

SALES INCENTIVE PLANS

MYTH:

Money is the only thing that matters to sales professionals
("More rocket fuel and we'll be sweet")

A historical over-emphasis on sales incentives has perpetuated the misconception that cash is the central, if not the only motivator for salespeople. When in fact, we are now increasingly in a world of total reward and more holistic Employee Value Propositions (EVPs).

FACT: In fact, in the five years to 2018, the target pay mix for sales remuneration packages has shifted significantly towards a greater proportion of fixed pay.*

Effective sales incentive design integrates and aligns with a total reward that motivates and retains talent. Cash represents only a single part of any attractive offering.

CAREERS MATTER

Employees want

*Flexible working and work/
life balance*

*Enhanced career
development opportunities*

Good coaching

TEAM GOALS

The younger generation wants team goals

*Their use puts downward pressure
on pay mix and upside opportunities
in sales incentives*

MORE THAN SIPS

Recognition is becoming more common

*Sales competitions or recognition
programs are becoming
more common*

*Non-financial rewards on the rise
LTI for some sales roles (global trend)*

Our market knowledge and expertise tell us:

- Team-based and interdepartmental performances are now far more commonly used to measure sales performance. There has also been an increase in using value-based behaviours for sales performance measurement. If the trends hold, disproportionately large sales incentive payouts will become less common
- From 2013 to 2018, there was a 25% drop in organisations reporting a target compensation mix of 65% or less. During the same period, organisations reporting at least 85% fixed component increased by more than a third*
- It is now more common to cap sales incentive earnings
- Plans are less aggressive because employer value propositions (EVPs) are growing in importance
- EVPs that provide purpose, non-cash benefits, flexibility and career paths are hugely impactful, motivating and retaining talent across all business functions, including the sales function. This is particularly true for a multi-generational workforce
- Non-financial recognition, including sales competitions is on the rise
- To be effective, all parts of the total reward need to align with your organisation's commercial and people strategy.

Mercer's 'workshop thinking' and unique market overview means that we can rapidly review and design your SIP and recommend forward-thinking changes.

Changes that will keep your star performers on track and reach critical goals.

Contact Mercer today and get 2020-ready.



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* Mercer Australian Benefits Review (2013 and 2018 editions).