



# THE EVOLVING STATE OF SALES COMPENSATION

## TABLE OF CONTENTS:

About .....	2
Executive Summary .....	3
Introduction .....	3
Compensation Before Covid19 .....	7
Compensation Responses to Covid19 .....	8
Compensation After Covid19 .....	9
Conclusion .....	10

# ABOUT MODERN SALES

## What is **Modern Sales Pros**?

Modern Sales Pros (MSP) is the world's largest education community for sales leadership, operations, and enablement professionals at high-growth companies.

MSP facilitates peer education through regional and digital events, and a vibrant online community. Our 19,000 members use the community to answer their most difficult questions about their revenue-related responsibilities.

Membership is invite-only, exclusive to leaders in sales, sales & revenue operations, sales enablement, and the related disciplines.

# ABOUT SPIFF

**Spiff** is the leading commission calculation software that takes the manual labor and complexity of your current commission processes and completely automates it. With Spiff, your team won't have to spend hours modeling, updating, and managing complex spreadsheets or old enterprise software to pay commissions.

Deployed at some of the fastest growing, long-established, and innovative companies, we've turned revenue management from a beast kept at bay into a motivation engine that maximizes sales team engagement and accelerates their growth.

By maximizing visibility into the commission plans with real-time transparency, we've turned sales data into actionable insights. Accessible from any Spiff dashboard, the Real-Time Insights feature allows you to visualize trends across plans, teams, and your entire organization.

# EXECUTIVE SUMMARY (TL;DR)

With the goal of understanding what the current economic climate has done to the state of Sales Compensation we surveyed over 100 individuals about how they and their companies were positioned before the Covid19 pandemic, what their initial reactions were to the pandemic, and how they are feeling now as we start to gain more certainty for what the future will bring.

FY2020 was initially viewed as a pretty bullish year when it came to sales goals. Across the board sales leaders were pretty optimistic on how their teams would perform towards their goals. This quickly changed towards the end of Q1 with the economic crisis due to Covid19.

Through the survey responses we found a couple key insights that are highlighted in the tables below:

## What percent of your sales team do you expect to hit their goals

%	Beginning of Year	Initial Reaction to Covid19	Going Forward
0-25%	4%	27%	12%
25-50%	11%	30%	22%
50-60%	17%	14%	20%
60-70%	25%	14%	20%
70-80%	29%	10%	19%
80-100%	12%	3%	3%

Over the last 6 months there has been a noticeable shift in what leadership expectations were on their sales organizations to reach their goals and although it has climbed back up, it still is showing uncertainty.

Along with the expectations around goals, the way that we have comped employees also has evolved in order to keep our revenue organizations happy during this time of uncertainty. In response to the pandemic we saw these results in changes that occurred to the compensation plans of the respondents:

## What changes did, if any, did you make to your comp plans?

	Initial Reaction to Covid19	Going Forward
Quotas Unchanged	44%	42%
Reduce Quotas	38%	34%
Quotas Increased	4%	6%
Quotas Unchanged but payouts are increased	3%	11%
Used incentive compensation where there were/are gaps	20%	-
Guaranteed some portion of compensation	15%	-
Other	7%	8%

Similar to the trend, things seem to be normalizing, but are far from “normal” when you compare previous years to the rest of 2020 and 2021.

Overall we found the survey to show a similar trend across the board when it comes to compensation. Earlier in the year hopes were high and goals and expectations were even higher. As the pandemic continued to spread it brought along an uncertainty that caused changes in this perception and concerns about how to move forward. Now, that we are getting used to a new normal, compensation seems to be normalizing and optimism is slowly creeping it’s way back into compensation planning.

# METHODOLOGY

---

It's safe to say that there is one thing we can all agree on when it comes to 2020, plans have changed. Vacation plans have changed, education plans have changed, career plans have changed... How about compensation plans?

