

At a Glance

A more optimistic outlook for 2010 is driving sales force performance and growth.

The vast majority of respondents project revenue growth in 2010, and slightly more than half expect higher sales goals and quotas for next year.

The number of employers planning further sales force layoffs has declined sharply as the economy shows signs of improvement.

Current Trends in Sales Force Compensation and Management

About the Survey

In August 2009, Watson Wyatt surveyed 129 sales and HR executives at large North American companies to understand what adjustments they are making to their sales goals and sales incentive plans as a result of the current economic environment. The respondents represent a cross-section of industries.

Executive Summary

Companies appear cautiously optimistic as signs of an economic recovery begin to emerge. A large majority of companies expect revenue growth in 2010, with more than half of those respondents projecting growth above 6 percent. Correspondingly, more than half of the survey respondents expect sales goals and quotas to increase in the next fiscal year. With company business objectives changing in the new environment, many companies expect to make changes to their sales incentive plans' performance measures, weightings, and incentive formulas and mechanics.

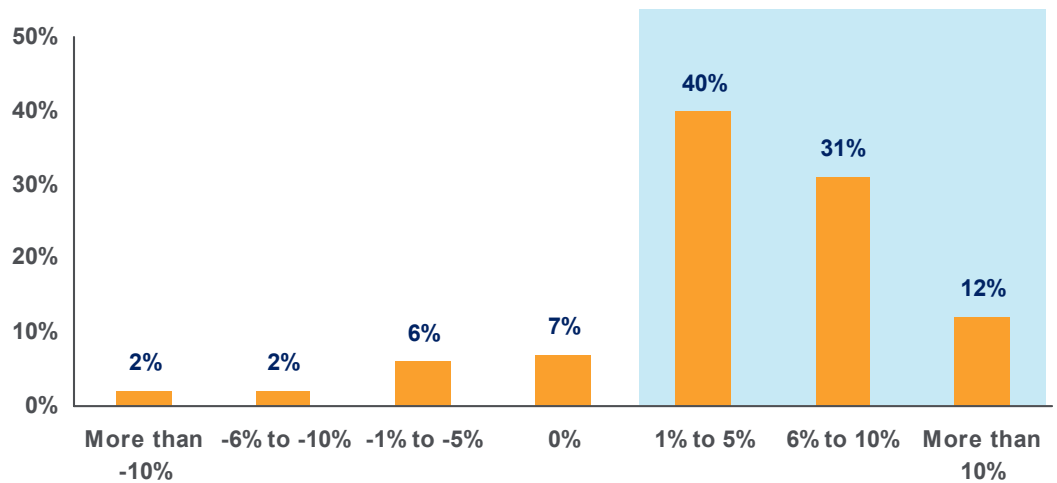
Only a small number of companies expect further reduction in headcount (down considerably from Watson Wyatt's February 2009 survey). While voluntary sales force turnover remains quite low today, we expect it to increase in the coming months as the economic recovery begins in earnest.

Key Findings

- A large majority (83 percent) of respondents expect at least modest growth in fiscal 2010. More than half (51 percent) expect to increase next year's fiscal goals/quotas.
- Only 12 percent of companies expect staffing levels to decrease by more than 5 percent in 2010; this is down from 53 percent in our February 2009 survey. Conversely, 16 percent of companies expect staffing levels to increase by more than 5 percent in 2010.
- Voluntary sales force turnover is down in 2009: Eighty-one percent of respondents report less than 10 percent voluntary turnover, compared to 51 percent in this range in our February 2009 survey.
- Six in 10 companies list sales force productivity/efficiency as the most significant human capital issue currently facing their sales forces. Sales force quota/goal setting (48 percent), coaching/development (40 percent), training (39 percent), and morale and motivation (35 percent) are other main concerns.
- Companies expect to change performance measures (60 percent), performance measurement weightings (50 percent) and incentive formulas/mechanics (49 percent) in the next fiscal year.
- Eighty-six percent of respondents can identify their top performers and 79 percent report their top performers earn the highest levels of sales compensation, indicating a strong link between pay and performance.
- Almost half (46 percent) of respondents offer stock-based compensation to their sales forces.
- Companies continue to manage sales compensation on a global basis with local customization. Respondents manage sales incentive eligibility and design on a global basis, while managing pay mix, pay levels and sales goals locally.

