

2020

SALES AND COMMISSIONS
SENTIMENT REPORT

CaptivateIQ

Content

01 Introduction

02 Who we surveyed

03 Payees

3.1 How Payees feel about their compensation plans

3.2 Payees goals

04 Why choosing the right plan matters

05 Admins

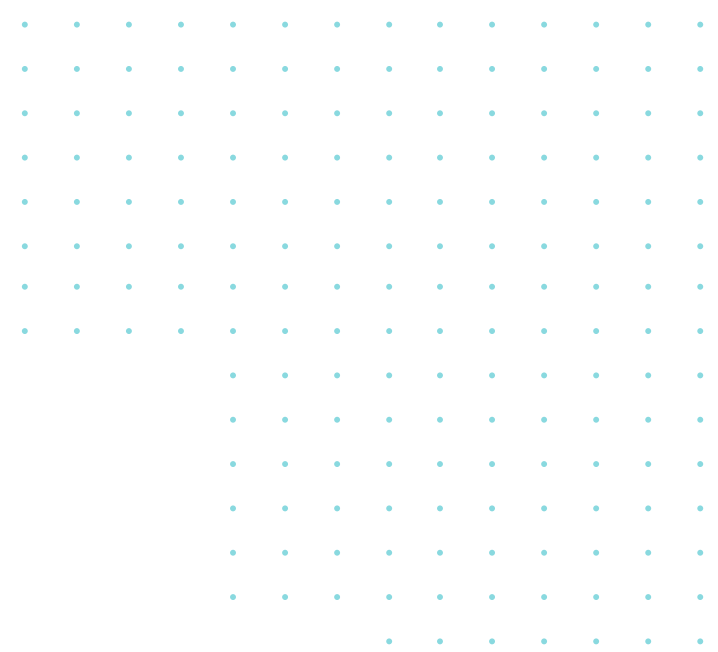
5.1 Overview of plan administration

5.2 Biggest pain points for plan administrators

5.4 Impact of Covid-19

5.5 Adming Goals for 2021

06 About CaptivateIQ



Introduction

2020 was an unprecedented year requiring everyone to be ever more responsive and adaptive to the evolving challenges.

We asked our community how they have faced this past year's challenges and were inspired by their innovation and perseverance. In this report, we share their reflections on 2020, and their outlook for 2021 in order to help inform your upcoming decision about sales teams and compensation planning.

"With COVID, we had to make a lot of changes to keep our sales team focused and motivated."



Jeff Merlin
Head of Finance, Harness

Who we surveyed

188

Participants

15

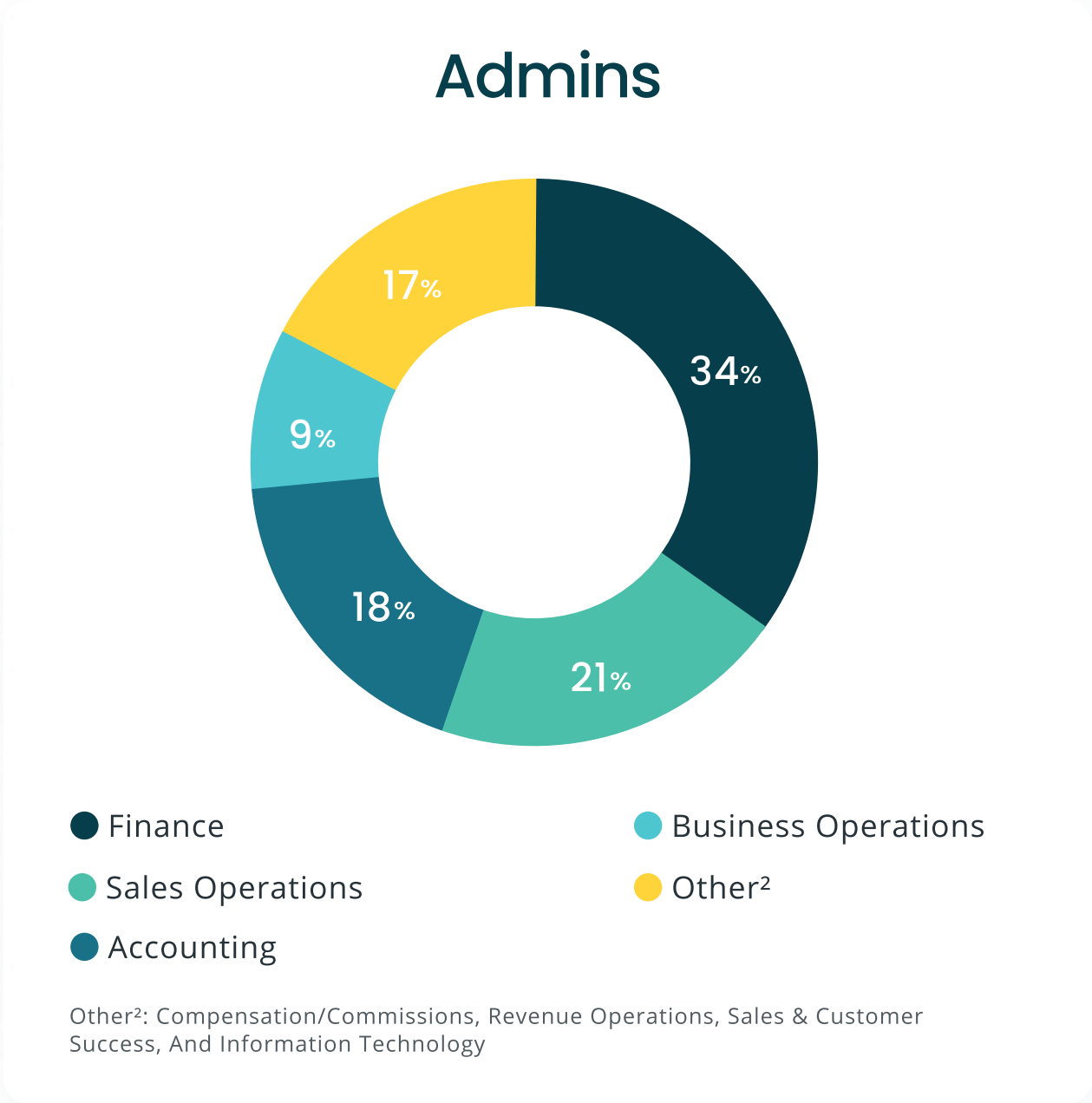
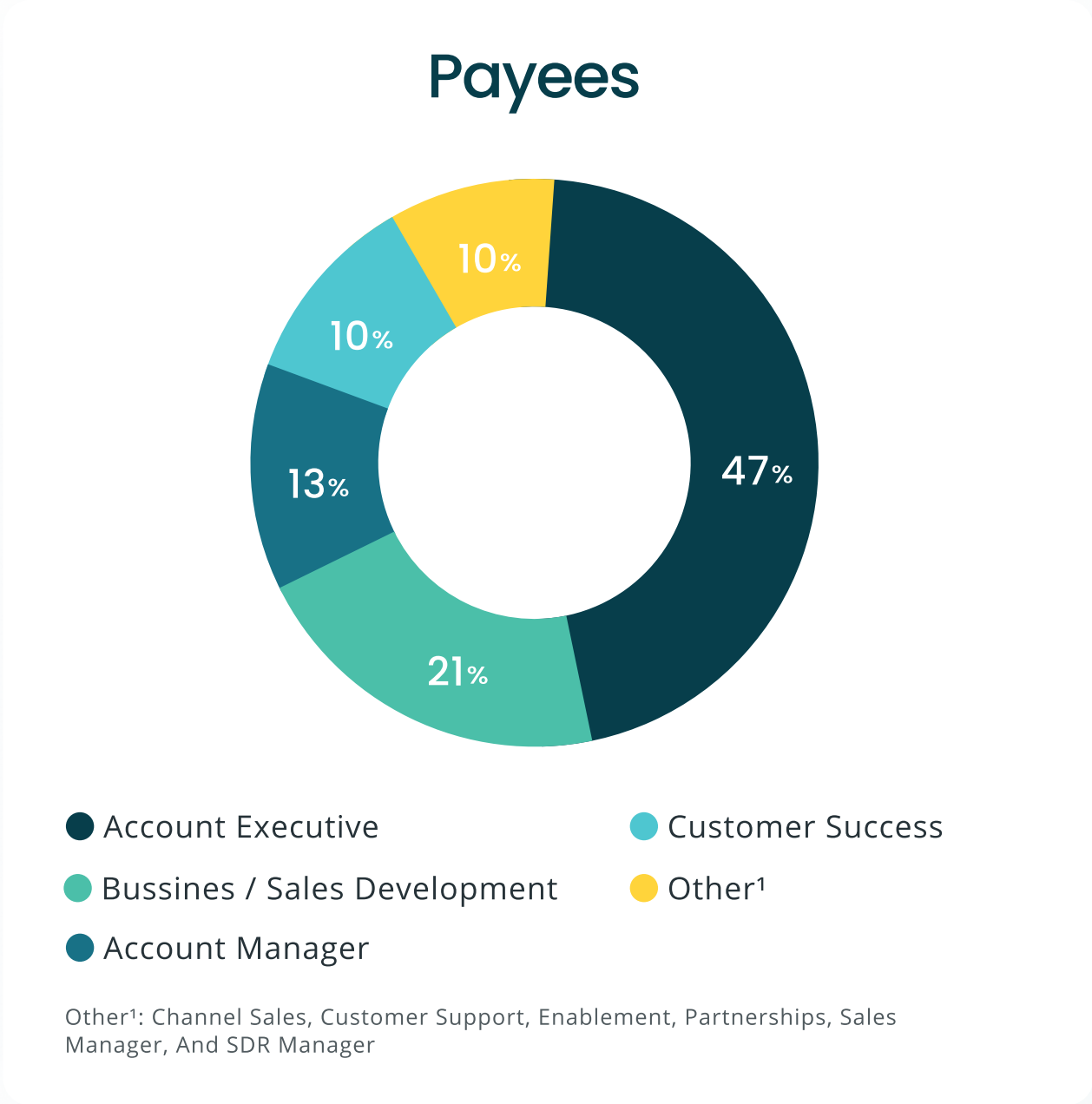
Different roles
for Payees