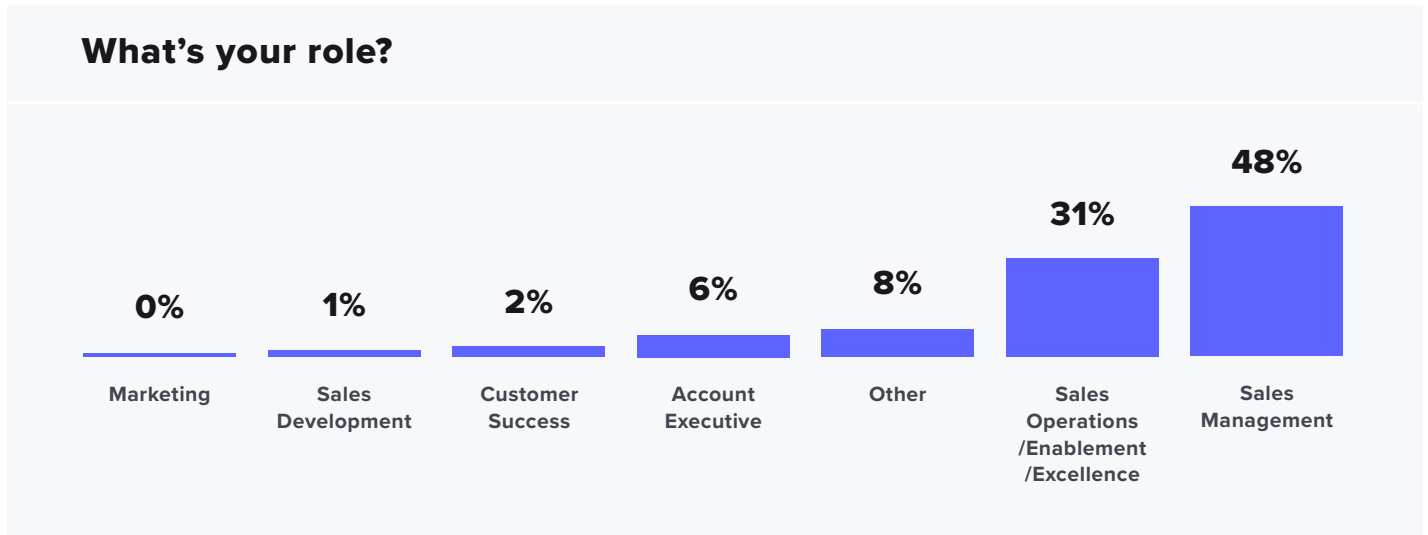
Like most of you, Spiff works with compensation plans every day and we've answered a lot of questions about COVID-related commission plan changes. We designed this survey to provide you with clarity about how most companies are responding to COVID and how you achieve the best outcome for your team..

We received responses from 100 individuals across 11 questions:.

- **“What’s your role?”**
- **“How many people are in your revenue organization?”**
- **“On January 1, what percent of your company was on variable compensation?”**
- **“On January 1, what percent of your sales team did you expect to hit their 2020 goals?”**
- **“What factors contribute to your sales team's attainment of variable compensation?”**
- **“As a response to the Coronavirus pandemic, what percent of your sales team did you expect to hit their 2020 goals?”**
- **“As a response to the pandemic, what temporary changes did you make to your compensation plans?”**
- **“Looking forward in 2020, what percent of your sales team do you expect to hit their 2020 goals?”**
- **“What permanent changes are you making to your compensation plans in 2020?”**
- **“How has your mindset towards compensation, rewards, and recognition changed as a result of the pandemic? Have you implemented any changes to manage this?”**
- **“Knowing what you know now, what compensation changes would you have made as a response to the pandemic?”**

# DEMOGRAPHICS

We found that roughly 50% of respondents were in Sales Management and around 30% were involved in a supporting role to sales teams such as Sales Operations or Sales Enablement. The other ~20% are a mix of individual contributors on sales, success, and marketing teams.