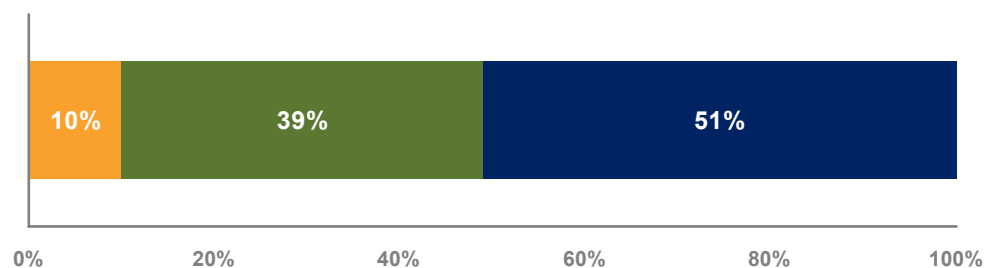
As the economy shows signs of a recovery, the large majority (83 percent) of respondents expect some level of revenue growth next year, with half of those respondents anticipating more than 6 percent growth.

Figure 1 | What are your revenue growth expectations for next year (fiscal 2010)?



More than half of the respondents expect next fiscal year's goals to be higher than this year's goals.

Figure 2 | Do you expect next fiscal year's goals/quotas to be:



- Lower than this fiscal year's goals/quotas
- About the same as this fiscal year's goals/quotas
- Higher than this fiscal year's goals/quotas

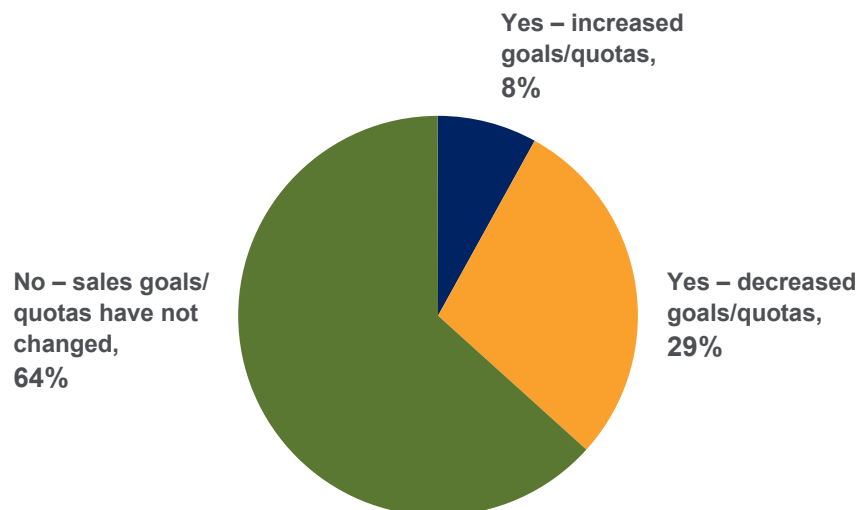
2009 was a challenge for respondents. While one-third of companies have decreased goals and quotas compared to this time last year, 57 percent still report decreased sales performance relative to plan.

Figure 3 | Compared to this time last year, how have the following changed?

