



# SALES COMPENSATION TRENDS SURVEY FINDINGS EXECUTIVE SUMMARY

With just over 100 respondents from a wide range of business sectors, the findings from the March 2023 MCR/Sales Fitness Group/ISP Sales Compensation Survey provide a comprehensive and up-to-date snapshot of current sales reward and management trends.

Below we have summarised the key implications of the survey results for both sales reward design and sales management.

SURVEY HEADLINES	SALES REWARD DESIGN IMPLICATIONS	SALES MANAGEMENT IMPLICATIONS
<p><b>CHANGES TO TARGETS:</b> Just over three quarters of respondents are changing their target type and just under a quarter are setting targets more frequently, highlighting ongoing economic changes and uncertainty and how different organisations are faring differently.</p>	<ul style="list-style-type: none"> <li>• Consideration needs to be given to ensure that the target type is aligned with the business strategy – for example, profit is not a useful target type if the focus is on maintaining market share.</li> <li>• In addition, plan design needs to build in target reviews to enhance agility.</li> </ul>	<ul style="list-style-type: none"> <li>• In volatile, uncertain complex and ambiguous (VUCA) times the old models of target setting become ineffective or even dangerous. Instead of “last year +/- x%”, a more bottom-up, account-driven approach is needed. There is a challenge to achieve both increased market share and margin.</li> <li>• Leaders need to be much closer to the data, the opinions of the front line and customers themselves.</li> </ul>
<p><b>MORE STRETCHING TARGETS:</b> With just under half of respondents reporting more challenging targets, it is clear that organisations are focusing on affordability and achieving closer alignment of commission payouts with business performance.</p>	<ul style="list-style-type: none"> <li>• Payout scenarios under different levels of performance need to be run so that individual payout levels, plus overall costs of sales data, can be tested against targets.</li> </ul>	<ul style="list-style-type: none"> <li>• Sales leaders need to work closely with the front line to ensure that salespeople believe their targets are achievable, if stretching. They need to understand the “why” for the targets and also “how” they can be achieved – what is expected of the individuals and what extra resource the business will provide.</li> </ul>

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<p><b>MORE DYNAMIC PLANS:</b> With around half of respondents indicating higher thresholds (combined with more stretching targets) and around a third reporting higher accelerators, organisations are looking to spend more money on higher performers.</p>	<ul style="list-style-type: none"> <li>To retain key talent, it is important to adopt the 'Reverse Robin Hood' principle to make sure that less money goes to lower performers and more goes to higher performers.</li> </ul>	<ul style="list-style-type: none"> <li>As well as the "Reverse Robin Hood" principle, leaders need to ensure retention of top performers by engaging them more fully, providing career development and keeping the job interesting. Beware of indulging them and accepting unaligned values and behaviours for fear of upsetting them.</li> </ul>
<p><b>A GREATER FOCUS ON TEAM PERFORMANCE:</b> The survey results highlight that more organisations are linking team performance to commission payouts.</p>	<ul style="list-style-type: none"> <li>Any inclusion of team performance to a commission plan needs to be carefully considered in terms of the balance between individual and team performance, how a team is defined and how to mitigate the risk of poorer individual performers receiving generous payouts by being in a high performing team.</li> </ul>	<ul style="list-style-type: none"> <li>As team-selling becomes more important, sales managers need to work flexibly, often leading team members from outside their team.</li> <li>Need to develop the skills and processes of virtual team leadership.</li> </ul>
<p><b>FIXED VS VARIABLE PAY:</b> Base pay has become more important for some 73% of respondents, highlighting the current levels of inflation plus the cost-of-living crisis and the subsequent pressure on salaries.</p>	<ul style="list-style-type: none"> <li>A change in base pay levels needs to be considered alongside pay mix levels, particularly if affordability becomes an issue.</li> </ul>	<ul style="list-style-type: none"> <li>Cost of sales needs to be closely monitored, alongside work to improve qualification, conversion ratios and average order value.</li> </ul>
<p><b>TOTAL REWARD:</b> Flexible working and wellbeing benefits were each reported by 72% of respondents as being more important, a shift which is representative of a wider trend across the whole workforce.</p>	<ul style="list-style-type: none"> <li>When designing a sales reward scheme, it is critical to factor in the overall Employee Value Proposition, rather than focusing only on cash compensation which has historically been more common.</li> </ul>	<ul style="list-style-type: none"> <li>Sales managers need to invest time, effort, and sensitivity in getting and staying close to their salespeople, especially in a hybrid world, supporting people remotely and using in-person contact (individual and team meetings) more effectively.</li> </ul>
<p><b>SELLING STYLES:</b> Respondents note increased focus on hybrid selling – integrating, in-person, remote and digital selling.</p>	<ul style="list-style-type: none"> <li>Commission plans need to factor in different models of selling, including for example any weighting that is applied to certain sales channels.</li> </ul>	<ul style="list-style-type: none"> <li>This rebalancing requires changed skill-sets for a changed selling environment. Integrating the multi-sales channels requires new individual skills but also an innovative approach to managing revenue.</li> </ul>
<p><b>LEVELS OF SALES MANAGEMENT:</b> 50% of respondents are seeing a change in the sales management role.</p>	<ul style="list-style-type: none"> <li>The role of the sales manager has an impact on whether a bonus plan or commission plan will work best – typically the immediate level of sales manager is focused on team management and has a roll up of targets and a similar plan, often more focused on profitability. The wider the management role, the broader the performance measures, still within sales but with longer payout cycles.</li> </ul>	<ul style="list-style-type: none"> <li>If the role of the sales manager is changing to this extent, then the skills, processes, and tools available to the sales manager need to change too.</li> </ul>
<p><b>LEVEL OF RESOURCING:</b> A varied response with 29% reducing the number of salespeople and 33% increasing.</p>	<ul style="list-style-type: none"> <li>Sales reward plans need to reflect different types of sales roles e.g. hunter vs farmer vs hybrid roles.</li> </ul>	<ul style="list-style-type: none"> <li>It is vital to work on a coverage model to be clear how many salespeople are needed to achieve the planned result and to (re)define their roles to ensure cost effective resourcing. Review how salespeople are spending their time, specifically the percentage of active selling time.</li> </ul>



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