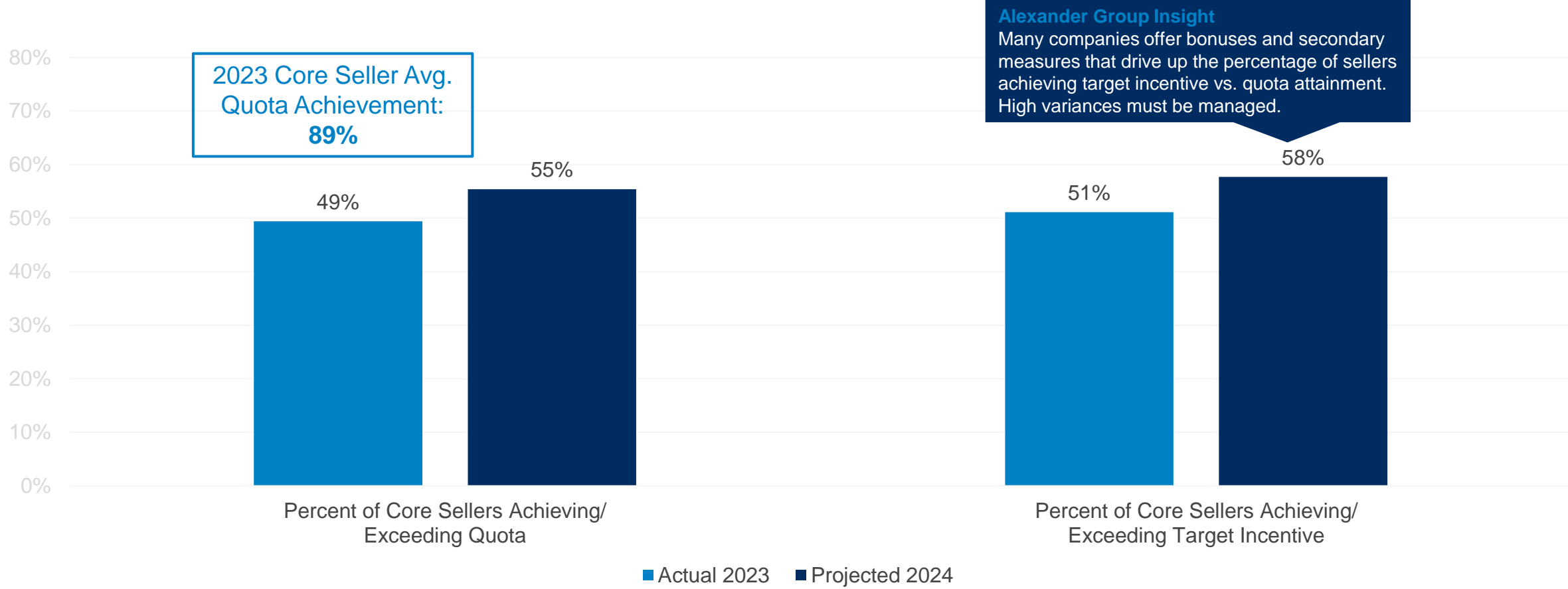
Revenue Growth Is on the Rise

Sustained growth in 2023 with almost half of organizations exceeding goal; optimistic 2024 expectations



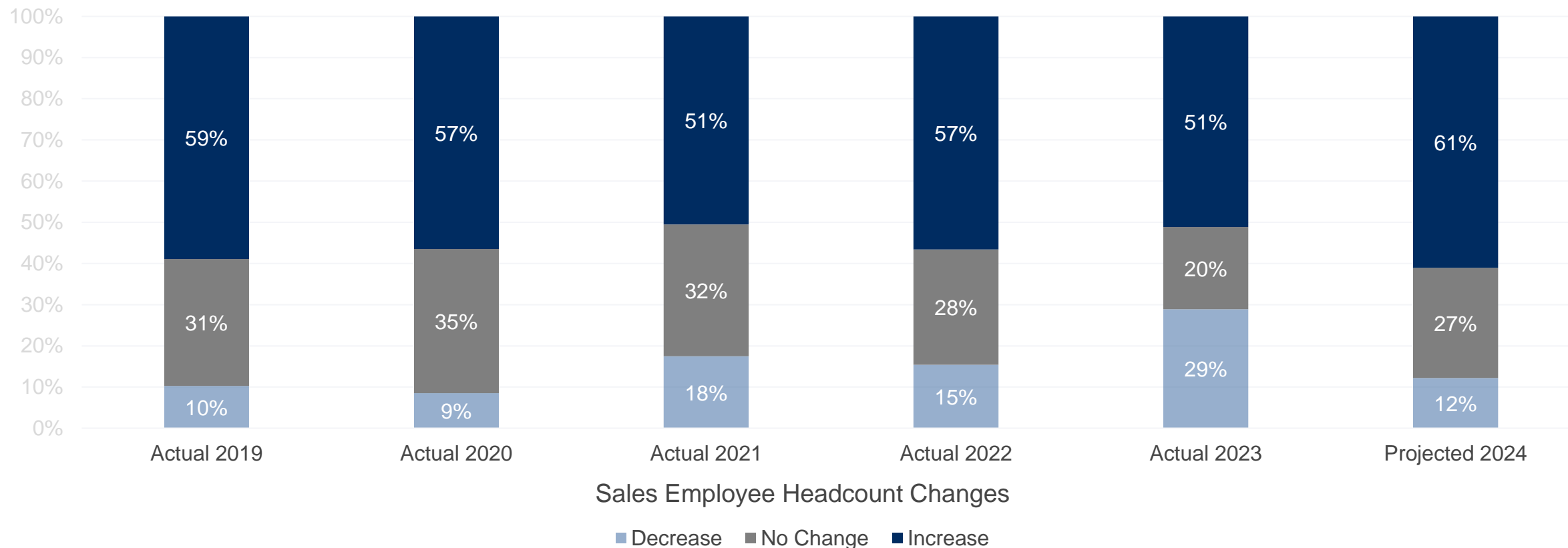
Sellers Performed Moderately Well in 2023

Roughly half of sellers achieved their quota and target incentive in 2023; more predicted to achieve quota and target incentive in 2024



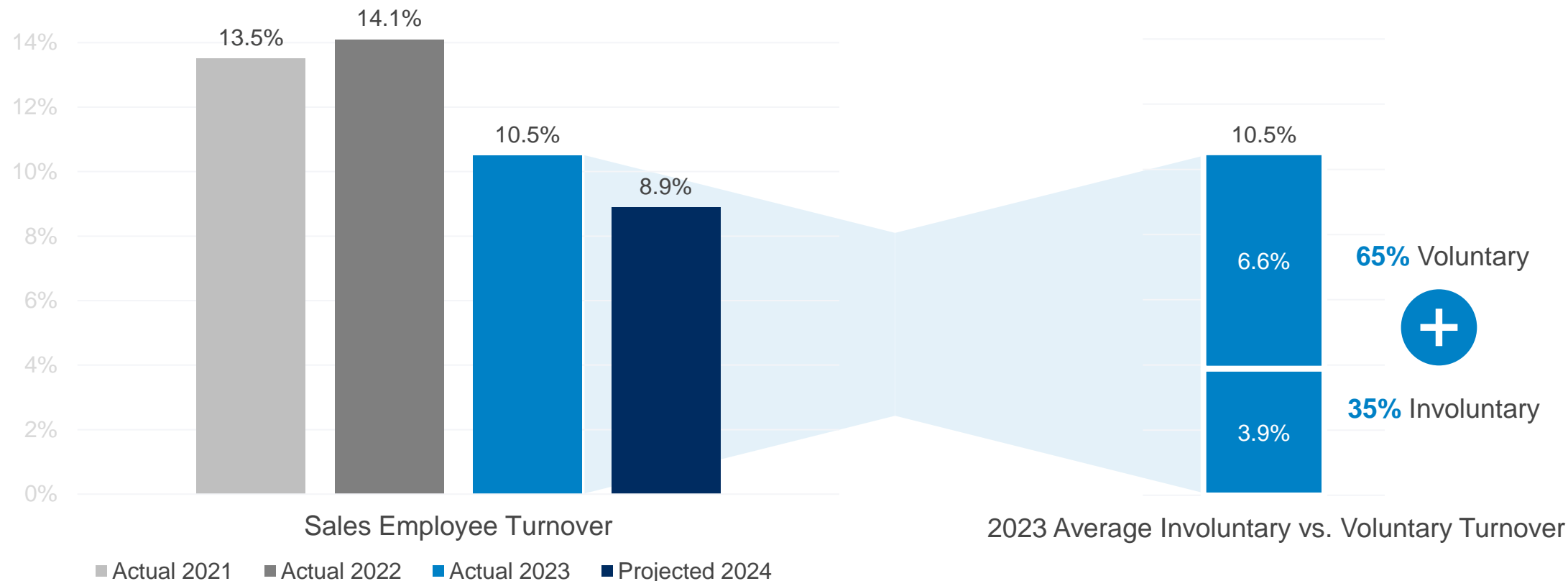
Talent Investment at Highest Rate Since 2019