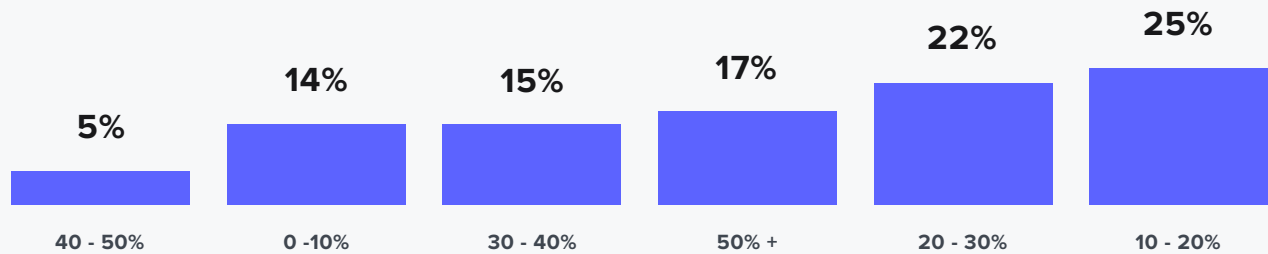
When it comes to getting more detailed on the demographics we decided to ask about the size of the revenue organization rather than company size. Although it's fairly consistent that the revenue organization makes up 20-30% of a company's employee count we felt that the size of the revenue organization gave more insight into their experience with sales compensation.



# BEFORE COVID19

At the beginning of the year before the Pandemic around 60% of respondents were part of companies where over 30% of their companies were on some sort of variable compensation that was tied to performance.

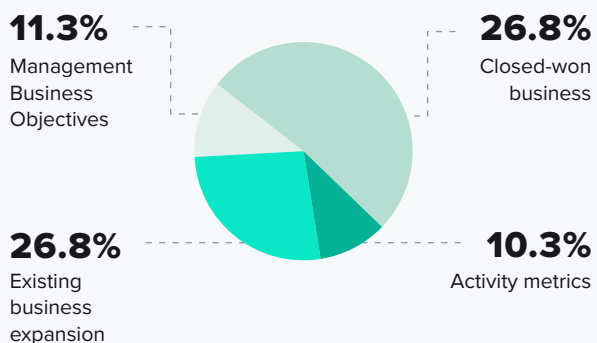
## On January 1, what percent of your company was on variable compensation?



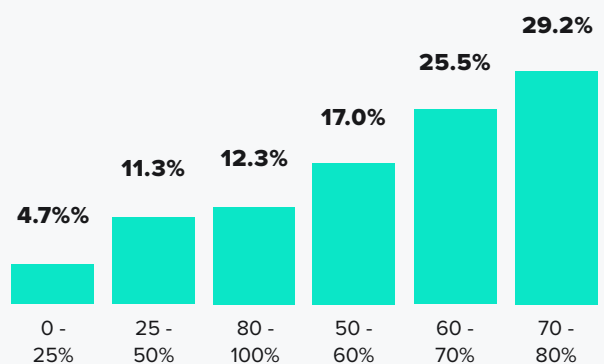
The majority of these individuals were compensated on New Closed Won Business with the runner up being some sort of Expansion or Retention of their current customer base.

We also found that the majority of the companies of the individuals we surveyed expected 60-80% of their organization to hit their goals.