	Increase	No change	Decrease
Sales force performance relative to plan	13%	29%	57%
Sales force incentive payments (including all bonuses and commissions) relative to budget/target	13%	30%	57%
Level of voluntary turnover	6%	53%	41%
Sales compensation budget	14%	50%	36%
Sales force goals/quotas	25%	41%	34%
Level of difficulty in retaining key sales force talent	14%	60%	26%
Level of difficulty in attracting key sales force talent	13%	64%	23%
Manager-to-sales resource span of control (average # of sales reps managed per sales manager)	29%	64%	7%

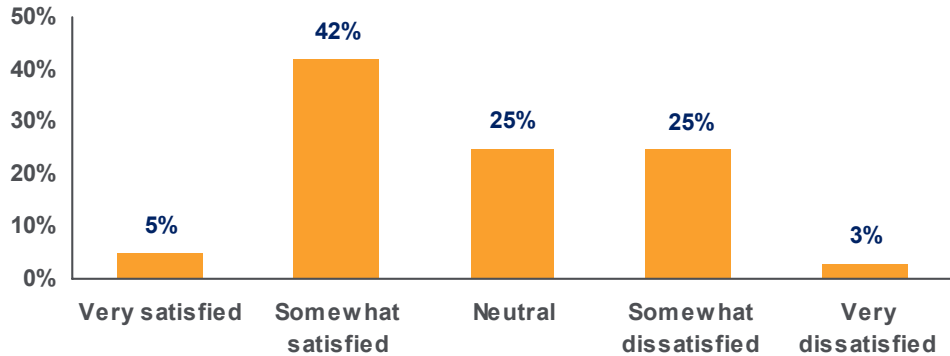
Despite a difficult economy, the majority of companies have not revised their sales quotas and goals mid year.

Figure 4 | Have you revised your current fiscal year's sales goals/quotas up or down in light of changes in the economy?



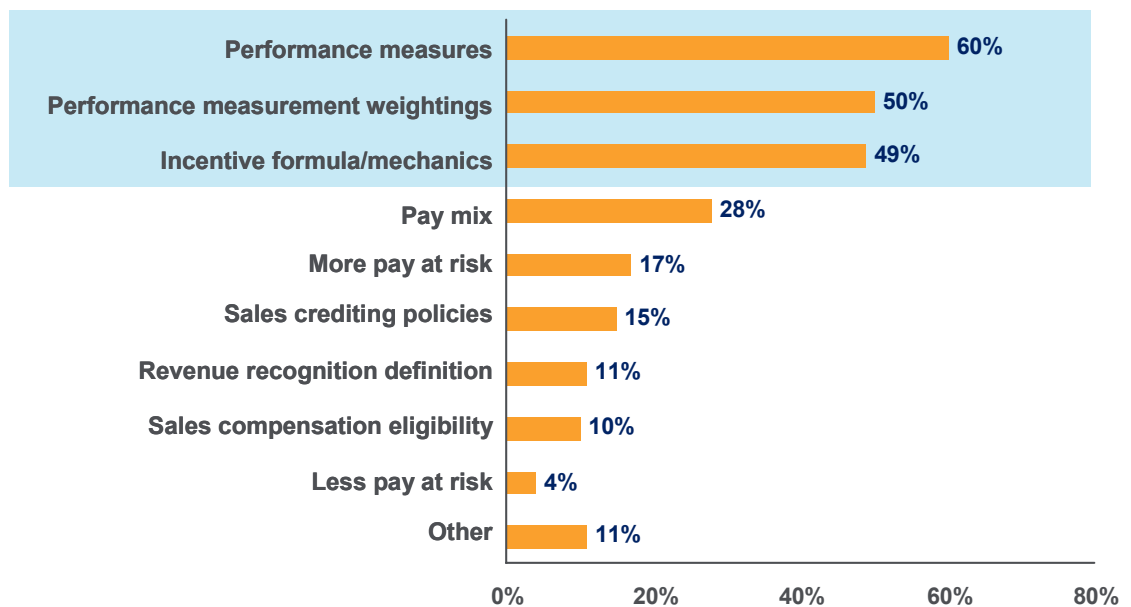
Less than half of respondents are satisfied with their company's current goal-setting process, and only 5 percent are very satisfied.