2023 saw highest sales headcount decrease since 2019 at 29%; 2024 shows highest increase at 61%



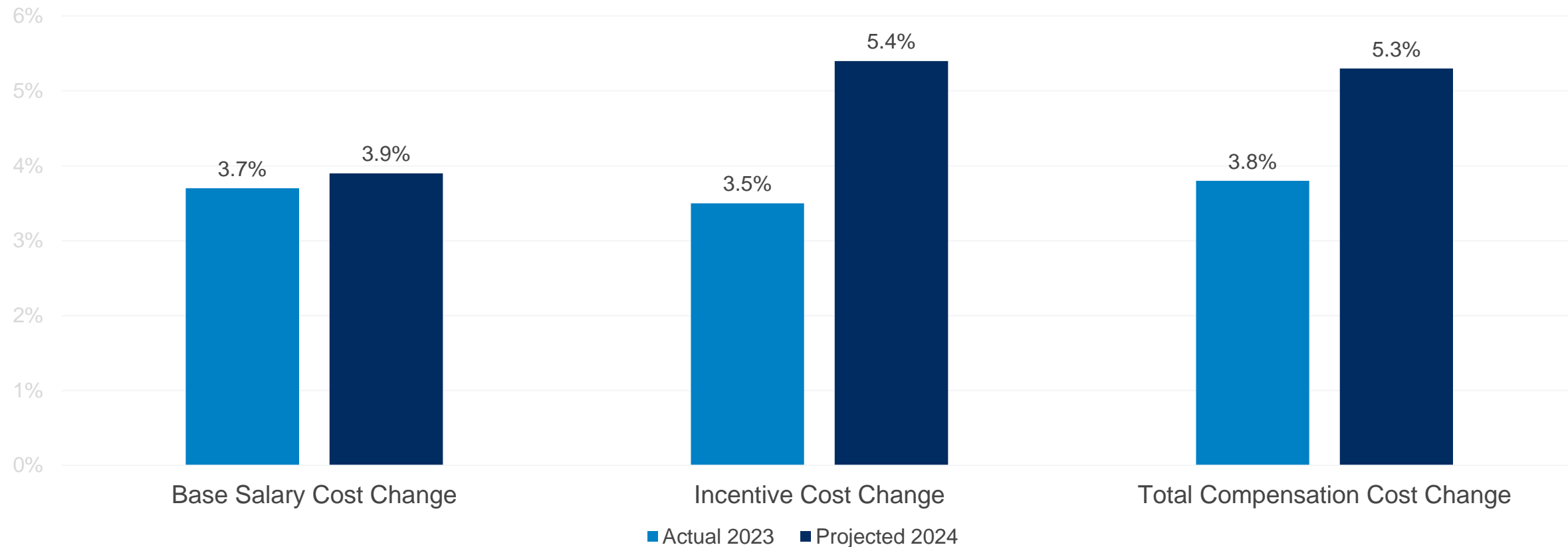
Turnover Moderates in 2024 after Historic Highs

Sales Employee Turnover decreased in 2023 from 2022 high even though over a third was involuntary



Compensation Costs Increasing at a Faster Pace

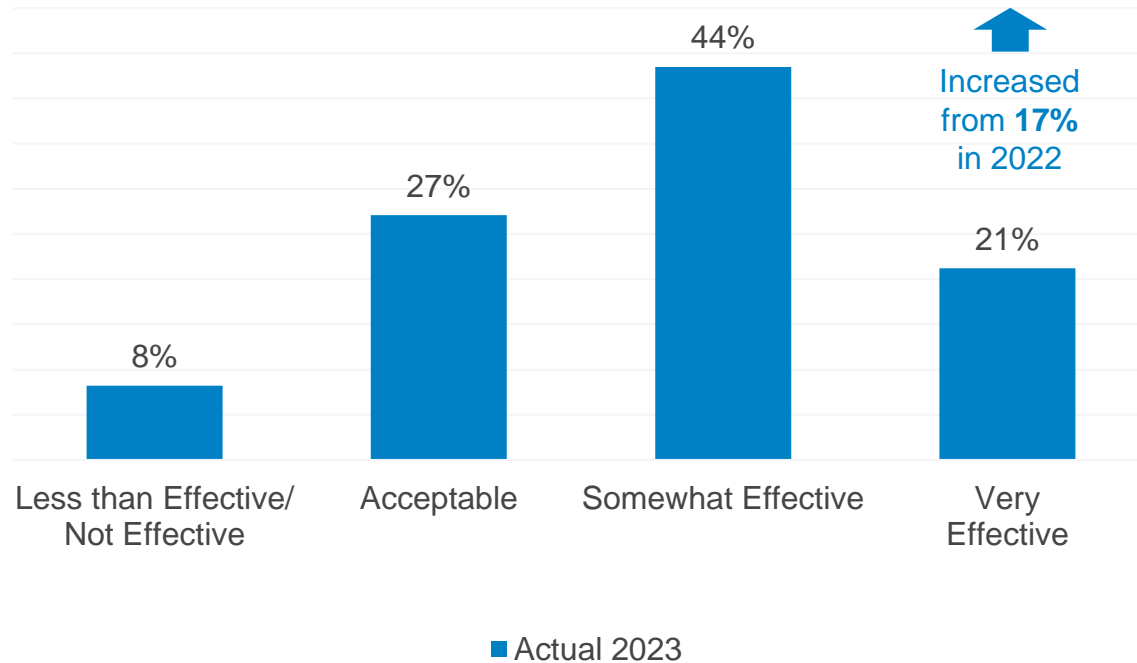
Base salary & incentive costs rising, fueling 5% total compensation cost increase in 2024