9

Different roles
for Admins

Who we surveyed

Breakdown of participants by function



How Payees feel about their compensation plans

Generally happy, but desiring a few improvements

It's no surprise that compensation is a major tool for both retention and motivation. We found that people generally feel motivated by their current plans, but would welcome increased stability and security in the form of higher base salary. This desire became especially acute as a result of the pandemic.

We also found that although **Payees felt that their compensation was fair given industry standards**, almost half felt that they would be even more effective in their current roles with compensation plan improvements.

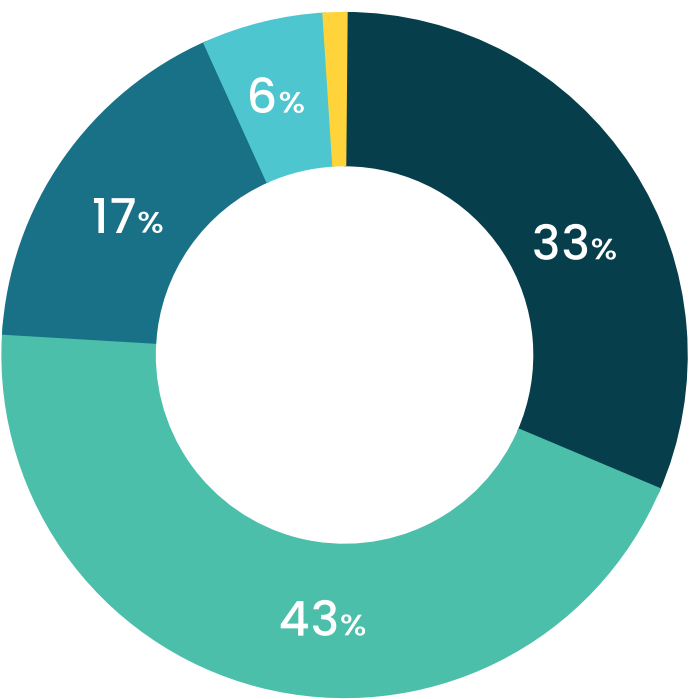


How Payees feel about their compensation plans

“My compensation is competitive within my industry”

Overall, Payees felt that their companies offer competitive compensation plans.

As a benchmark, the median annual wage for a sales rep in a technical field (e.g. enterprise software) is \$104k. Non-technical sales reps report a median annual wage of about \$56k¹.



- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly Disagree

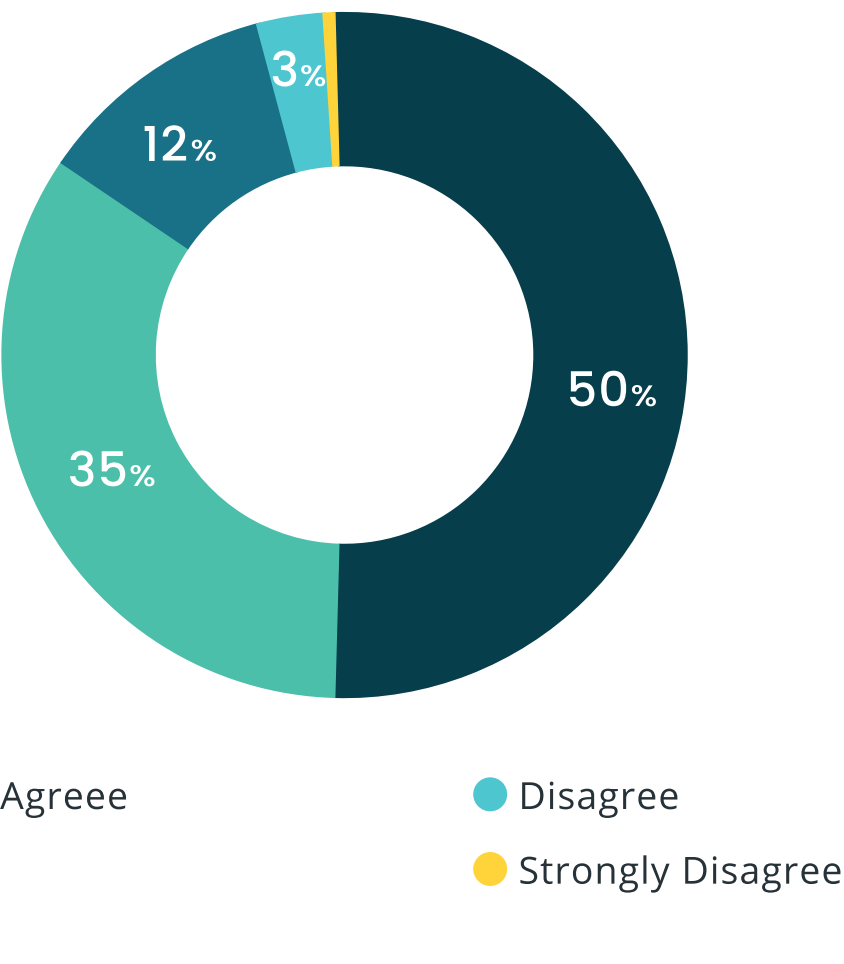
How Payees feel about their compensation plans

“My compensation plan motivates me to achieve and exceed my goals”

Payees feel motivated to achieve and exceed goals under their current compensation plans. However, if your team’s motivation levels seem low and changing plans is not an option right now, you might consider leveraging an Incentive Compensation Management (ICM) system to boost motivation. In general, we have seen that ICMs can improve motivation levels on sales teams by:

- Recognizing performance more visibly through real-time rep dashboards and statements
- Showing sales results more clearly so reps understand how they are doing
- Connecting job performance to their results so they can course-correct moving forward

Outside of compensation, getting recognition for a job well done, transparency at the leadership level, and more company-events were cited as the top ways reps would feel more motivated.