Figure 5 | In general, how satisfied is your organization with its current sales force goal-setting process?



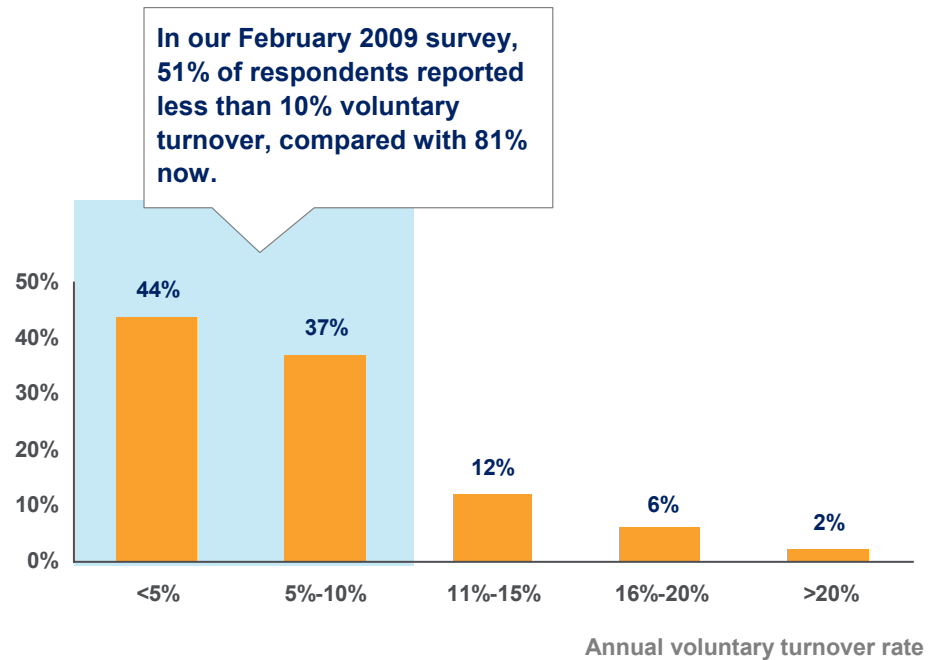
Companies are anticipating changes to performance measures, performance measurement weightings and incentive formulas/mechanics for next fiscal year, helping them align sales incentive plans with changing business objectives and strategies.

Figure 6 | What kind of changes to your sales incentive plans do you anticipate for next fiscal year?



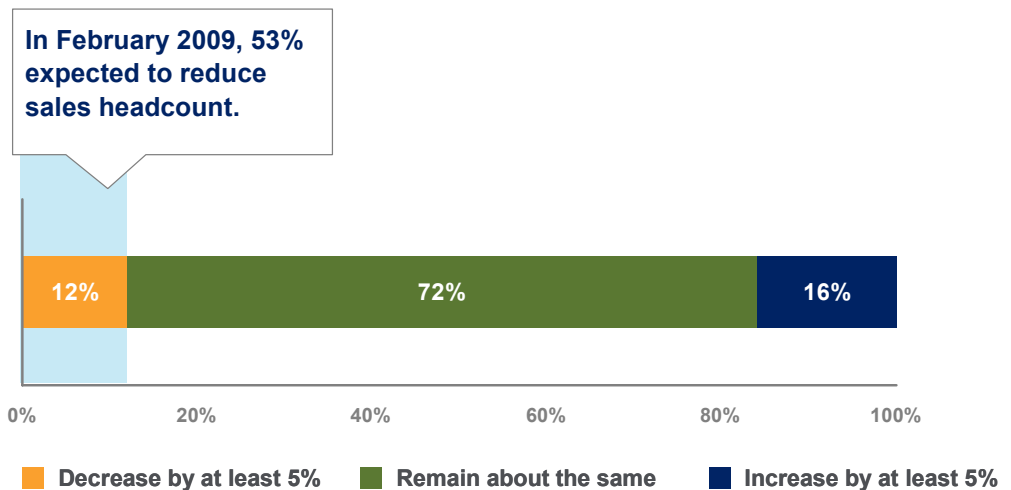
Given the economy, voluntary turnover was down this year.