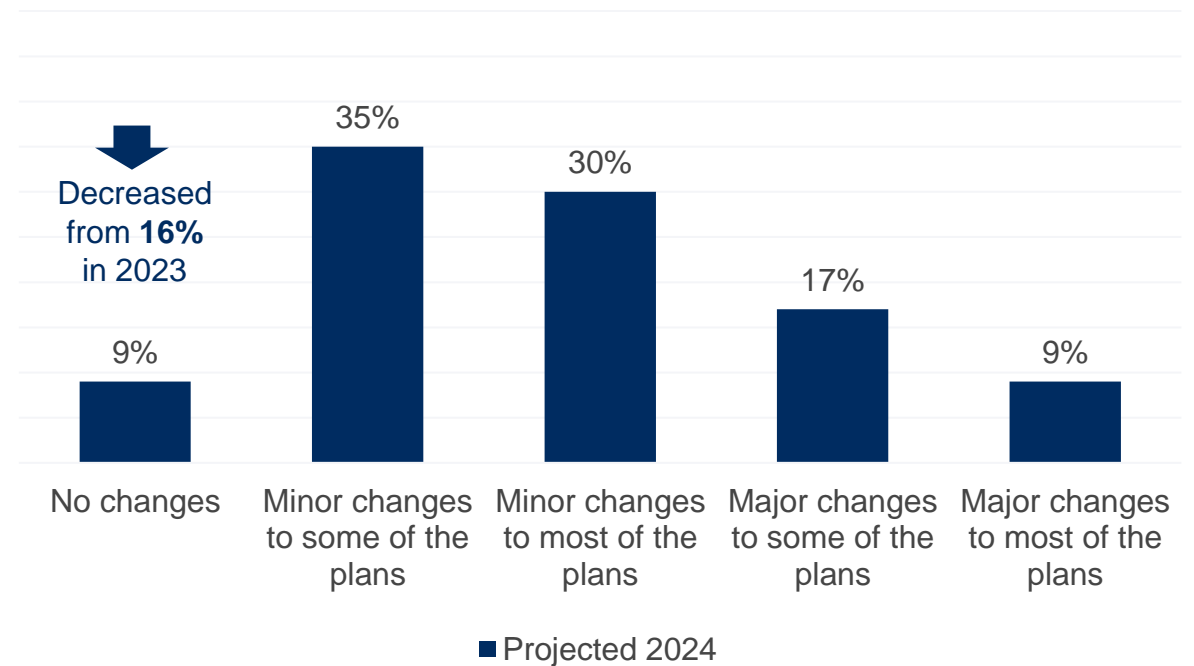
Companies Report Need to Make Plan Improvements

Only 21% rate their plans as very effective; 91% are making changes to their plans

How effective were the overall 2023 sales compensation plans?



Share the degree of change you project to make to your 2024 sales compensation plans



Key Challenges: Productivity, Quotas and Uncertainty

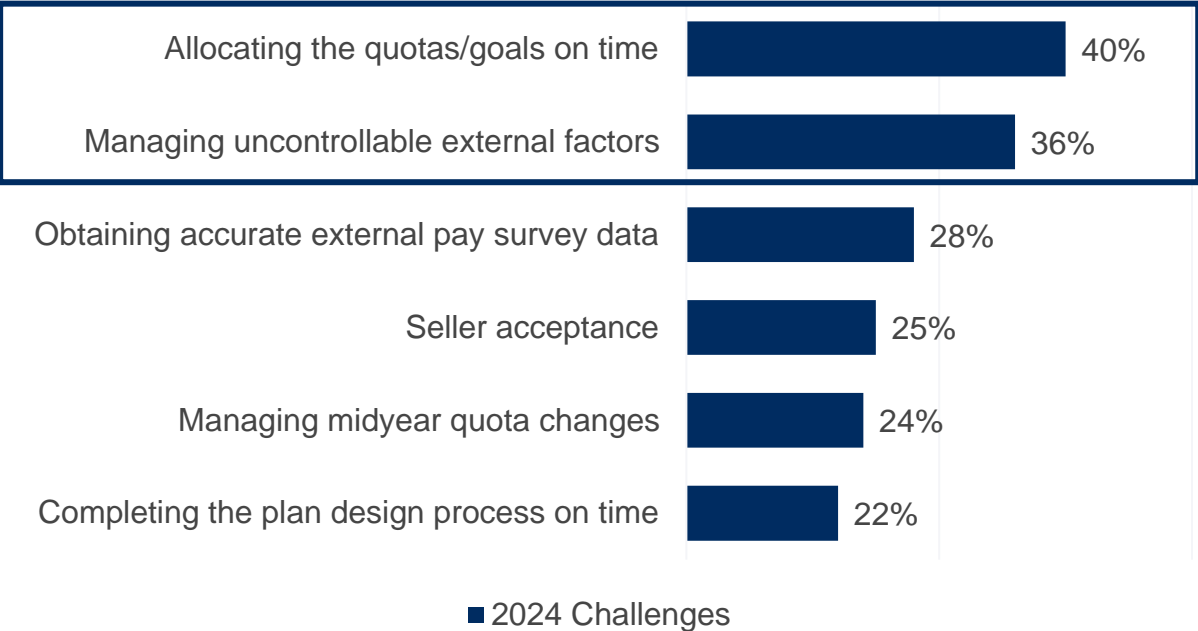
Top challenges sales compensation leaders face are driving productivity, setting the right quotas on time and managing compensation plans in a world of uncertainty

Sales Compensation Plan Design Challenges



Note: other elements (below 20% prevalence) include: Managing excessive payouts, Fixing pay mixes, Driving more payout differentiation, Setting the right commission rates (i.e., commission only plans), Managing acquisitions/divestitures/mergers, Updating employee change policies (e.g., new hires, LOA, terminations), Fixing pay levels, Obtaining job design clarity, and Determining the right crediting event

Sales Compensation Program Management Challenges



Note: other elements (below 23% prevalence) include: Modeling the proposed plans, Conducting plan pay and performance analytics, Effective program rollout, Getting accurate external pay survey data, Communicating the program on time, Implementing/updating sales comp admin tool, Obtaining the right sales data, Obtaining senior leadership approval, Managing disputes, Calculating payouts accurately, and Calculating payouts on time

Strategy Shifts & P4P Drive Plan Design Changes

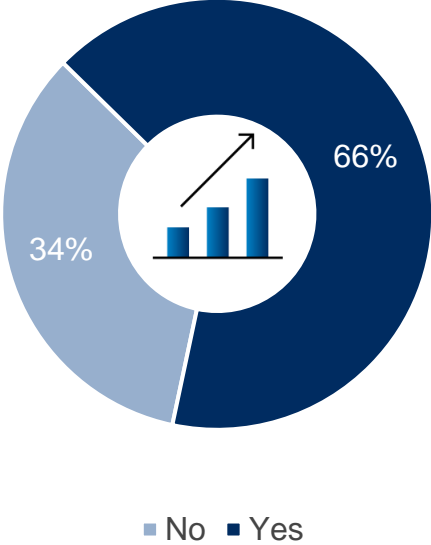
The primary reason to change plans is to drive profitability; two thirds are looking to drive more pay-for-performance in their plans

2024 Sales Compensation Plan Change Reason



Note: other elements (below 24% prevalence) include: Productivity Improvement, Market Alignment, Customer Experience, Sales Channel Evolution, Talent, Pay Philosophy Change, Coverage & Jobs Change and New/Changed Pricing Model

Will change or recently changed plans to better align seller's pay to their performance (P4P)