How Payees feel about their compensation plans

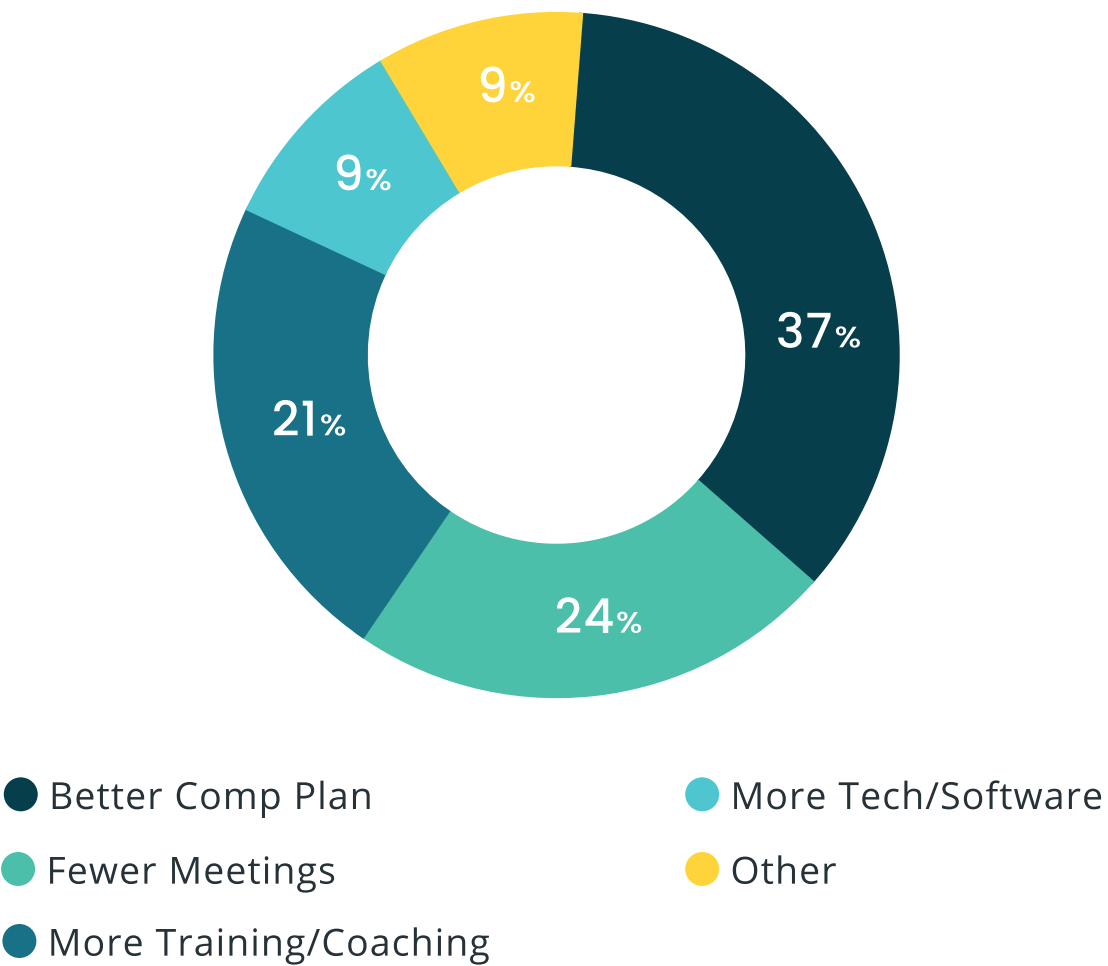
“How can your company help you become more effective in your role?”

Over a third of our respondents indicated that an improved compensation plan would allow them to be even more effective in their roles.

We have heard from many companies that one of the first budget items to get cut during the pandemic was “*personal development*.” It seems like an easy target given in-person seminars had been canceled and people were in “*survival mode*” rather than “*growth mode*.”

However, we recommend that teams conduct a cost-benefit analysis on whether it is more worthwhile to set up another weekly team meeting, or whether it’s more beneficial to invest in sales reps to reduce turnover and allow them to pursue new skills.

A Gallup study found that organizations that make strategic investments in employee development report **11% greater profitability and are twice as likely to retain their employees**



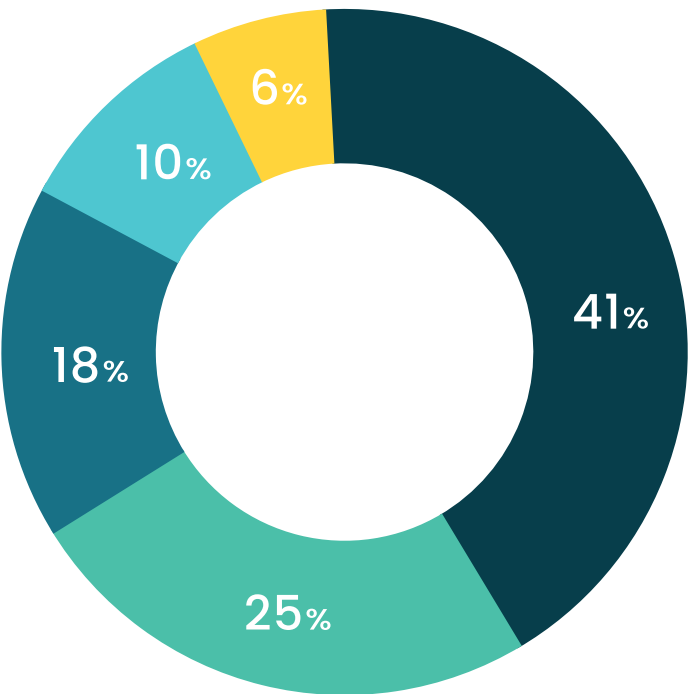
How Payees feel about their compensation plans

“If you could change one part of your compensation plan, it would be?”

When asked which component of their compensation they would wish to change, almost half stated that they would want to increase their base salary.

This sentiment may be particularly acute as a result of uncertainty during the pandemic when sales cycles have slowed down for many businesses.

We also observed that 18% of Payees wished for **improved timing of payouts**. You can read more about the importance of payouts timing in our blog post



- Base Salary
- Quota
- Timing Of Payouts
- Territory Assignment
- Other



Selling in a Time of Spending Scrutiny

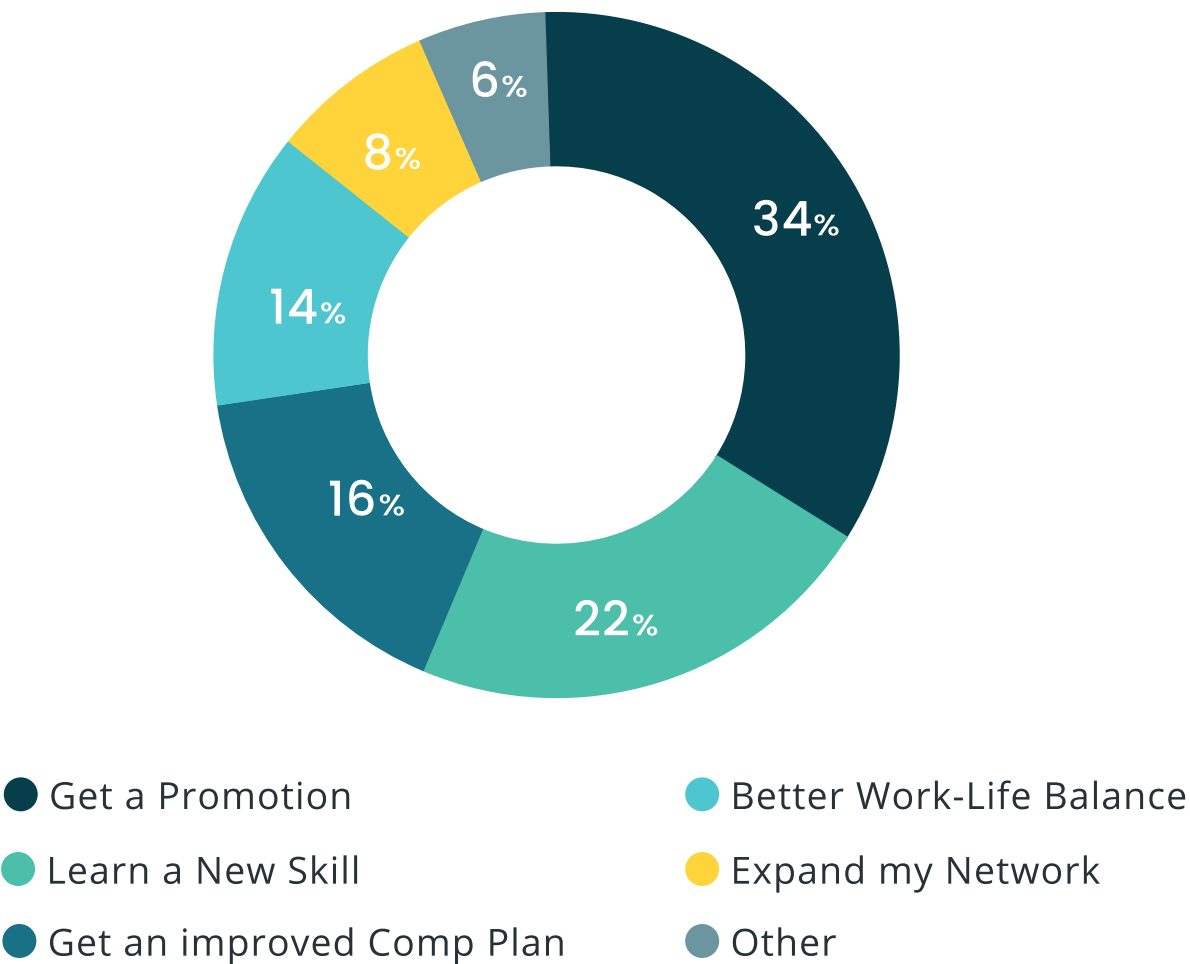
[Read blog](#)