Figure 7 | What is the annual voluntary turnover rate of your sales force?



Only 12 percent of companies expect staffing levels to decrease by more than 5 percent in 2010. Conversely, 16 percent of companies expect staffing levels to increase by more than 5 percent in 2010.

Figure 8 | How do you anticipate your sales staffing levels to change in the upcoming fiscal year?



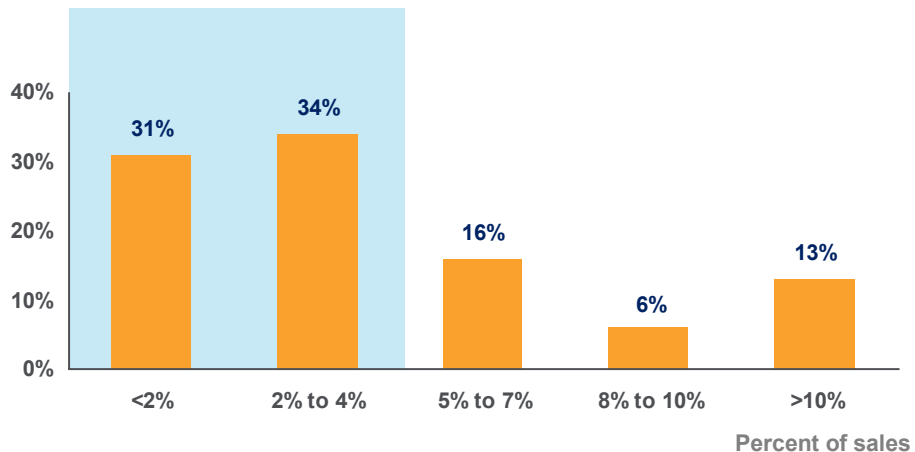
Sales force productivity/efficiency and coaching/development are two of the top issues facing sales forces. Given relatively flat staffing levels, companies will need to get more out of their current salespeople to meet increased sales goals in the coming year.

Figure 9 | Currently, what are the most significant human capital-related issues facing your sales force? (Check the three most significant.)



Sixty-five percent of respondents have a compensation cost of sales of 4 percent or less.

Figure 10 | What percentage of sales does the typical sales person earn at target when you factor in base salary and all incentives (including commissions and bonuses)?



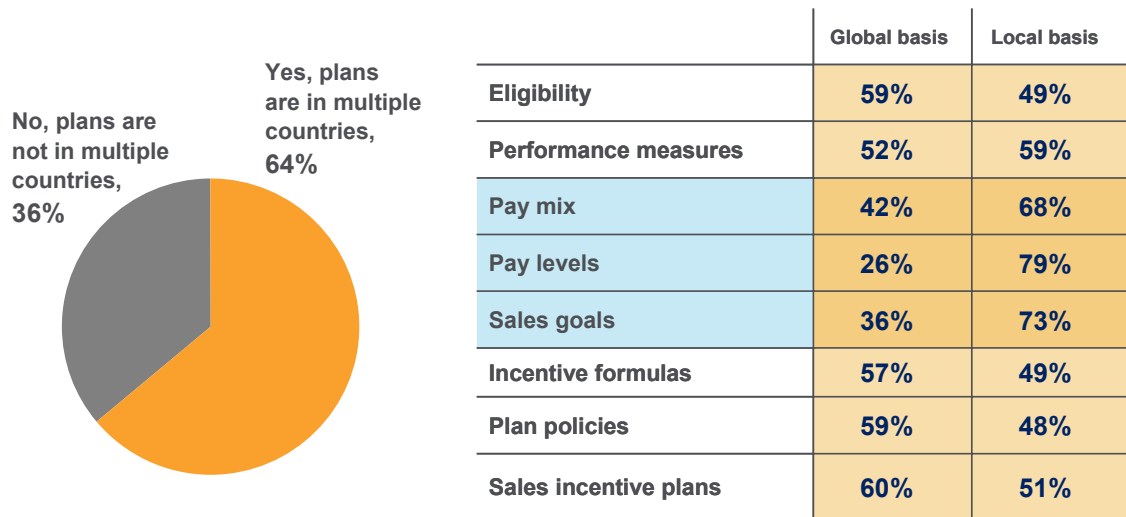
The large majority of companies (86 percent) are able to identify their top performers, and 79 percent report that the top earners mirror the top performers.