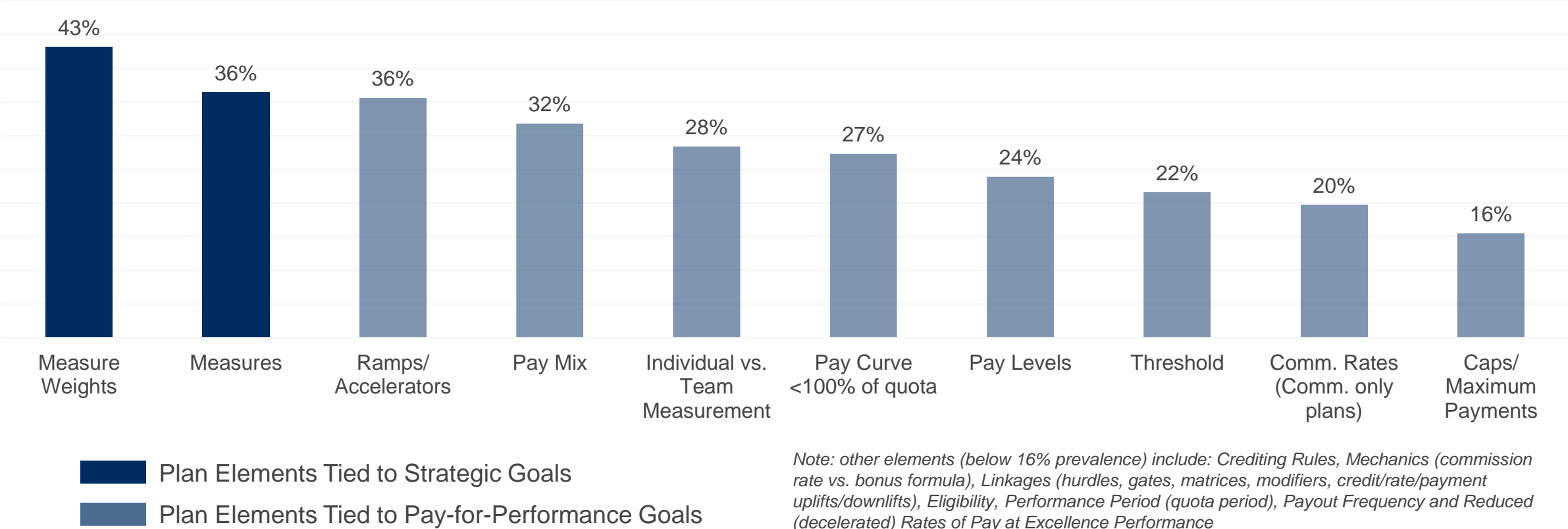


No includes not planning on making any plan changes, not making P4P changes, or moving to less P4P in plans
 Yes includes more pay at risk, higher pay for over-performance, lower pay for under-performance, more individual vs. team metrics, reducing the number of measures in the plan and more split vs. team crediting

Plan Changes Align to Strategy and P4P Goals

Companies change measures and measure weights to better align plans to strategy; companies change pay curves (ramps, thresholds, rates, etc.), pay mix, individual vs. team measurement and pay levels to improve pay-for-performance (P4P)

Planned 2024 Plan Element Changes

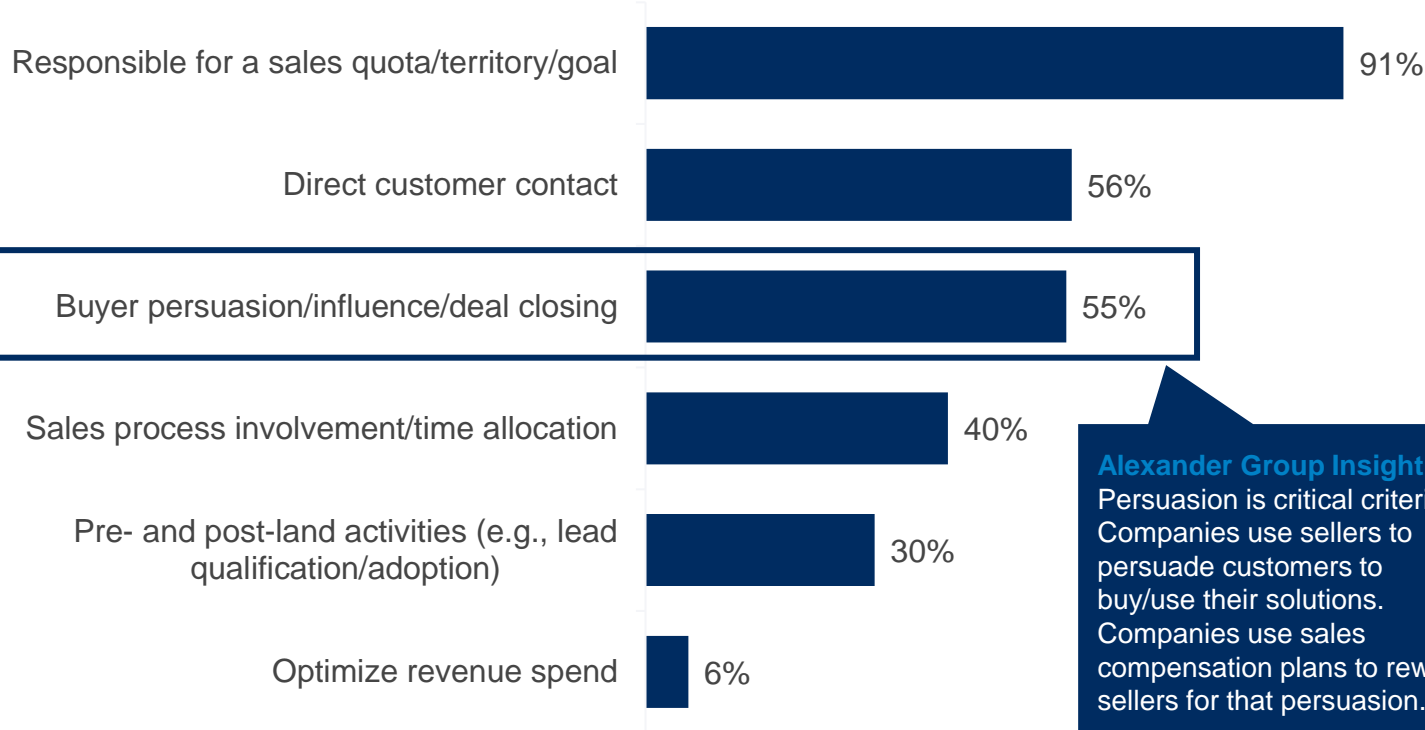


Hot Topics

Plan Eligibility Focuses on Traditional Criteria

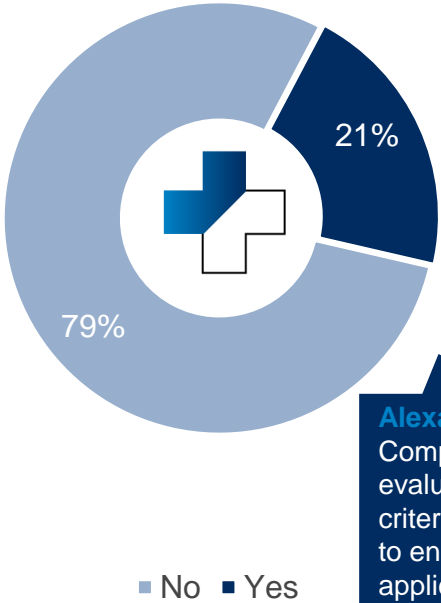
Buyer Persuasion should be a top priority when considering sales compensation plan eligibility; 21% of companies are changing eligibility criteria

2024 Sales Compensation Plan Eligibility Criteria



Alexander Group Insight
 Persuasion is critical criteria. Companies use sellers to persuade customers to buy/use their solutions. Companies use sales compensation plans to reward sellers for that persuasion.