How Payees feel about their compensation plans

Aspirations for 2021

Despite setbacks and challenges in 2020, Payees still hope to learn and progress in their roles next year. We believe that it will be critical in 2021 for business leaders to effectively communicate that career advancement is possible, and to illustrate how advancements may be achieved.

Per our previous point regarding the importance of personal development, **22% of participants stated that learning a new skill is their biggest goal for 2021**. For companies that had to cut back on their employee development budgets in 2020, this may be the perfect time to re-evaluate how to meaningfully invest in employees in 2021.



The importance of selecting the right plan and building trust

According to a 2018 report by the [Bridge Group](#), the churn rate for sales reps has increased significantly and now stands at about 1.5 years. We believe that the following three factors are critical to the health of any sales organization.

Selecting a plan that aligns with company strategy

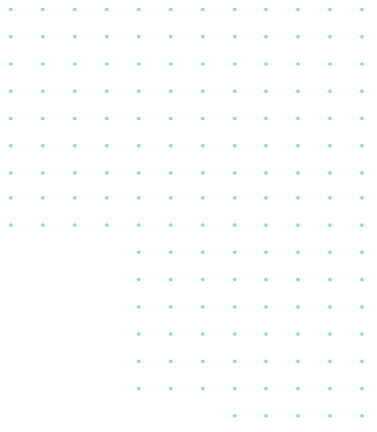
While a tiered commission structure may work well for a company who's top priorities are growth and incremental sales within a specific time period, a base rate plus commission model may be much better suited for an organization with a longer sales cycle.

Effectively communicating your compensation plan

Don't just communicate - help reps understand. When establishing a new compensation plan, it's important to use personalized examples of how sales reps can make more money and be even more successful under the new plan. Give them a clear understanding of why the new plan better aligns with company objectives and better rewards sales rep success.

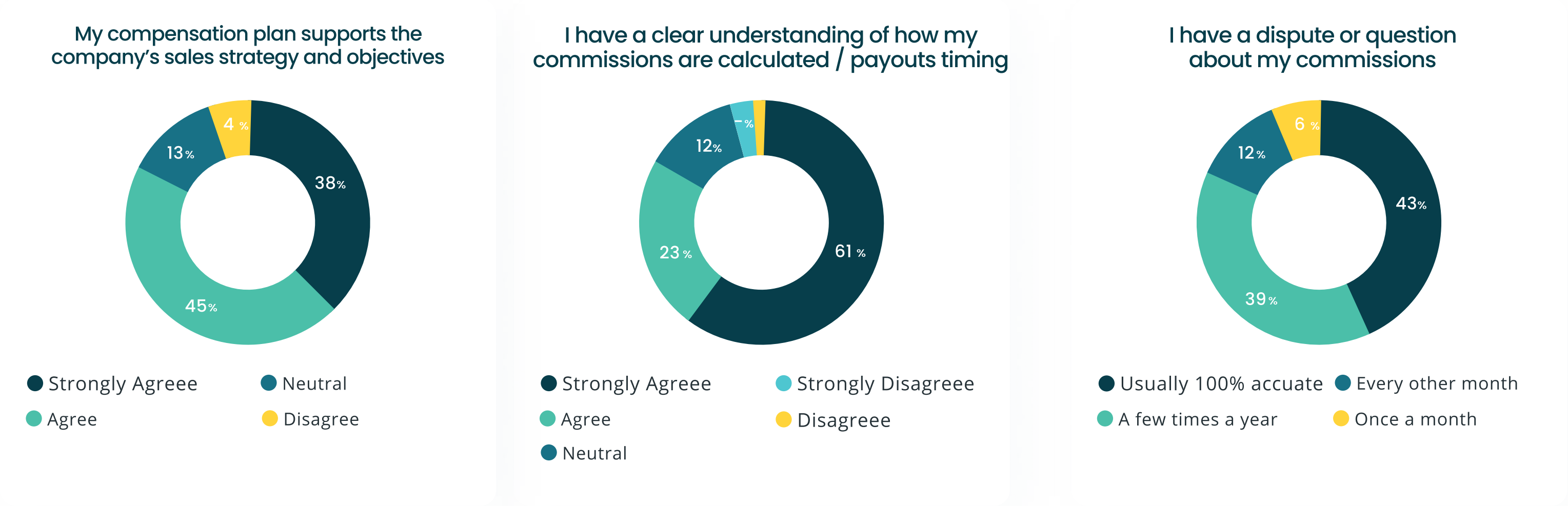
Ensuring that commissions are calculated and delivered accurately in order to build trust

About 88% of spreadsheets contain errors. While errors can sometimes be benign, if trust is lost early on, sales teams may resort to "shadow accounting." Essentially, they will spend time calculating their own commissions each month. This is valuable time that they could be spending making sales!



How well are plans being administered?

In general, Payees felt that their compensation plans were aligned with the company’s overall sales strategy and objectives. An overwhelming majority said they had a clear understanding of their plans, despite a few questions or disputes that may come up during the year.



