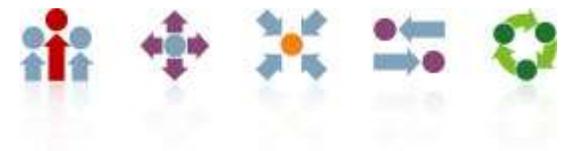




White Paper

# Expertek

## Multi-channel Sales Bonus Options



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## INTRODUCTION

Sales incentives are a large and complex issue. In my work on sales and partner enablement we come across many examples of good and bad practice but in this article I highlight a specific issue - multiple channels to market - and suggest some possible solutions. Hopefully this will stimulate consideration of incentives when designing, or re-designing your routes to market.



## THE PROBLEM

Many companies have both direct sales and indirect (through partner) sales, or salespeople with overlapping or complementary responsibilities. If this is your situation, how can you ensure that the sales bonus delivers the best outcome for the company? The last thing you want is for the bonus system to encourage salespeople to compete in a way that will:

- Reduce the likelihood of winning the business
- Win sales with reduced margins
- Demotivate direct or partner salespeople, or both
- Increase post-sales support costs

A secondary challenge is that incentives schemes are often developed by the Finance function which has little appreciation of the issues involved.

Here are two examples of where problems can occur. Assuming there are two salespeople 'Abbie' and 'Ben':

1. Abbie is responsible for a global customer relationship but Ben can help to win business with a subsidiary in a specific territory<sup>1</sup>.
2. Abbie is responsible for a global relationship but Ben's local partner has a better chance of winning business in a specific territory.

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<sup>1</sup> Here territory means Sales Territory, which could be geographic, by sector, by named accounts or any other way of grouping customers.

## THE SOLUTION(S)

The objective of any sales management and bonus arrangement should be to:

- Motivate salespeople to achieve the required sales
- Avoid conflicts and confusion by ensuring there are clear responsibilities for account management and sales
- Encourage salespeople to work together to maximise the chances of winning (good) sales
- Develop long-term, and therefore profitable, customer relationships

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### Good?

**What's a 'good' sale? Well that depends upon the organisation's strategy and maturity. For start-ups it might be measured in subscribers or brands adopting the solution. For most mature companies it will be healthy margins and managed risk."**

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Below are four options that aim to satisfy these objectives. Sales volumes and channel/territory mix will determine the best option, or a combination. International customers and partners are referred to as 'global customers'.

#### **Option 1 – Split bonus - lead and supporting roles**

A lead and a supporting sales person are designated for each opportunity.

The lead person would usually be the one that owns the specific sale (the person that owns the territory where the customer is based, or owns the partner relationship, for an indirect sale). The supporting sales person would be the person who supports the sale, either because they own the global customer, or own the partner relationship where the partner is providing support, not leading the sale. The bonus, or deal value, is split say 75% to the lead sales person and 25% to the support salesperson.

Rules required include:

- 'Lead' and 'support' roles need to be agreed at first registration of the prospect, and the CEO/Sales VP's decision is final
- Support salespeople must remain active in supporting the sale
- The revenue is allocated to the salesperson's target, according to the split

Some practical examples for Option 1 are given at the end of the article.

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**Option 2 – Double bonus**

For joint sales, both salespeople receive the full bonus.

This results in an additional cost to the company, but ensures there is no conflict. Some people use the term 'double bubble' to describe this solution. The best way to achieve this is to have designated Global Account Management (GAM) and Account Management (AM) or Partner Account Management (PAM) roles. The GAMs bonus, in percentage terms, can be less than that of the local account manager since they carry a higher target, as they are covering multiple geographic territories.

Rules required include:

- Both salespeople must carry the sale in their target
  - Only applies to local sales to global customers, or sales via partners
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**Option 3 – Group bonus**

In order to maintain a clear line of responsibility, and encourage teamwork, the on-target bonus can be split by individual and group. For example, 90% on individual sales and 10% on group sales. The challenge is to get the right weighting so that any failure to meet group sales (on which the individual salesperson has less influence) does not affect individual motivation to make target.

Rules required include:

- Salespeople must carry both targets
  - The group target must be explicit and measurable
  - Team members must understand that they need to make an equitable contribution
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**Option 4 – Split territories**

A simple alternative is to make the sales person responsible for both direct and indirect routes and both local and global customers within their territory. This may still require Global Account Management (GAM) and Partner Account Management (PAM) functions to ensure there is some coordination of major sources of revenue.

Rules required include:

- Need to have a strict definition of territories
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## PROS AND CONS FOR SALES BONUS OPTIONS

OPTION	PROS	CONS
1 <i>Split bonus</i>	<ul style="list-style-type: none"> <li>• Recognises effort</li> <li>• Ensures global accounts are managed</li> <li>• Ensures there's an incentive to win sales, whatever the route</li> </ul>	<ul style="list-style-type: none"> <li>• Relies on salespeople agreeing lead/support roles</li> <li>• Split percentage may be contentious</li> <li>• Complex to manage</li> </ul>
2 <i>Double bonus</i>	<ul style="list-style-type: none"> <li>• Avoids the need to decide lead/support roles</li> <li>• Removes bias from choice of sales route</li> <li>• No trade-off for sales person</li> </ul>	<ul style="list-style-type: none"> <li>• Increases cost to company</li> </ul>
3 <i>Group bonus</i>	<ul style="list-style-type: none"> <li>• Encourages teamwork</li> <li>• Recognises effort</li> <li>• Ensures there's an incentive to win sales, whatever the route</li> </ul>	<ul style="list-style-type: none"> <li>• Still need to decide account allocation</li> <li>• Can lead to friction if one team member is not pulling weight</li> <li>• Individual and group targets are even more sensitive as they affect others' remuneration</li> </ul>
4 <i>Split territories</i>	<ul style="list-style-type: none"> <li>• Simple</li> <li>• Clear responsibility</li> </ul>	<ul style="list-style-type: none"> <li>• No incentive to support others' sales efforts</li> <li>• May reduce sales revenue</li> <li>• Difficult to define 'territory' for multinational customers</li> <li>• May require separate GAM/PAM incentives</li> </ul>