Eligibility Criteria Change

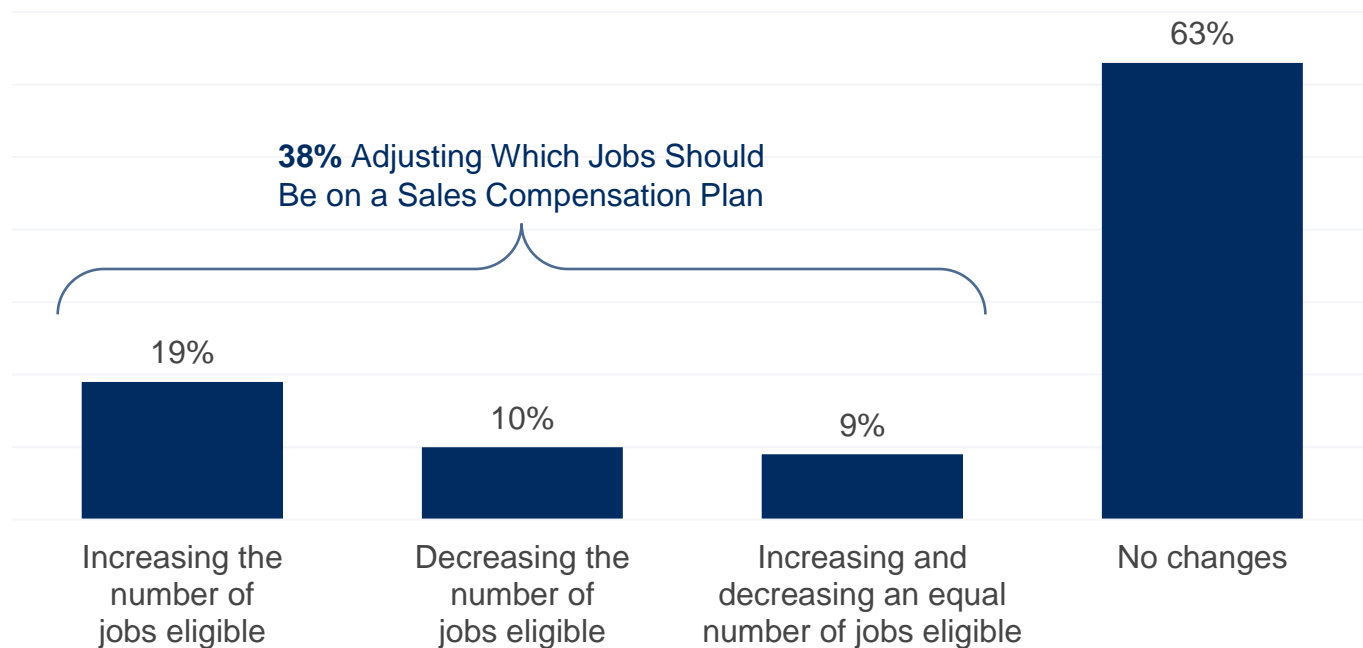


Alexander Group Insight
 Companies should re-evaluate their eligibility criteria as new jobs appear to ensure consistent application.

Almost Half Updating Jobs Eligible for Sales Comp Plan

38% adjusting which jobs are eligible for a sales compensation plan

Job Eligibility Changes



Top jobs added to sales compensation plans:

- #1 Various Sales Jobs
- #2 Various Sales Management Jobs
- #3 Customer Success
- #4 Sales Engineer / Consultant
- #5 Lead Generation

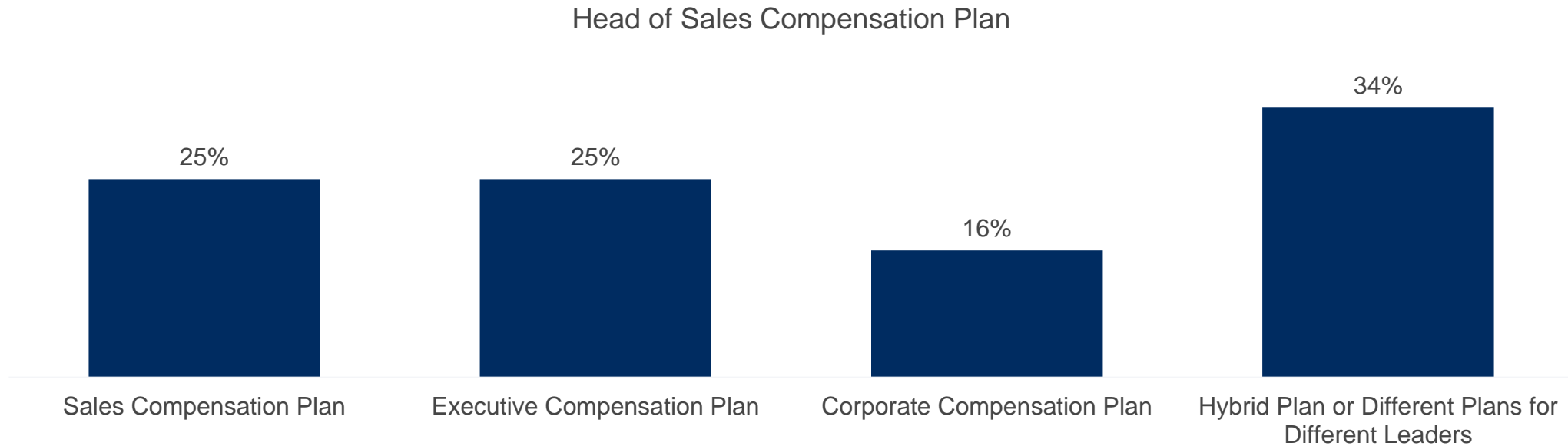


Top jobs removed from sales compensation plans:

- #1 Revenue / Sales Operations
- #2 Various Sales Management Jobs
- #3 Sales Support

Head of Sales Plan Assignment Varies

Companies vary which variable program the Head of Sales is on; some companies use multiple plans



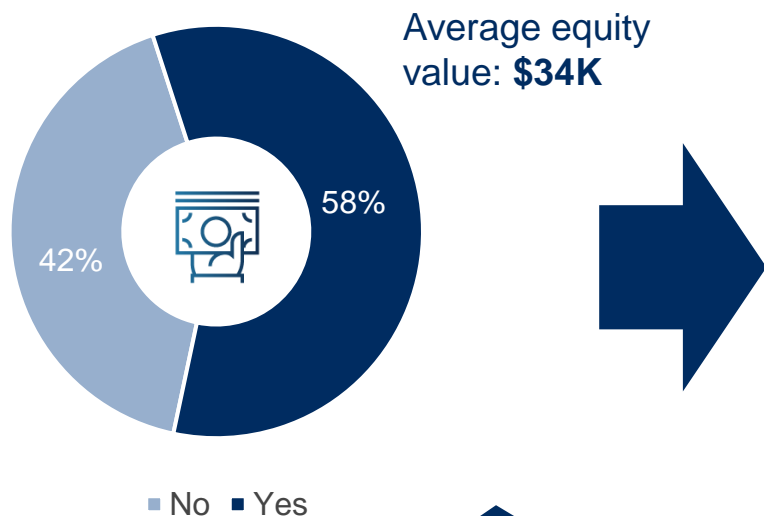
Alexander Group Insight

The right plan assignment depends on the sales leader's job scope. Many early phase companies will put their sales leader on a sales compensation plan, while large mature companies will place their head of sales (and perhaps the next sales management layer) on an executive compensation plan.

Over Half Provide Equity to Core Sellers

58% of companies provide equity to core sellers and most don't plan on changing equity eligibility