Figure 11 | Are you able to identify your top performers in the sales force? Do your top earners (sales resources earning the most compensation) mirror your top performers?



Companies continue to manage sales compensation on a global basis with local customization. Respondents manage sales incentive eligibility and design on a global basis, while managing pay mix, pay levels and sales goals locally.

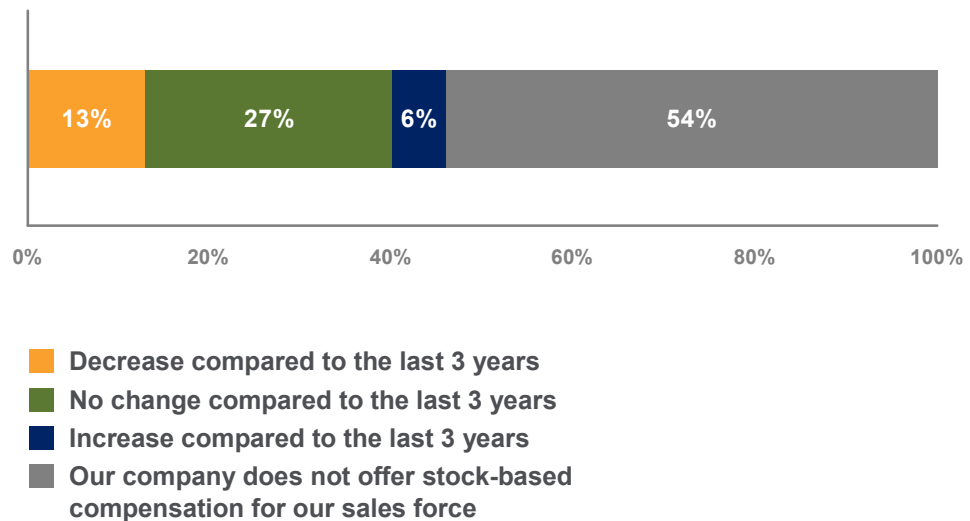
Figure 12 | Do you have sales incentive plans in multiple countries? If yes, how do you manage the following sales practices and policies?



Totals do not equal 100% because respondents could select both "Global basis" and "Local basis."

Almost half of respondents (46 percent) offer stock-based compensation for their sales force.

Figure 13 | How do you expect the dollar value of your stock-based compensation for your sales force to change in the next fiscal year?





Conclusion

In the challenging economic year of 2009, many sales forces were faced with declining performance and declining incentive payouts. But while sales goals and quotas were down from the previous year for more than one-third of companies, the majority did not adjust goals in the middle of the year.

But the forecast appears brighter for next fiscal year. A vast majority of companies expect to see an increase in revenue and are adjusting sales goals and quotas accordingly. They are also planning to adjust performance measures and measurement weightings – the core components of sales incentive plans that must be aligned with business objectives and the external environment.

Looking ahead, companies will need to keep their eye on issues of motivation, retention and productivity with their sales forces. The ability to identify top sales performers; train, coach and mentor them; and drive high levels of productivity will be the keys to success in the rebound and beyond.

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