## What factors contribute to your sales team's attainment of variable compensation?



## On January 1, what percent of your sales team did you expect to hit their 2020 goals?

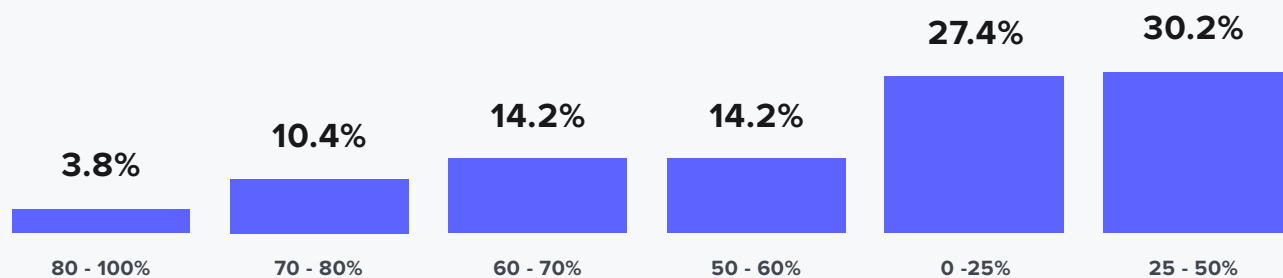


Overall 2020 was viewed as a year with high expectations. With the economy still booming, bullish investors, and LeBron James and the LA Lakers making a run at the title, why would we think any differently? In general those involved with variable compensation felt that this was going to be an aggressive year for positive growth.

# HOW DID COMPANIES RESPOND?

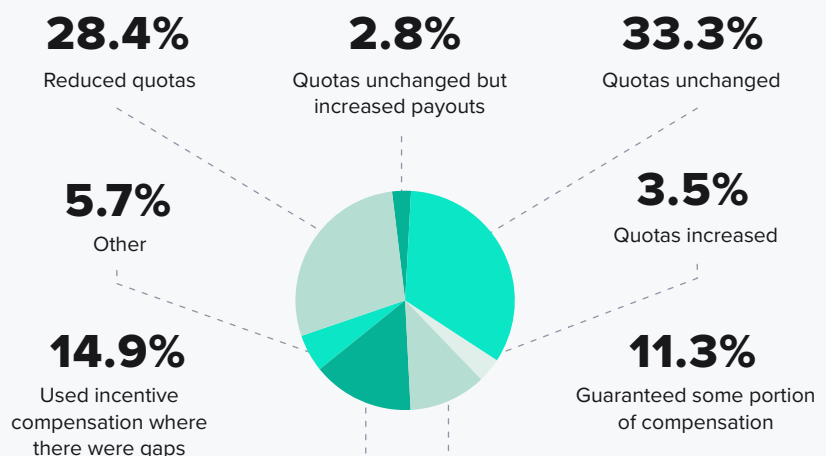
One of the most drastic changes we found was the expectation for the sales teams to hit their goals. We go from the majority of people expecting ~70% to hit their goals to the vast majority expecting their teams to not achieve their goals. Now, only 14% of respondents expect 70% or more of their teams to hit goals. You also see now that over half of respondents felt that their teams had less than a 50% chance to hit the goals set at the beginning of the year, beginning of the year.

## As a response to the Coronavirus pandemic, what percent of your sales team did you expect to hit their 2020 goals?



With such a shift in expectations when it comes to achieving the set goals there we did also see a shift in how people were compensated. Almost 30% of respondents reduced quotas and you also had around 25% either guarantee a higher portion of payouts or used other incentives to supplement performance and compensation plans.

