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Why Your Sales Commission Plan Might Need A Rethink



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If the thought of sales commission planning makes you shudder, you're not alone.

Designing and managing an effective sales commission plan is a herculean task that few people enjoy and most dread. And yet, it can create trust, transparency, and a sense of employee value – all of which motivate staff to reach their targets.

In short, it can be one of the most powerful tools for growth.

So how and why do so many sales commissions plans go wrong? And importantly, is there a better way to deal with them?

Let's take a look.

SIGNS YOUR COMMISSION PLAN IS FAILING

Sales is the driving force of any business and the commission plan is the fulcrum. While most businesses recognize the importance of selling, too few understand how influential the right commission plan can be. Just like a fulcrum, it can either play a pivotal role in your success or bring everything down like a house of cards.

A faulty plan can have a devastating effect on your business. It can tie you and your teams up in knots, create friction, damage morale, demotivate staff, waste resources and increase costs and staff turnover. Unsurprisingly, this is not a formula for customer happiness, so you can expect fewer sales, reputational damage and a heavy cost to put things right.



To secure a profitable future for your business, you need to make customers happy. To do that, you need happy employees, and for that, you need a sales commission plan that everyone loves (including you!).

So let's explore why plans go wrong in the first place.

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WHY COMMISSION PLANS GO WRONG

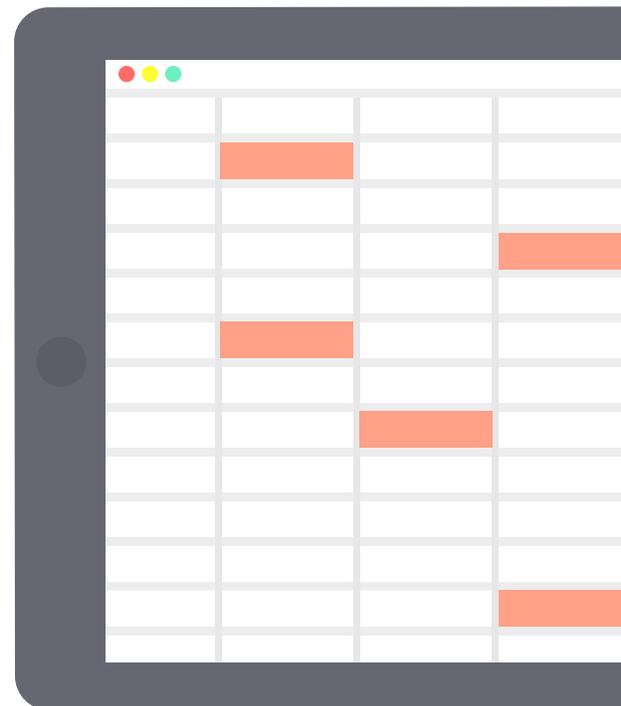
You can trace a faulty commission plan to three main causes:

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1

YOUR SALES COMMISSION PLAN IS DESIGNED AND EXECUTED MANUALLY.

Manual commission plans rely on spreadsheets. When you start applying the complex logic needed for commission structures, the spreadsheet begins to function like a computer program. However, spreadsheet logic is rarely scrutinized in the same way programs are. In fact, spreadsheets are normally built by accounting staff with no coding experience at all. This means most spreadsheets, at least 88%, contain errors. So not only do manual plans take longer to process, but there is a far greater risk of error, which then results in duplication of work and potentially some difficult conversations with staff.



2

YOUR SALES COMMISSION PLAN IS OPAQUE OR HARD TO UNDERSTAND.

The need for a transparent sales commission plan that everyone can access and understand is vital. If no one knows how much they're earning or how their performance ties into those earnings, you can't expect them to be motivated enough to reach their targets.

"If you get that sinking feeling at any point during the compensation planning process that this is too complicated, then it was already way too complicated and disincentivizing much earlier," argues Lars Dalgaard of Andreessen Horowitz.