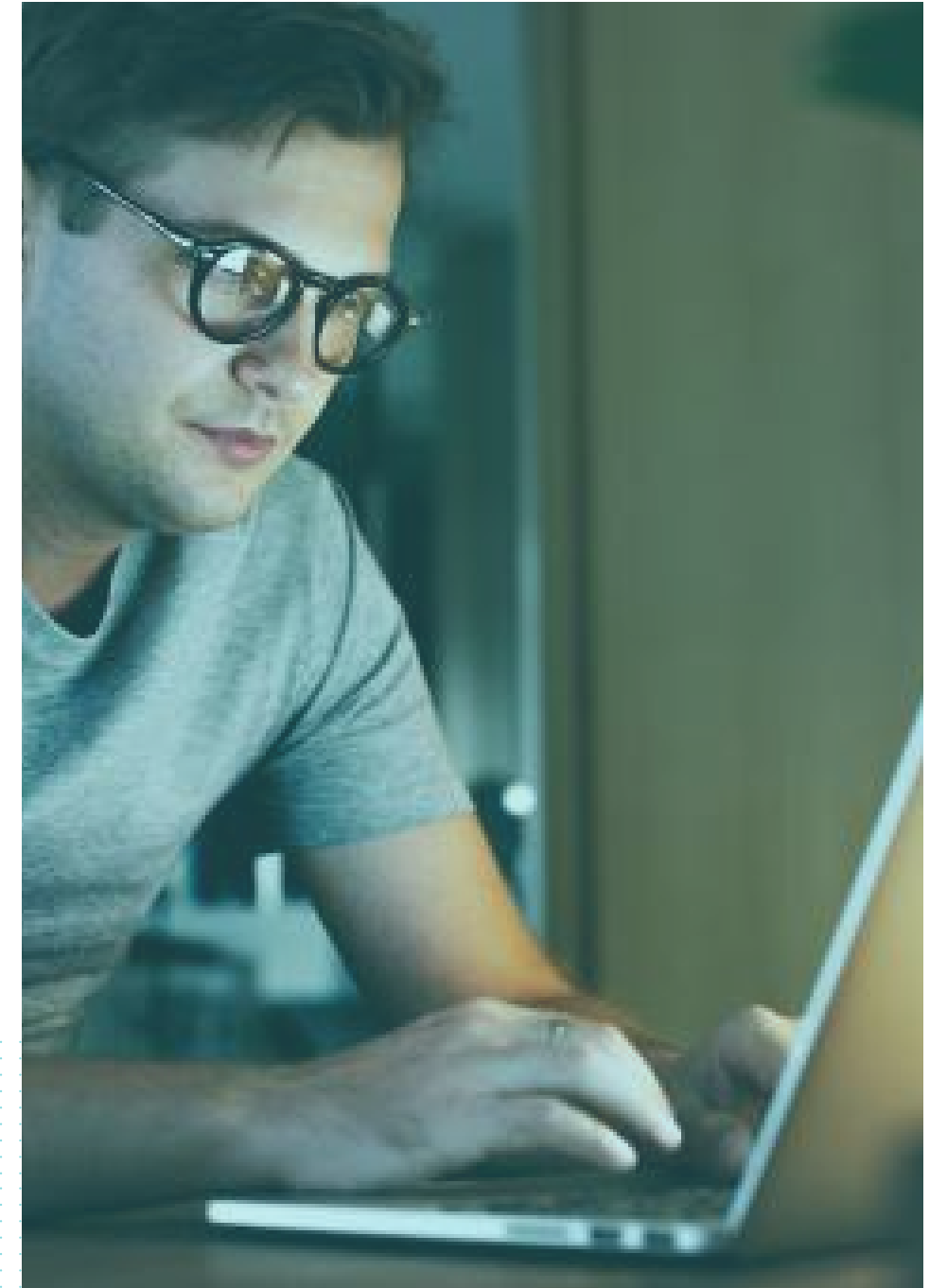
How Admins Feel

Strong desire to quickly iterate and improve forecasting ability

It was a busy year for Admins as companies scrambled to re-adjust compensation plans to account for the pandemic. Although Payees indicated that their most desired change was in base salary, Admins indicated that the most common change to plans was in the form of adjusted targets or quotas.

Admins highlighted pain points such as setting up calculations, updating plans and aggregating various data sources. There was a strong appreciation for tools and processes that allowed teams to remain agile and flexible.

In this upcoming section, we will explore in more detail how Admins have fared this past year and what they hope to achieve in 2021.

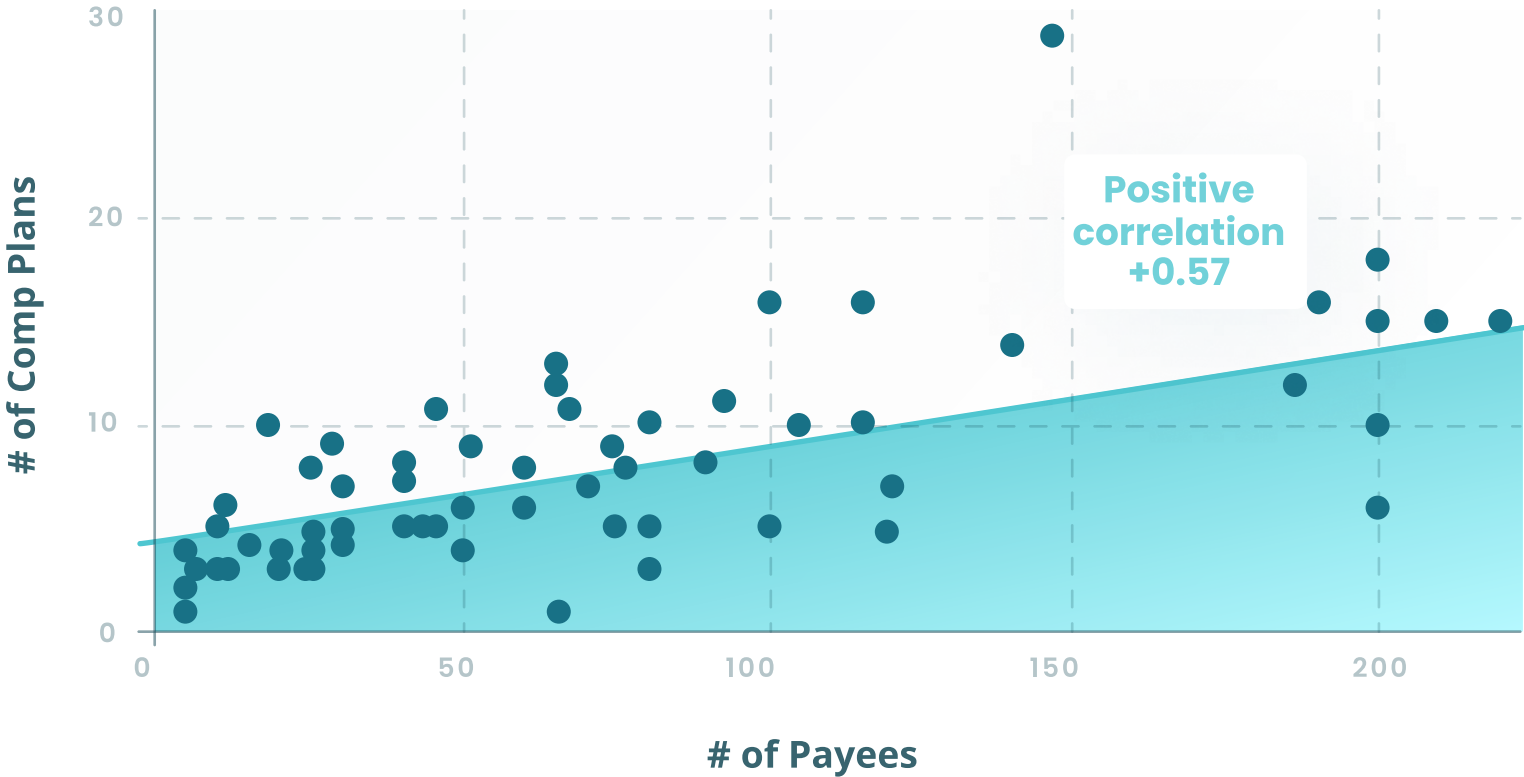


How Admins Feel

of Comp Plans vs. # of Payees

Across 76 Admins surveyed, we found that the number of compensation plans generally increases with the number of commissionable employees. This suggests that companies do tend to require increased customization of plans as they grow in order to accommodate various levels of experience or areas of expertise.

On average, we see that companies have about 10 Payees per plan.



How Admins Feel

Employees per Plan vs. YTD % Attainment

Although companies are likely creating more personalized plans in order to accommodate for various levels of experience and to boost attainment across the team, we find that there is no clear positive impact on attainment with the increase in customized commissions plans.

In a perfect world, a company that is able to perfectly match each sales rep with his or her ideal comp plan would reach an attainment level of 60% (what we consider a healthy target).

Normally, we would expect to see a decreasing correlation between Employees per Plan and YTD % Attainment. However, our data suggests that despite increasing the number of personalized plans, companies do not seem to benefit in the form of increased % attainment.