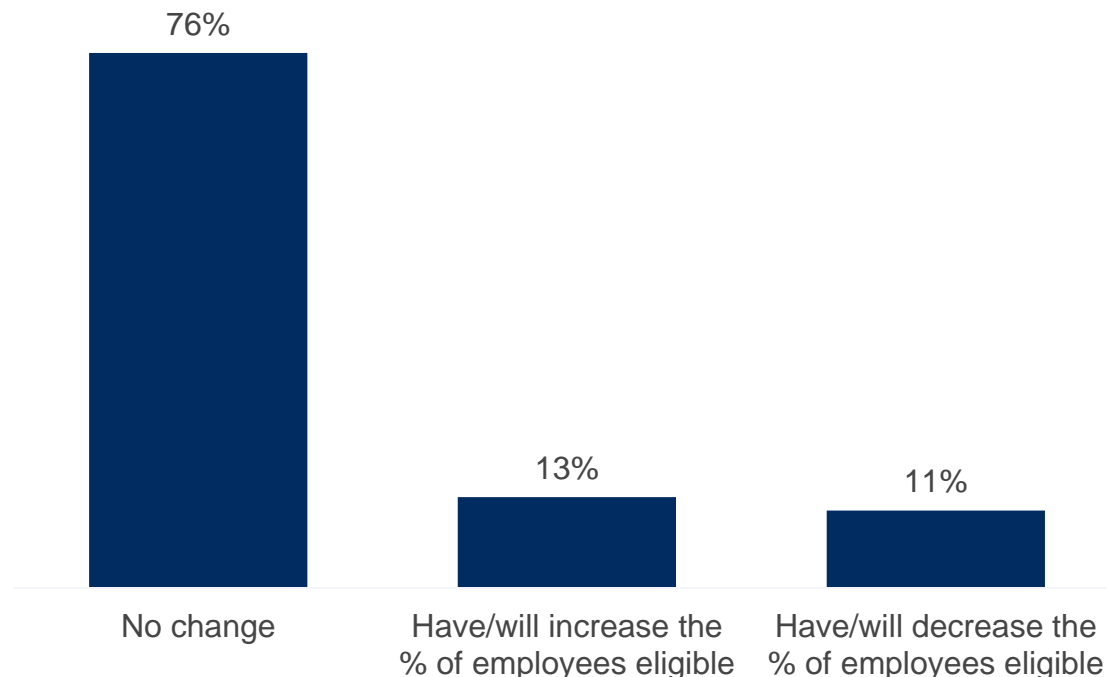
Core Seller On-Going Equity Eligibility



Alexander Group Insight

The use of equity varies by industry, company growth stage, and job/management level; Companies in industries that use equity should include equity in their total cash compensation analysis, regardless if they use them or not.

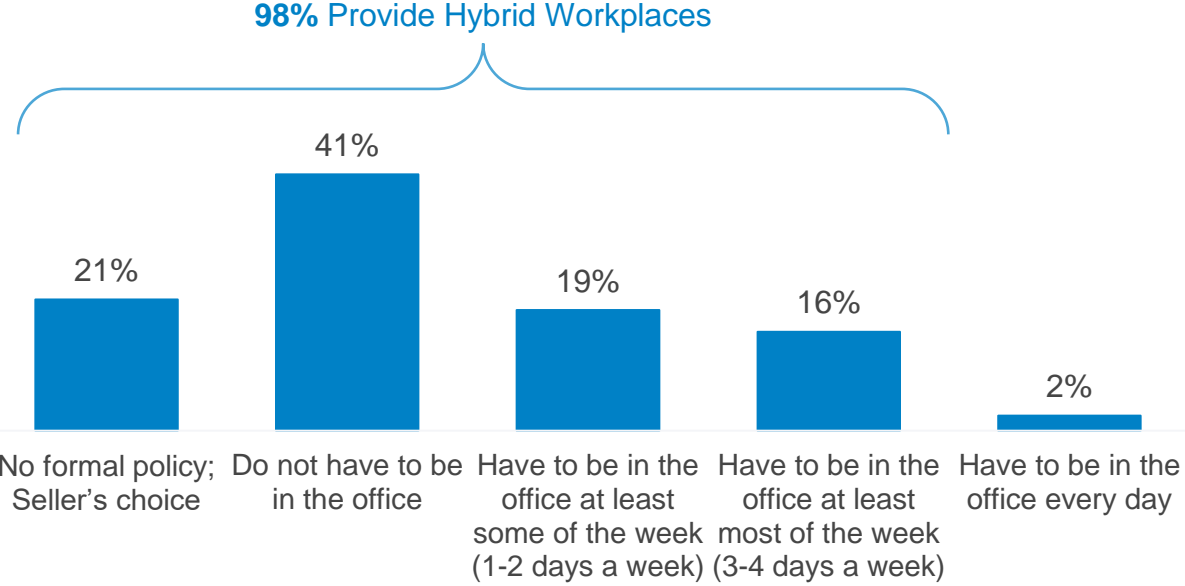
Core Seller On-Going Equity Eligibility Changes



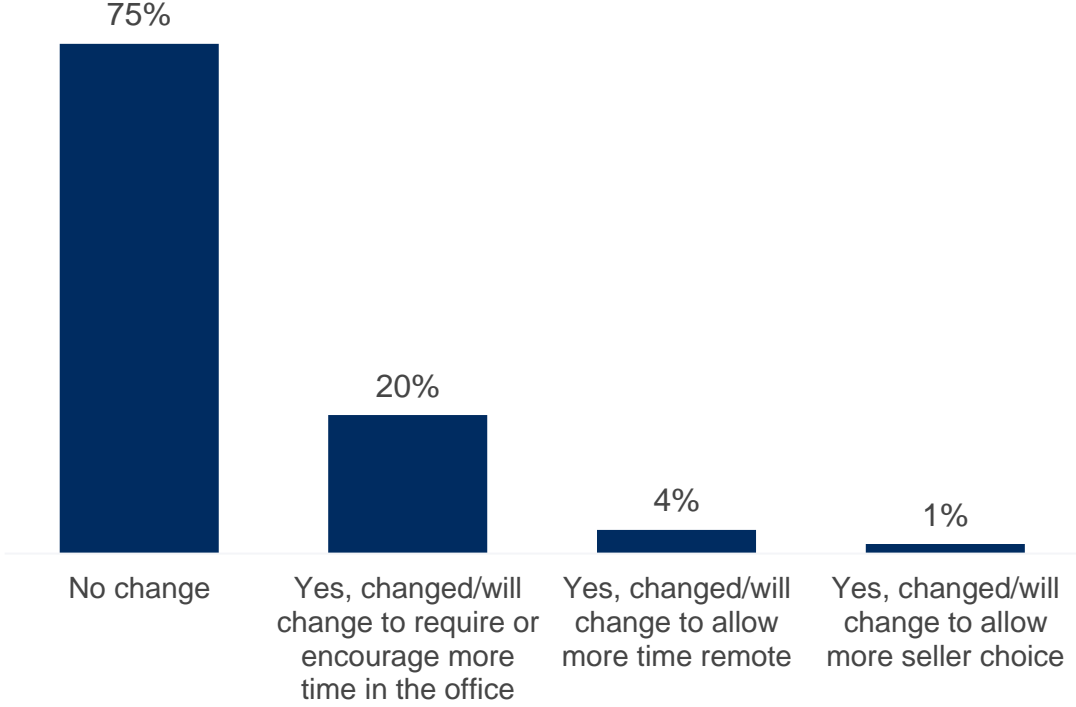
Majority Offer Flexible Workplace Policies

Most of companies offer hybrid workplace options; 20% have/will require or encourage more time in office

Remote Workplace Policy



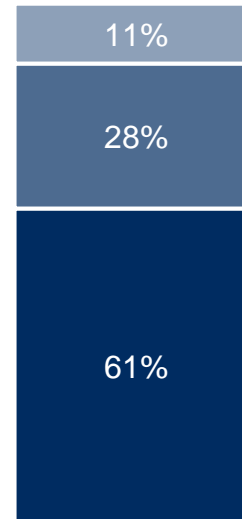
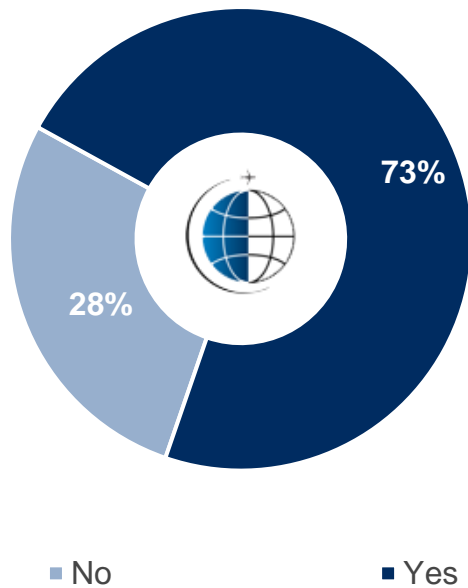
Remote Workplace Policy Changes



Majority Vary Pay Levels by Geography

73% of companies vary pay levels to compensate for different cost of living with most of them building formal geographic variations

Do you vary pay levels for different cost of labor locations within the US?