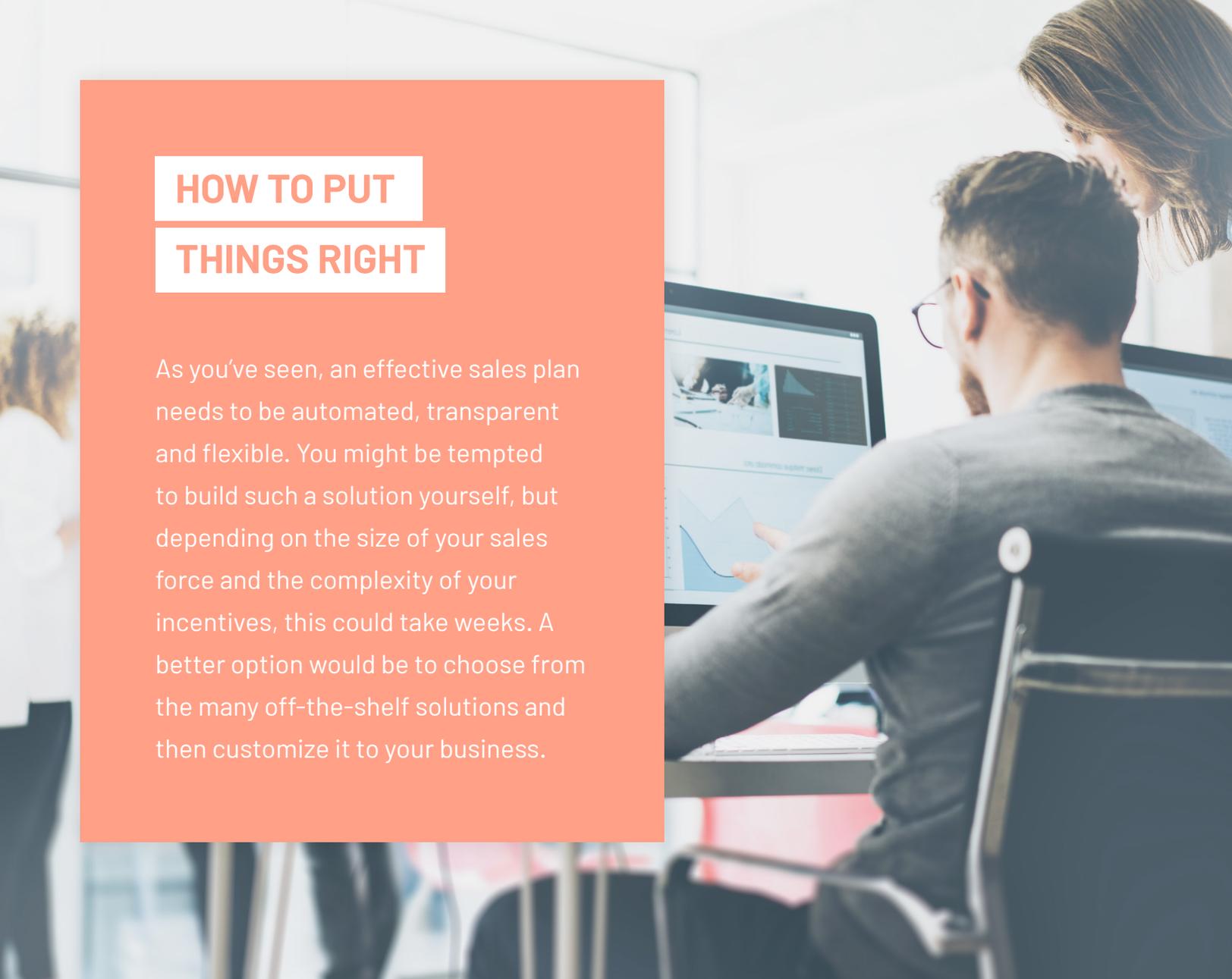
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YOUR SALES COMMISSION PLAN IS INADEQUATE.

On the other hand, your commission plan might be too simple. While flat structures do work for some organizations, the cooker-cutter approach doesn't work for everyone. In fact, a study by Harvard Business School saw a 20.5% increase in revenue when comparing sophisticated plans to base versions.

So to boost sales, you might need to customize your plan for the behaviors you want to encourage in each role and the nuances of your business. Few manual plans can achieve this, however, which is why software is so important.





HOW TO PUT

THINGS RIGHT

As you've seen, an effective sales plan needs to be automated, transparent and flexible. You might be tempted to build such a solution yourself, but depending on the size of your sales force and the complexity of your incentives, this could take weeks. A better option would be to choose from the many off-the-shelf solutions and then customize it to your business.

For example, leading solutions will help you build a commission plan from scratch without needing a single line of code. Some offer modular interfaces that make it easy to change, add or remove functions, and usually integrate with a range of different CRMs to avoid double-keying. You often get 24-7 customer support, a clean and intuitive UI for sales staff and financial reports at the click of a button, too.

With the right software, commission planning becomes a powerful growth tool that creates a positive sales culture. You'll be surprised at how big a difference it can make to your sales teams.

Interested in Spiff?

Schedule a demo with a commission specialist today.

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