## As a response to the pandemic, what temporary changes did you make to your compensation plans?

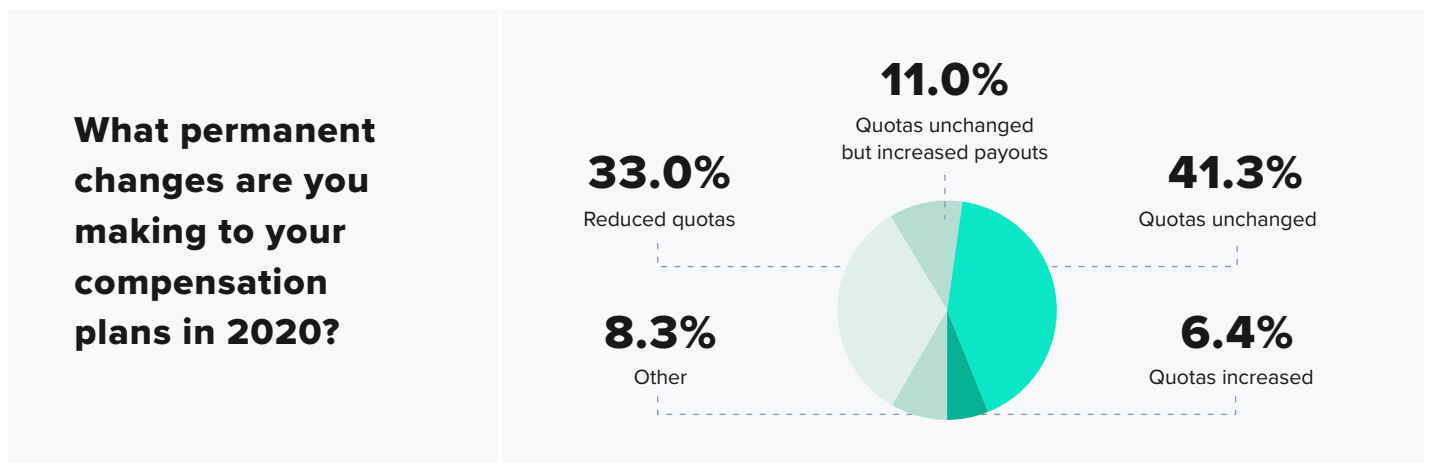




# WHAT NOW?

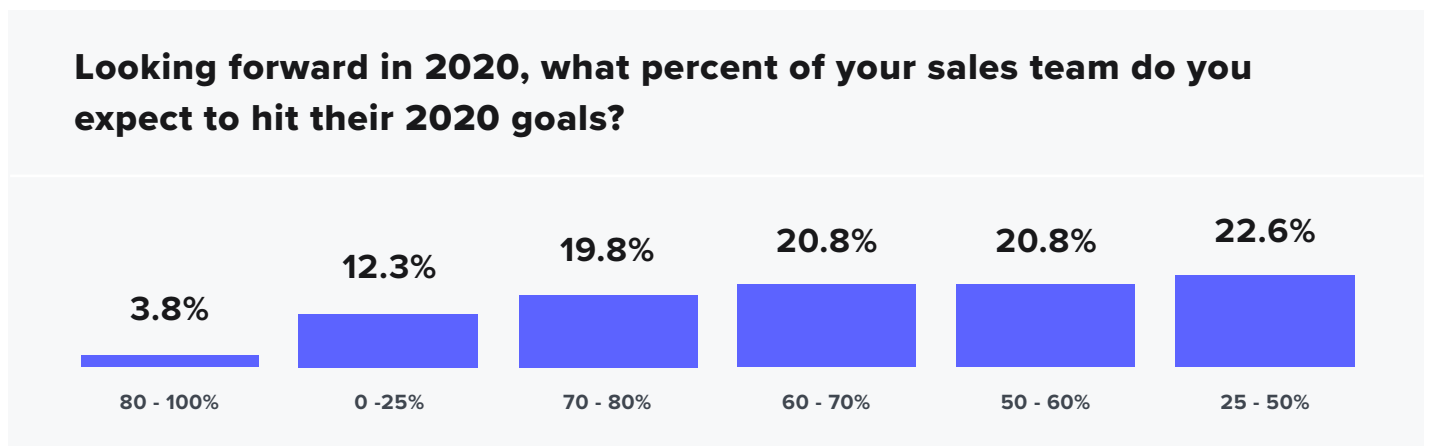
Sitting here in August 2020 there is still a lot of uncertainty about the duration of the pandemic. However, it's safe to say that the level of uncertainty is much lower than it was a few months ago. Depending on where you are in the world, you can go out to eat again, "travel", and although you wear a mask, life is getting back to a more normal state. So what about sales compensation?

From what we can tell, it is. Sales leaders are cautiously optimistic. About 1/3rd of respondents planned to keep using reduced quotas but over half planned to leave them unchanged or increase them. Although the economy may have changed forever, sales leaders have adapted and are creating stronger forecasts and plans going forward.