The top 3 pain points identified in the sales compensation process were:

#1

Setting up
calculations and
checking
numbers

#2

Updating or
making plan
changes

#3

Aggregating the
data sources
and cleaning it

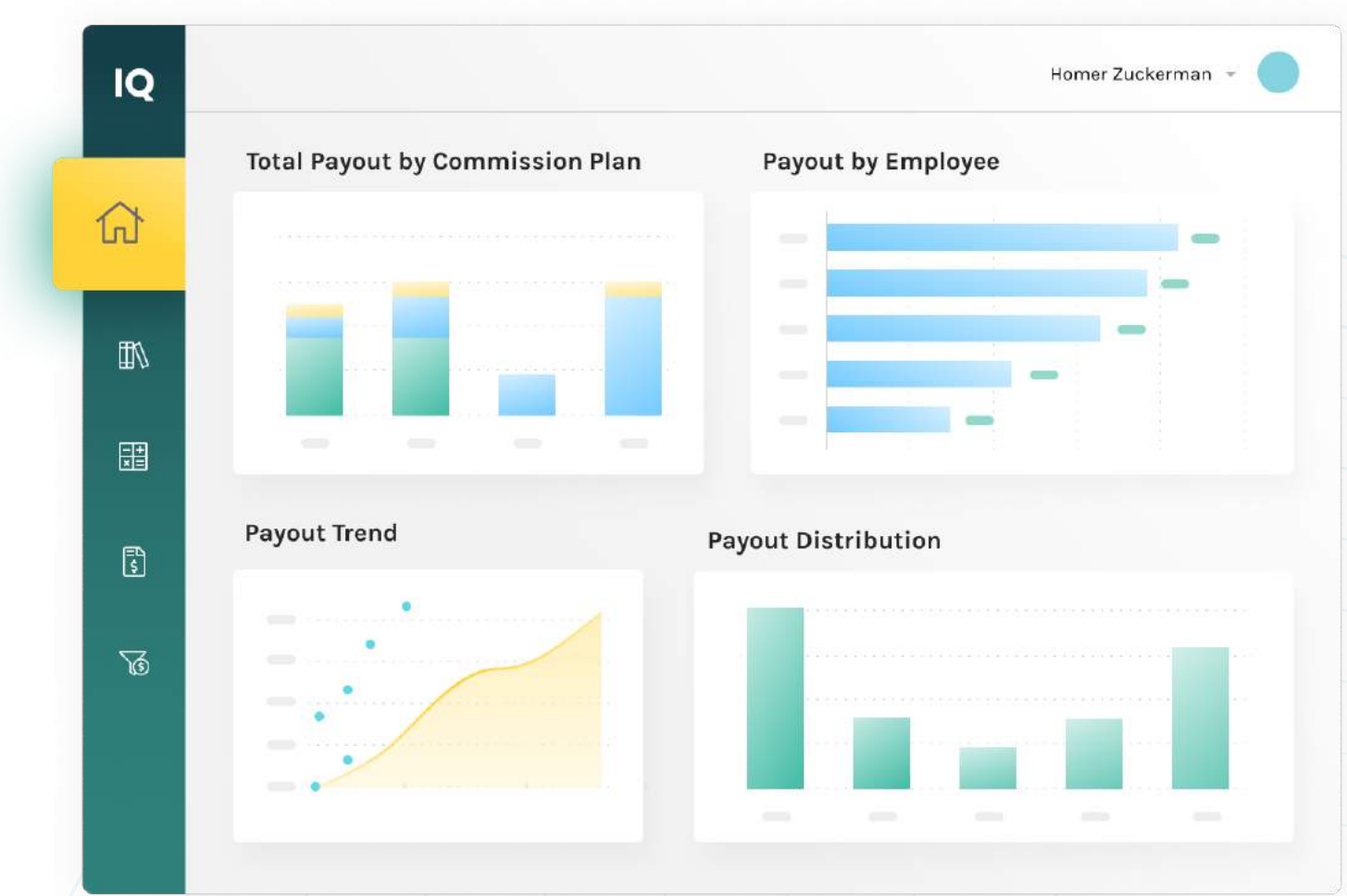
In qualitative conversations, we heard customers express a desire to spend less time calculating and managing systems. With increased bandwidth, they hope to spend more time understanding the impact of their implemented plans and make recommendations on **how to best support high level business strategy and goals.**

“The process felt unproductive. I knew we could be more efficient and better allocate our time to more value-add efforts.”



Daniel Kang
Senior Finance Manager, Vectra AI

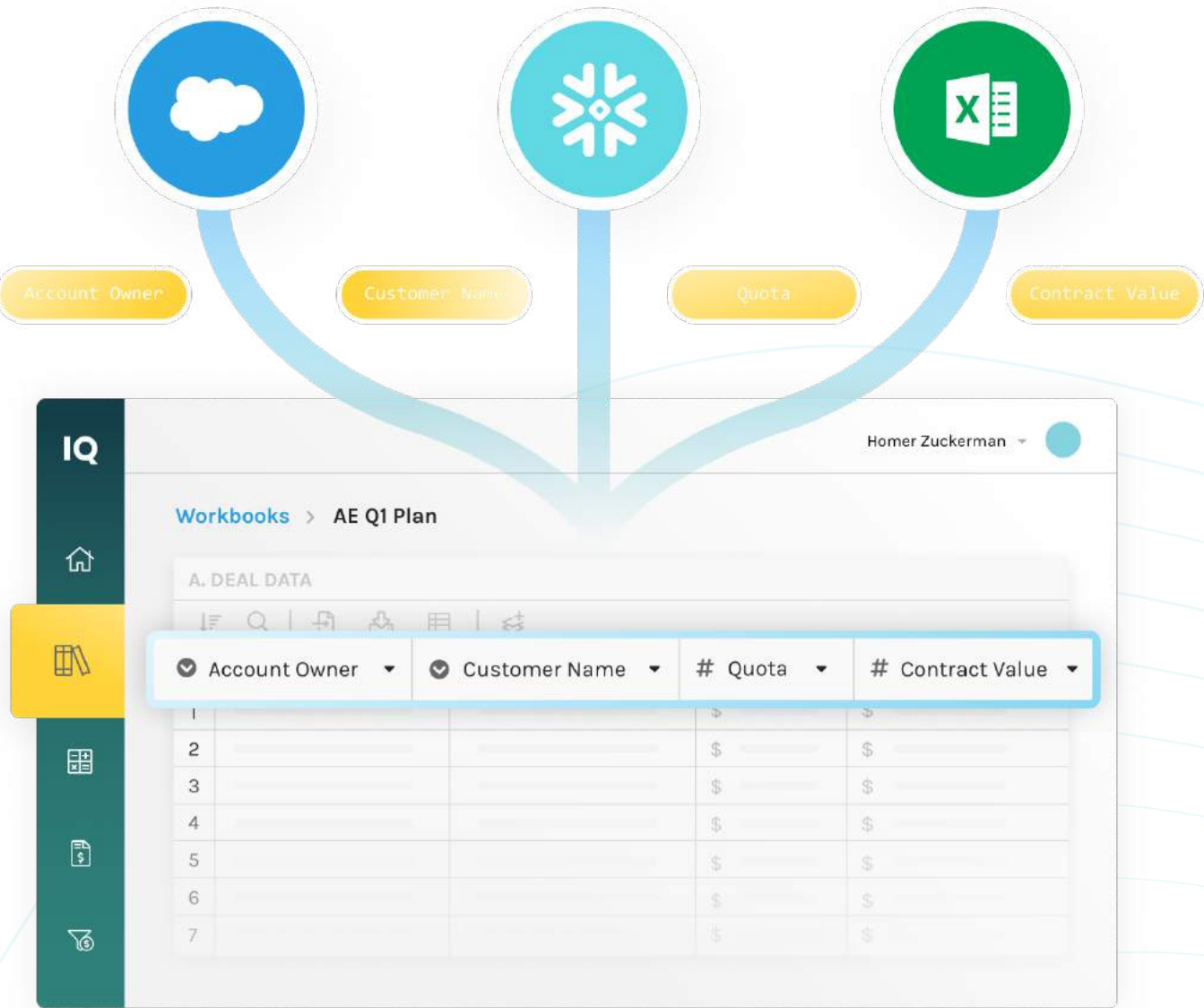
It's easy to let your existing comp plans stay the same throughout the year because it's such an undertaking to make updates to them. But experimenting with different plans and measuring how they're actually impacting your sales team's performance is one of the biggest drivers of success.