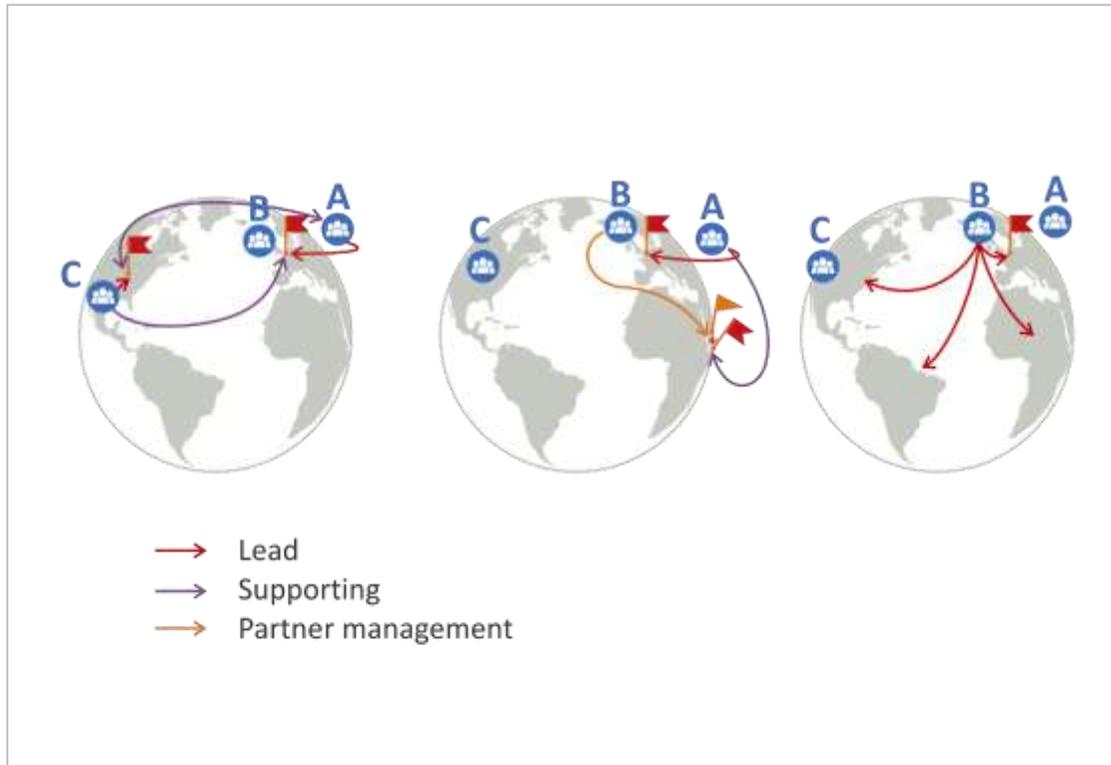
## EXAMPLES OF OPTION 1 – SPLIT BONUS - LEAD AND SUPPORTING ROLES

We have three salespeople:

**A** – is the Netherlands Sales Manager

**B** – is the UK Business Development and Partner Manager

**C** – is the US Sales Manager



### Example 1

A sells into US Corporation in Netherlands, winning initial order.

A is lead in Netherlands, C is supporting.

C later initiates sales in USA to new division of the US Corporation.

> C is lead in US, A is supporting.

### Example 2

A sells into Netherlands HQ of global company X.

A is lead in Netherlands,

B establishes partner in India. Partner sells into a subsidiary of the global company X in India.

> B is lead. A – supporting.

### Example 3

B sells into global company Y in UK.

Global agreement ensures product is adopted globally by all local subsidiaries of Y including those in Netherlands and the USA. A and C not involved.

> B is lead.



## About Expertek

Expertek has been working with partnerships for over 15 years. We have helped to establish large complex partnerships, simpler reseller relationships and everything in between. We have designed partnership strategies for multi national engineering and ICT companies, and reseller programmes for software start ups. Hands on experience of managing partnerships in a corporate setting has given us insights beyond the theory. This ensures that we can review and recommend partnership relationships from all perspectives, with the knowledge and judgement to deliver real impact.

Expertek's Partnership Framework provides a structured solution for organisations wanting to grow their business, enter new markets, increase profitability, improve customer satisfaction or enhance brand value. The amount of investment required will depend upon the product, the market, the organisational structure, and the company's growth aspirations. Often organisations start with the objective of improving sales through a current partner or partners, but quickly appreciate the potential extra value that could be realised from adopting a more structured approach. The key objective of the framework is to accelerate the partner process so that sustainable long term relationships can develop, resulting in profitable business for both/all partners. We support organisations implementing this proven framework, taking a programmatic approach to reducing risk and improving key metrics, without the need for clients to build a large transitional team.

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