Expectations of sales leaders hitting their goals follows the same trend.

Expectations aren't quite as high as they were at the beginning of the year, but most believe they will achieve approximately 50-80% of their goals. Only 12% of respondents felt that less than 25% of their teams would reach their goals.



To sum it all up sales compensation feels a lot like my favorite restaurants, things are normalizing but I still mostly do curbside pickup and I wear a mask. Sales leaders are cautiously optimistic and are expecting the economy and sales ecosystem to get "closer to normal".

# CONCLUSION

---

To summarize, here are a few quick bullet points:

- The single largest observed shift in the compensation economy arose from the pandemic.
- Most organizations reduced expectations to survival mode when uncertainty was high. Quotas dropped almost across the board.
- A small minority of organizations leaned in to the crisis and increased payouts to incentivize performance during down times.
- Most annual goals will be coming in at 25-50% of goal.

An international pandemic shook up the economy in unprecedented ways. Uncertainty rules the roost as organizations are trying their best to manage quotas and internal expectations. Further out, even if normalcy is achieved, international supply lines have been affected in a permanent way that may alter exactly how commissions teams compensate their teams. Time based accelerators may become less aggressive and quarterly reporting may have to start bridging multiple quarters. The key tactic for organizations to succeed in new, historical times is to maintain goal flexibility. Those that are able to compensate their teams in a manner that matches the current state of things will be the long-term winners. We at Spiff are happy to see both our efforts and the efforts of our respondents to tackle new challenges head-on paying off in the end.

# APPENDIX

## Expectations to hit goals over time:

### What percent of your sales team do you expect to hit their goals

%	Beginning of Year	Initial Reaction to Covid19	Going Forward
0-25%	4%	27%	12%
25-50%	11%	30%	22%
50-60%	17%	14%	20%
60-70%	25%	14%	20%
70-80%	29%	10%	19%
80-100%	12%	3%	3%

## What changes were made to comp plans over time:

### What changes did, if any, did you make to your comp plans?

	Initial Reaction to Covid19	Going Forward
Quotas Unchanged	44%	42%
Reduce Quotas	38%	34%
Quotas Increased	4%	6%
Quotas Unchanged but payouts are increased	3%	11%
Used incentive compensation where there were/are gaps	20%	-
Guaranteed some portion of compensation	15%	-
Other	7%	8%

**Select Free Response Answers:****How has your mindset towards compensation, rewards, and recognition changed as a result of the pandemic? Have you implemented any changes to manage this?**

We have moved from an annual plan to quarterly plan so we can take each quarter under review to make the best assessment of what's attainable based on the market. We have also implemented MBOs to help guarantee a portion of the sales reps compensation as long as they are doing what is expected.

Intentionally lowered company goal for the fiscal year and intentionally reduced quotas (in alignment with that change). Other than that, no change.

We didn't change quotas but decided to hire less people than originally planned

Rather than reduce quotas, we asked the team to keep a winner's mindset and expect victory. We incentivized the team by providing team-wide SPIFFs as they reached varying levels of quota target. We also implemented new tools and enablement features to empower them. Finally, we doubled our recognition and bonding efforts.

Need to be more flexible and assess quotas on a more regular cadence to see if they are realistic or not or need to be changed / reduced based on what we are seeing in the market

We've been fortunate to continue to thrive and set sales records. We anticipate no comp plan adjustments

We are assuming that many of our reps will be less ROI-positive in 2020 specifically, but we want to keep our best talent at the company during this uncertain time so are willing to take that hit for 6-9 months to ensure that we have an experienced team once the crisis starts to lift in 2021.

Delaying the rep payout until revenue is generated vs when contract is signed

More recognition, added new ongoing spiffs for top performers + spiff for hat-trick reps that make 3 sales per day (we have a transactional sale). Looking at shifting the commission from month in which sale was made to month in which revenue begins

Production has definitely been affected by more than 50% depending on the KPI and the 2nd half of the year still looks to be challenging. I did proposed a min. guaranteed commission for my SalesDev team back in Mar20 but it has yet to be considered.