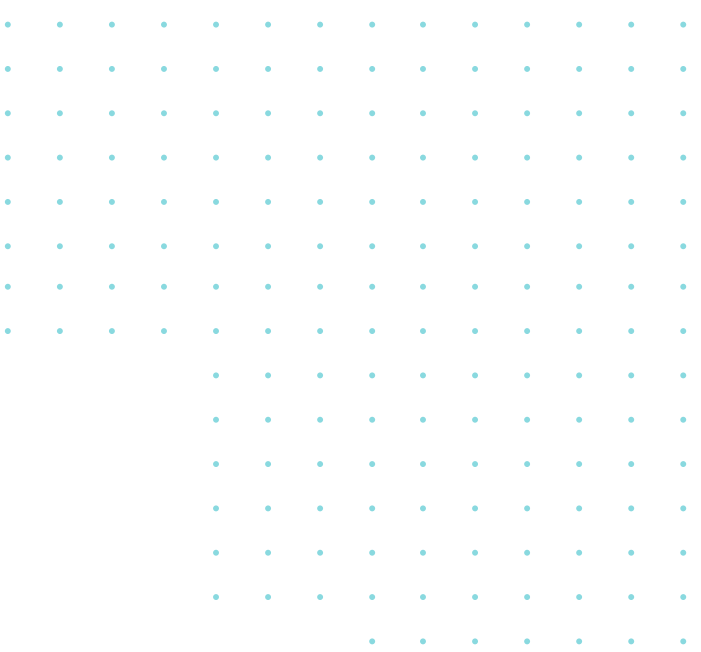


One source of truth for data accuracy.

Admins should be spending time setting up an effective comp plan versus collecting data.

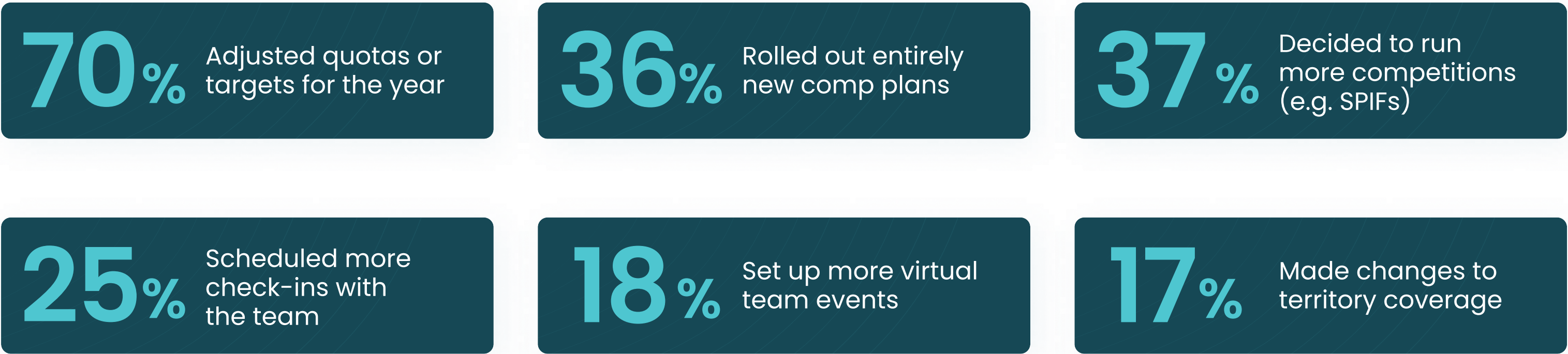
Having an effective ICM solution can **save hours of headache each month by directly connecting your data** source to run faster, more accurate calculations.





The impact of Covid-19

Our customers shared that one of the biggest challenges as a result of the pandemic was trying to support and incentivize sales in the new environment.



Performance vs. Plan YoY

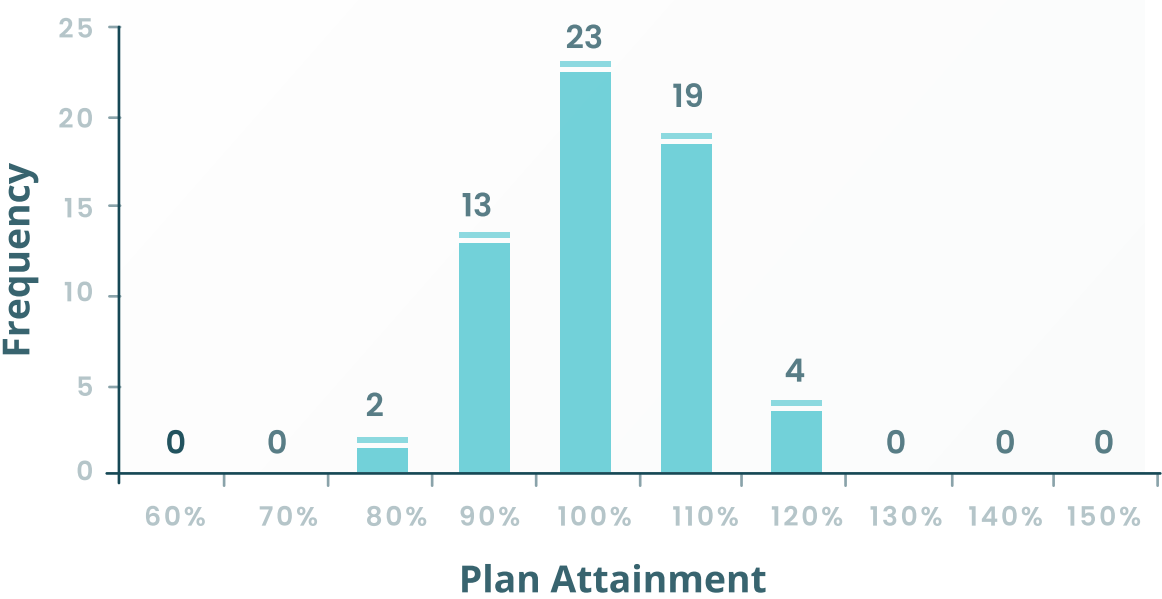
Overall, companies witnessed an attainment level decrease in 2020 compared to 2019.

However, attainment appears to remain at healthy levels suggesting that most companies were able to set challenging yet realistic goals.

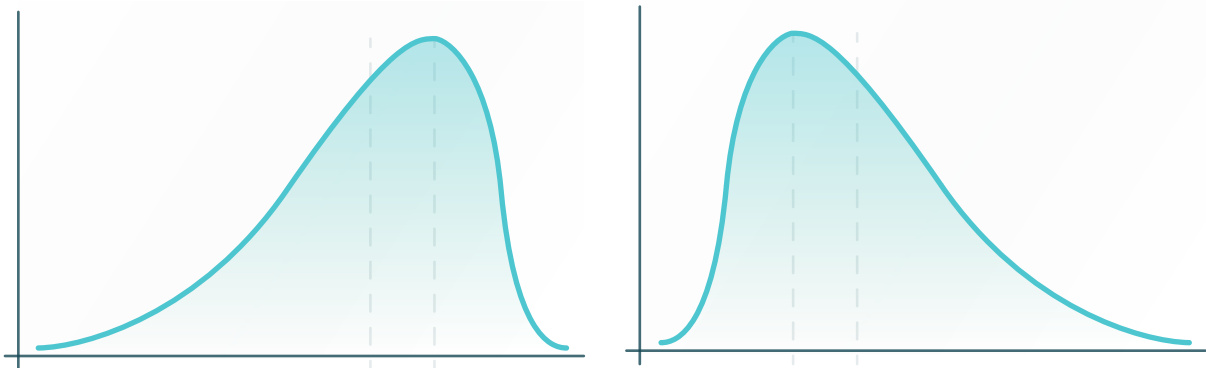


What is a healthy attainment percentage?