- Yes, but informal local practices (e.g., managers have discretion to adapt range)
- Yes, but within a national pay range structure (e.g., New York rep at high end of range)
- Yes, formal geographic variations (e.g., 10% higher pay levels in New York)

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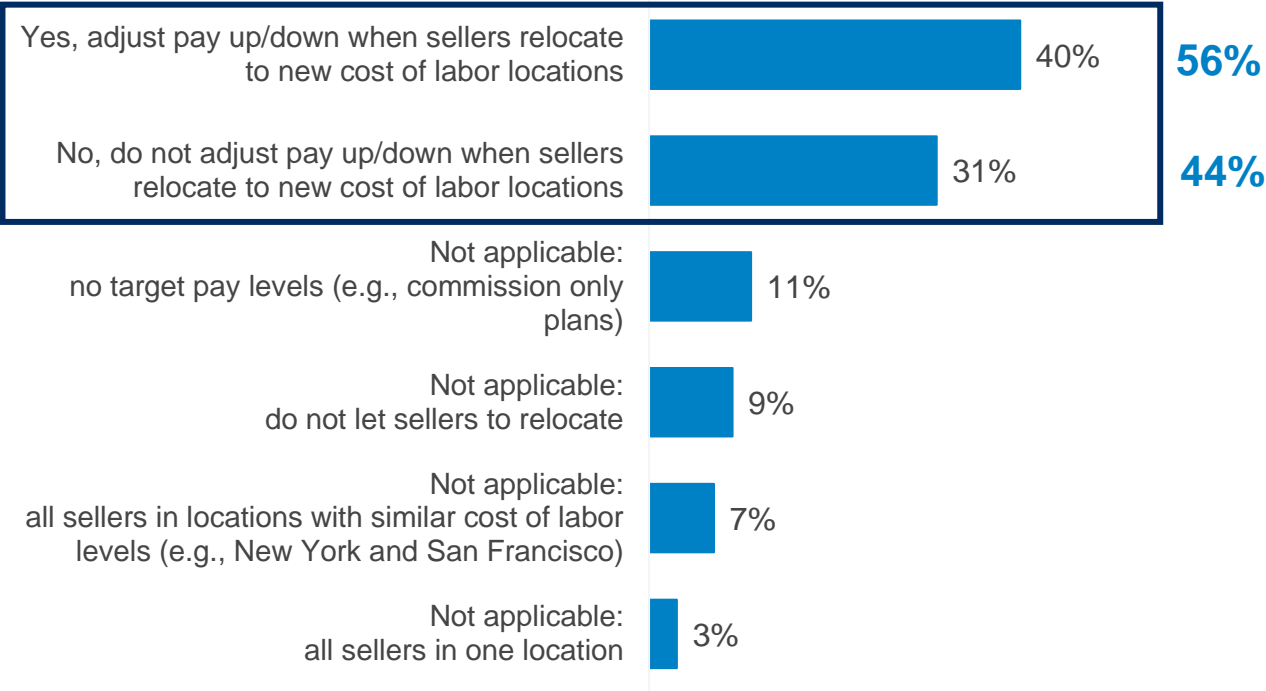
Set formal geographic-based pay levels when sellers are located across multiple metro/city locations with very different labor costs, have a mix of lower paid jobs in a hub/call center and higher paid jobs with more mobility, and prefer using a pre-defined structure over relying on management judgment within a national range

Note: Not Applicable responses were removed and included the following reasons: no target pay levels (e.g., commission only plans); all sellers in locations with similar cost of labor levels; all sellers in one location

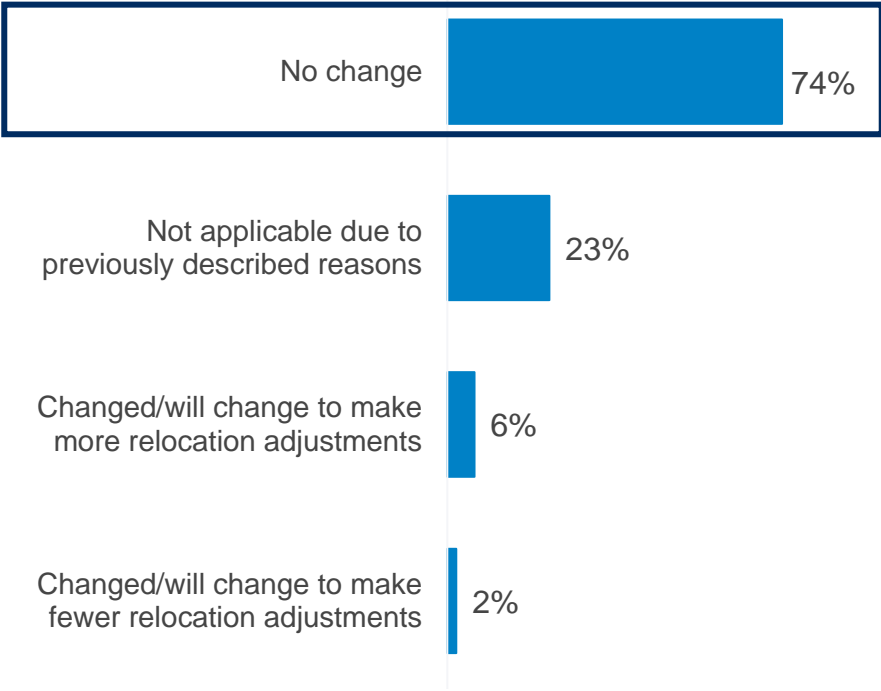
Relocation Pay Adjustments Are Common

56% offer relocation pay adjustments; majority of companies will keep their current relocation pay adjustment policy