Focus on activities to build up pipeline when things go back to normal

We stayed the course and supported our reps with additional coaching, mentoring, and executive in deals.

Needed to adjust quotas and shift sales tactics through other channels. Nothing has been implemented other than pausing payments for OTE.

We are no longer holding the sales org responsible for the goals set earlier in the year.

Managing customer experience is going to be more important to prevent attrition, also targeted sales programs or "bounties" for the team for shorter term, more focused goals. The comp plans need to be more flexible going forward.

We have needed to become more fluid in modifying comp plans. We offered flat bonuses in lieu of sales compensation for a change in efforts we had the AE's focus on

We've taken a stronger approach towards non-cash or cash alternative rewards to supplement compensation and variable compensation to help with overall morale. This has been extended across all functional areas of the organization.

It has to be a little less eat-what-you-kill - there needs to be more cover for the individual sales rep, but perhaps a little less upside as well.

We've become more intentional about recognizing high performance. But not just high performance as it relates to closed-won business. We recognize reps for their activity metrics and that wasn't something we were intentional about prior to covid.

Over two-thirds of our business closes in Q3 and Q4. We're currently holding off on making any major changes until August 15 for better visibility into H2 pipe. We've made some tweaks to our pricing and offer monthly pricing and have an incentive for pushing the monthly deals in place

### **Knowing what you know now, what compensation changes would you have made as a response to the pandemic?**

I would have decentivized certain verticals and incentivized others

lowered quotas earlier, 3 tough months

Increase variable package and make it simple for AEs to calculate potential upside

Paid reps fully (vs. .4 commission/quota credit) on one year deals. We just need the business. We didn't think the pandemic would be as detrimental to the entire year. Instead, we're doing that now (and maybe too late) as we've seen half of our pipeline push out to 2021 in the blink of an eye. A bird in the hand....

We will continue to monitor Q3 and will most likely implement some high paying SPIFFs in Q4 depending on where we are at as a company. Very difficult to navigate as we need to factor in continued motivation within constraints of our budget in case the economy does not rebound.

We took the pandemic as an opportunity to fix our flawed comp plans to compensate on a metric that is more in line with behavior we want to drive (committed revenue) vs. a vanity metric (total bookings size). It's important to note that we are a usage based software company, not saas.

Create an overall team quota to foster more collaboration and let people know it's going to take each and every one of them to get us through the year.

I was planning on reducing quotas anyway in FY20 but this cemented my commitment to that. The only other adjustment I would have made is the min. guaranteed commission for SDRs.

We did quota adjustments and modified MBOs. However, in looking back, I would have hold off on reducing the quota.

None. It's not a compensation problem. It's a buyer confidence problem.

Relax on the quota, play reps 2-5% more when they hit their numbers or more aggressive spiffs.

I would have moved some variable to reward activities geared towards maintaining customer base.

Would have moved focus to closure of all pipeline deals rather than mix of prospecting / closure

We adjusted full year quotas, which seems to be the correct change, as far as we can tell 2 months later.

If we had been adversely impacted by the pandemic I would have considered options to ensure we retained our talent through the crisis.

We probably would have made an immediate shift towards compensating based on activity metrics. That would have been a temporary change until it became clear that spending was beginning to unfreeze.

Lower quotas at the minimum. I likely would also increase payouts to those that are still their quotas or higher than the average benchmarks.

this is not answering the question, but I'm not sure quota model is the way to go. I would like to revisit other models such as a higher base plus individual commission or team commission.

Lowered gross and net retention target on the CS side as well as increase percentages for the pre-sales side to increase rewards (while keeping quota the same).

Dropping quotas by 20-25% and adjusting commission rates to ensure OTE attainment in an effort to reduce turnover