Our observation is that an attainment level of 60% is quite healthy.



A healthy sales organization should aim for ~60% of reps to achieve quota. This fictitious organization is a little high at 75%.



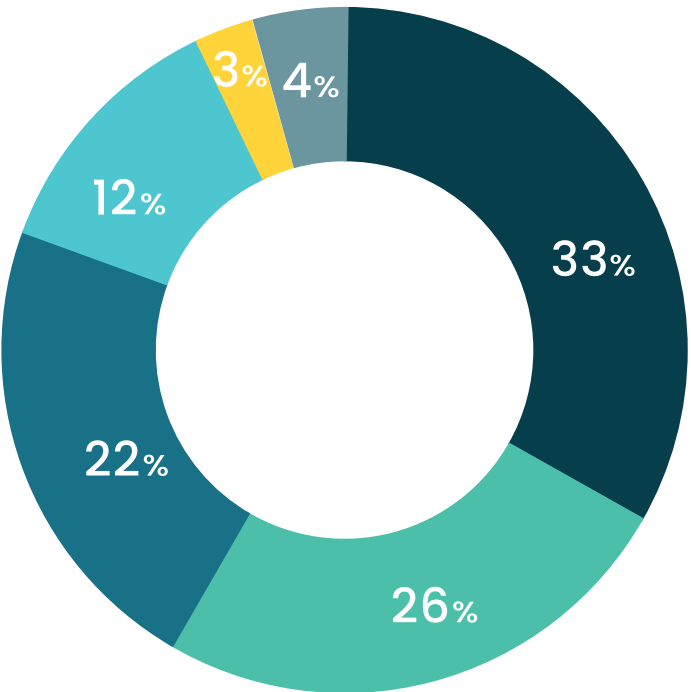
A histogram that is too left-skewed where most reps are reaching 100% attainment means that you may be paying too much in accelerated incentive dollars.

A histogram that is too right-skewed means you may have set unrealistic goals for your sales team which can lead to increased turnover and higher recruitment costs.

What is your biggest goal for 2021

In a “normal predictable” year, most companies need to adjust their sales compensation plans when new products are introduced, if company goals change, or as their sales teams evolve.

This past year proved that being agile and flexible would help organizations survive even during unpredictable times. In 2021, Admins indicated that the biggest goal related to sales planning would be to **update plans and roll out new ones more seamlessly.**



- Update or rollout new plans easily
- More accurate forecasting
- Process commissions faster
- Better visibility across plans
- Process commissions accurately
- Other

About 20% of respondents indicated that they want to be able to process commissions faster. We were thrilled to witness significant reduction in processing time across all of our customers in 2020.

Select examples

60hrs

Saved per month

tipalti

40hrs

Saved per month

VECTRA[®]

30hrs

Saved per month

yello

Conclusions

We believe that this pandemic has the potential to permanently change the dynamic of sales teams as remote work culture becomes more prevalent and sales reps seek a stronger safety net in the form of higher base salary. Companies should keep a close eye on these shifting dynamics to ensure that they remain competitive in hiring.

Despite the circumstances, we were optimistic to hear that Payees are generally motivated by their current compensation plans. The biggest opportunities for improvement in 2021 lie in:

- Investing in personal development
- Allowing teams to more flexibly update or change compensation plans
- Clearly communicating how career advancements can be made for Payees

"Before I implemented CaptivateIQ, reps complained they didn't know how they were getting paid and some people didn't even know what their compensation structure was! **Now, they have clear metrics and they can see what their percentage goals or quotas are** and how they're getting paid."

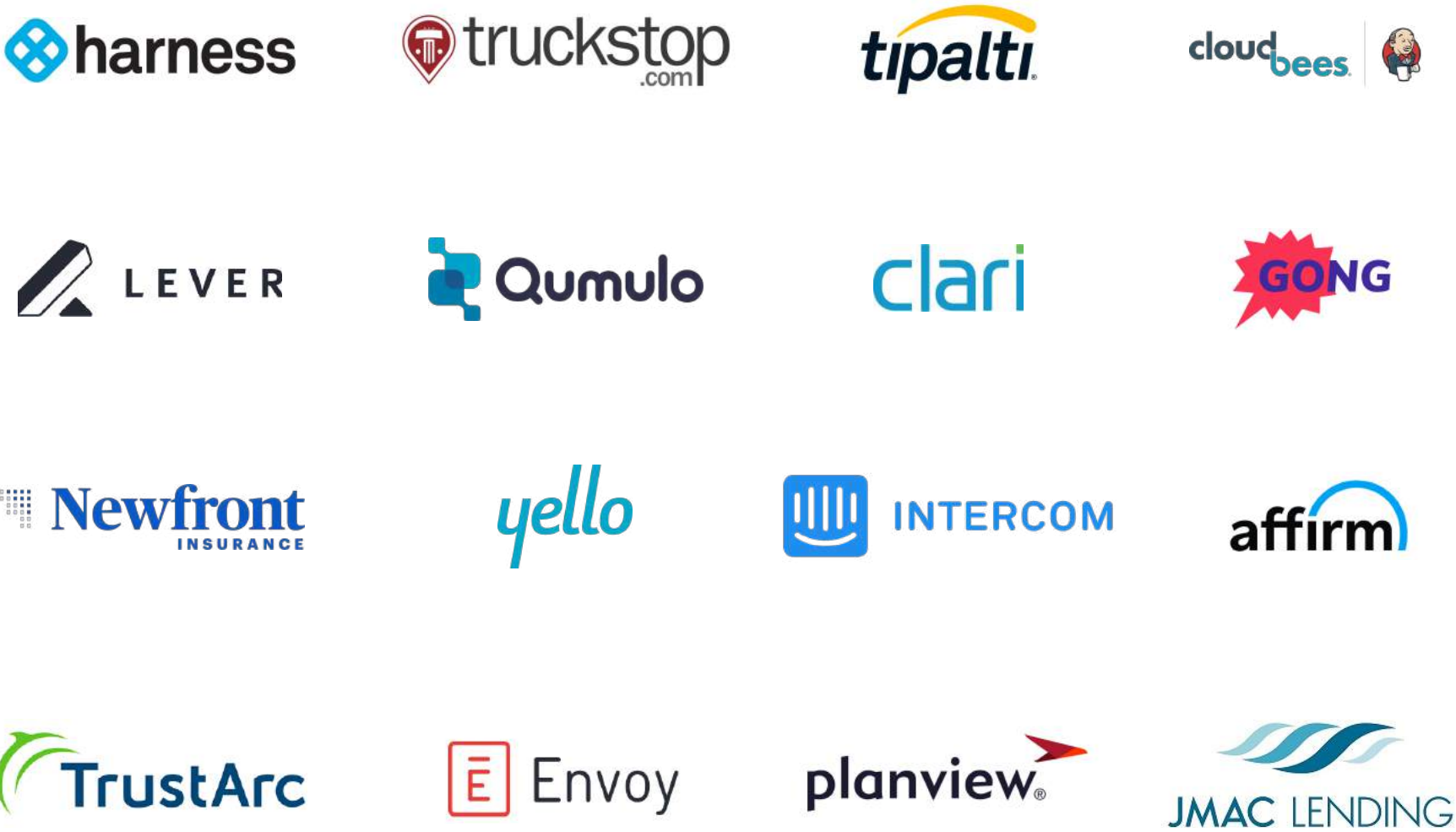


Bo Du

Senior Sales Ops Manager, Dedrone

About

CaptivateIQ



CaptivateIQ is on a journey to modernize the world of incentive compensation. Our hope is that people will feel more connected at work if there is greater transparency in how they are rewarded for their efforts.

What People Are Saying About Us



"CaptivateIQ has been huge for us. It's been valuable for sanity checking calculations and avoiding discrepancies. The biggest win has been transparency with our sales team."



Carl E

Director of Operations, Lever

"I came from the world of Excel and using CaptivateIQ has been a huge win. I would recommend it to anyone looking for a better solution than spreadsheets or other solutions."



Sarah D

Sales Operations Manager, Yello

CaptivateIQ

brings teams **together** through
the power of incentives.