Relocation Pay Adjustments



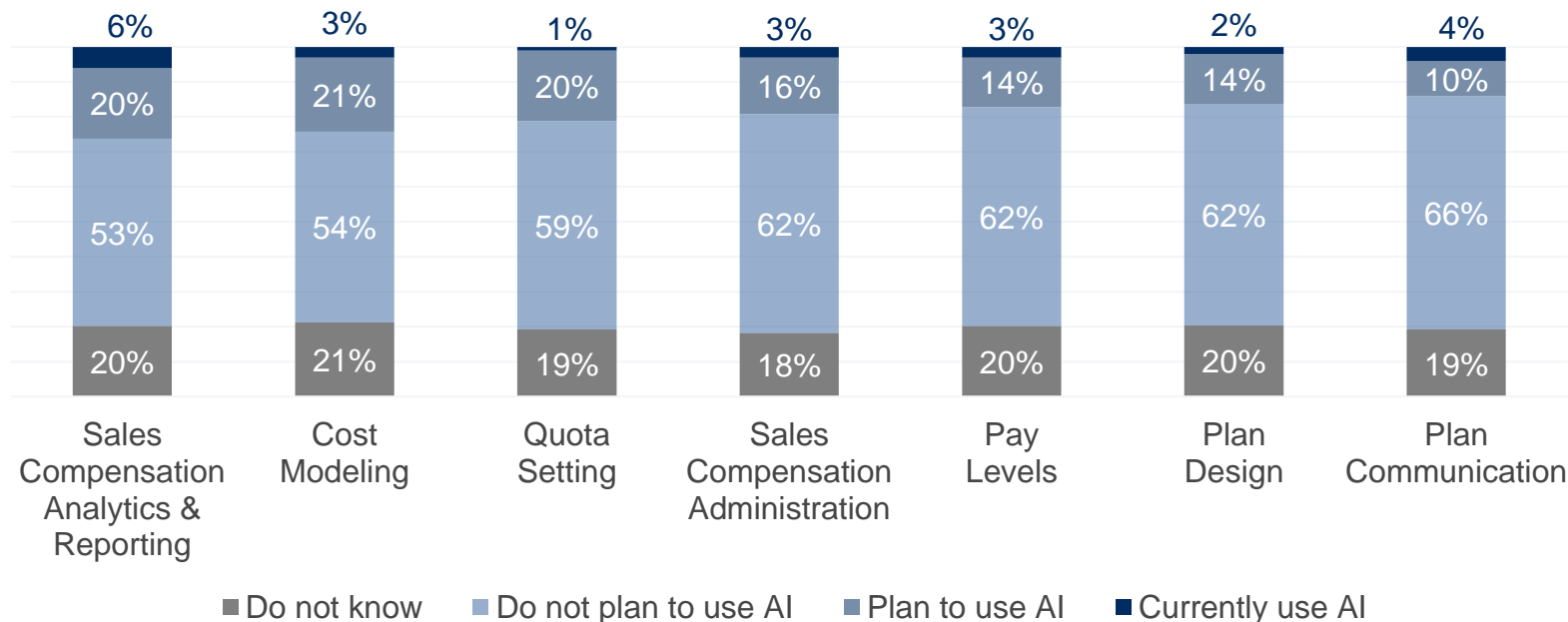
Relocation Pay Adjustments Changes



AI Begins to Impact Sales Compensation Workflows

Most prevalent Artificial Intelligence (AI)¹ use cases are in analytics & reporting, cost modeling, quota setting and administration

AI Use in Sales Compensation Workflows



Highest Rated² AI Use Cases:

- Communication of sales compensation plan
- Calculating and reporting compensation
- Predicting outcomes from seller variables
- Predicting territory outcomes
- Cost modeling and forecasting
- Quota and plan design modeling
- Calculating downstream profitability

²: Rated a 5 on a scale of -5 (detrimental), 0 (neutral/no impact), and 5 (beneficial)

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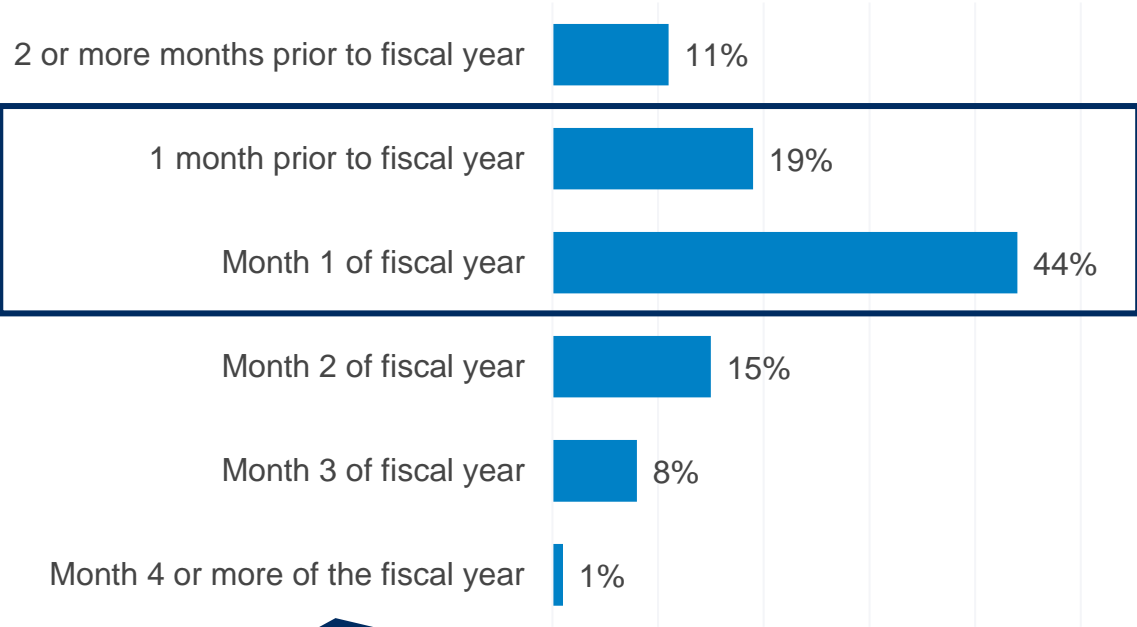
AI will impact most if not all jobs and processes in the future

¹: Artificial Intelligence includes any techniques or tools that simulate human intelligence in machines to perform tasks. This includes, but is not limited to, machine learning and generative AI.

Plan Rollout & Pay Mix Communication Practices Vary

Most organizations adhere to best practice; they communicate sales compensation plans by month 1 of the fiscal year and communicate pay mix as percent of target total compensation or fixed amount

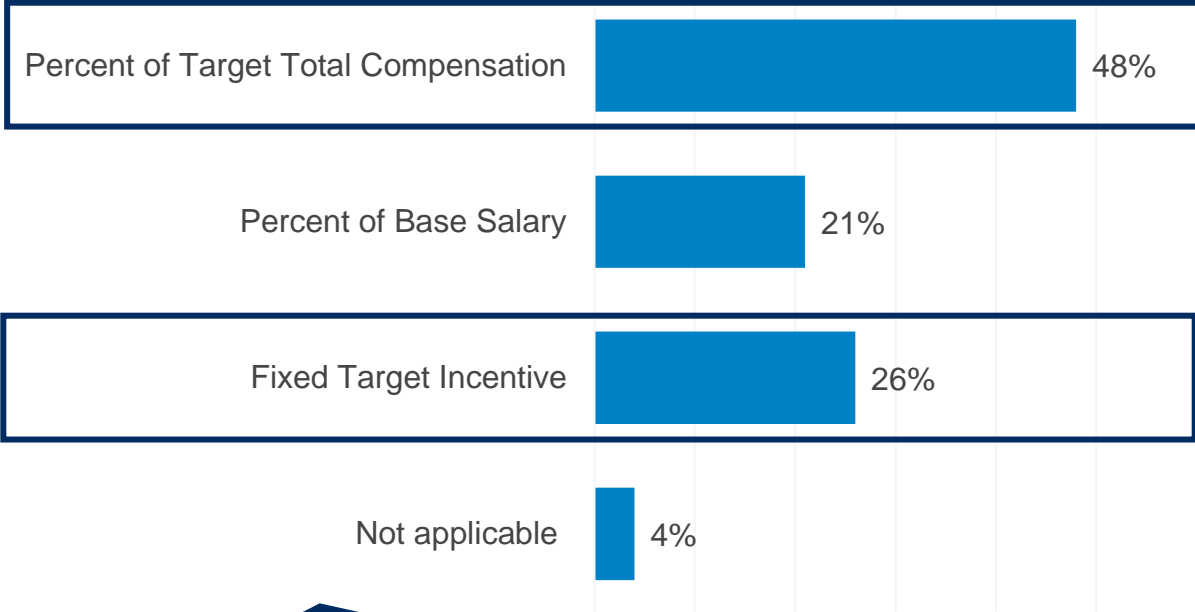
Core Seller Communication Timing



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Best practice is to communicate plans within first month of fiscal year for plans using bookings metrics (to not disrupt year-end bookings) and potentially prior to fiscal year end for plans using lagging metrics (e.g., delivered/invoiced revenue). Late rollouts can/will hinder productivity.

Pay Mix Communication



Alexander Group Insight

Sales compensation plans should be a pay-at-risk program that rewards sellers for achieving performance goals. Thus, most companies communicate their sales incentives as a percentage of target total compensation (TTC) or a fixed target incentive; whereas corporate plans communicate bonuses as a percentage of base salary.



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