

BRING YOUR SALES A-GAME



HUNTER



FARMER



CAPTAIN



PROSPECTOR



SPECIALIST

BUILD & REWARD YOUR SALES TEAM

Introduction

Xactly was founded with the mission to help every company Incent Right. Building out a sales team carefully and providing the right incentives for the various sales-related jobs helps growing companies be more successful and get more out of sales.

In this report, you'll learn:

- How dividing sales labor can help you increase revenue
- When splitting a sales team makes a growing business more efficient
- How different sales jobs require different rewards to motivate prime behavior

The New Business Cycle and Your Sales Team

Today's customer is increasingly better informed. With the ease and convenience of web search more potential customers are coming to you, rather than you having to hunt them down.

Companies go through several phases of growth as they move from acquiring "early adopters" to finally winning over "marquee reference" customers as they grow. As you go through these stages, building out the sales team does not mean just adding more and more reps to cold-call.

That's because the higher profile your company becomes, the more ways potential clients reach out to you. You need to have a team in place to not only win big deals, but to nurture those early adopters so they stay customers and act as great references. Companies need to provide support to their increasingly specialized sales team as growth continues.

Specialized Sales Team Roles

A highly productive sales team is made up of a number of specialized positions that round out your team. These different roles are responsible for building relationships, providing answers to potential customers' technical questions and finding potential new customers.

Each of the tasks becomes increasingly important at different points in your company's life cycle. But, as your company grows, you'll need to add these specialized roles to support different types of growth and to allow your traditional sales people, your hunters, time to focus on bringing in new deals and new revenue.

Here's How the New Business Cycle Can Look:

Stage 1

One-off inquiries made by incoming potential customers are handled by the existing sales team, which is also charged with nurturing existing customers into returning customers.

Stage 2

As in-bound requests increase in volume, and more customer references become available, a dedicated hunter is added to the team. This person does not nurture the clients they bring in. Marketing and product development teams expand to ensure that the product and collateral supports the new markets.

Stage 3

A complete team is built (Hunters, supporting Specialists) and aggressive selling commences. A special SPIF for total initial market penetration should be considered to reflect the desire to hit hard and fast.

Stage 4

Additional team members and roles are added based on validated ratios:

Prospectors (1 prospector for every X Hunters)

Farmers, once there are sufficient existing customers to manage.

A Captain to manage the complete team

Your Sales Team



Hunters: This sales team member is your traditional sales person, charged with bringing in new business. When it is time to hit the market running, chasing down every possible lead and turning it into revenue, you staff up with a team of hunters. Depending on how you personalize your comp plan, a well-rewarded hunter can focus on increasing profit, improving product mix, or market penetration.



Specialists: This team member supports sales by presenting demos and developing proposals. The more complex the sale, the more important it is to have a sales specialist there to help with the in-depth industry-specific questions and challenges that arise. Rewarding your specialists correctly ensures consistent support for each sales representative and motivates stellar performance.



Farmers: This sales team member focuses on renewals or up selling current customers. A team of farmers guarantees you aren't losing renewal revenue by tending to your current customers and reducing churn. A well-built farmer incentive plan will recognize the daily consultative outreach and upselling activities that keep the farmer harvesting.



Prospectors: This sales team member finds new leads for account executives to work. Prospectors allow your closers to focus on their strength, closing deals, while keeping the pipeline full. Building an incentive plan that will drive the Prospector to find new leads for the Hunters to chase is critical to company growth.



The Captain: Every sales team has a leader. Even the best sales team needs a captain to keep them focused on the deals that matter. Rewarding your sales managers for team success motivates them to deliver the best numbers possible.

Incent Right

Before we jump into rewarding each of the specialized job teams as you roll them out, it's important to take a moment to review some of the fundamentals of any incentive plan.

There are numerous ways to reward sales people and motivate them toward better performance. Some key points to keep in mind about your rewards:

Make it immediate

A reward that trails action by more than a few weeks loses its effectiveness. According to a recent CSO Insights survey, 40.9 percent of companies say they need help paying their sales reps in a timely fashion.

Majority of variable pay should be individual

Sales people need to be held accountable for things they can control. Putting their pay at risk because of the actions of the team may not be seen as equitable or fair and could lead to increased turnover.

Now that you've reviewed the types of rewards, consider your target salary carefully. We recommend that customers access salary data from companies like PayScale.com or other recognized providers.

Keep your team focused by limiting the number of quotas each sales role carries to no more than three. Sales teams with too many goals aren't able to zero in on the ones that mean the most to the company and to their bottom line. Manage the goal setting for your sales team in the incentive compensation plan.

When To Recognize The Deal? Payment Triggers

Do you pay when the money is in the bank or when the deal is signed?

Bookings: The majority of subscription-type product compensation plans pay out when a deal is booked.

Cash collections: If there is a significant problem with a discrepancy between bookings and cash collected, this can be added as a payment rule for clawbacks or alternatively holdbacks. In some cases a higher commission rate is offered for payments made up front. This is typically used by firms that are balancing their financing needs through a combination of cash collections and debt.

When To Cut That Check

Our research into habits and successes of our user base shows that many companies suffer with spikes in revenue that coincide with the end of goal or commission measuring periods. This reflects that sales representatives are indeed responding to what their sales compensation plan is telling them, however, they are doing it in a way that is constricting revenue flow.

Xactly research has found that companies see a spike in crediting transactions to sales people at the end of each quarter and again, this time larger, at the end of the year. Accepting spikes seems to be a part of setting incentive deadlines. To manage spiking efficiently, and ensure you are getting all that you can from your sales people at the beginning and the end of each quarter, consider combining monthly, quarterly and annual goals.

Rewarding The Divided Team

Once these important general principals of Incenting Right are grounded in your planning, you can begin to look at the new team you've built to support your growing business. Each one of the new roles you've created has different goals and different

Team bonuses can be accelerators or contests

There are ways to encourage a team atmosphere and build a culture where everyone works together. Rather than basing regular pay on team performance, opt for rewarding the team with accelerators or with contests.

Awards: President's Club

Taking key teams members on a trip is an old incentive tool, but it works. President's Clubs show who are the sales leaders, and who aren't. It's an effective motivational tool that works on your team's natural competitiveness.

Gift certificates

As quick rewards for selling a hard-to-move product, earning more customer recommendations or filling any number of business goals, gift certificates recognize work in an as-it-happens public way that inspires others to achieve.

motivations – hence the entire specialization exercise. You'll need to incent them to achieve their individual goals.

We'll start with the Hunter, because the amount of incentive, or pay at risk, for other team members flows from the pay at risk for your main deal closers.

Hunters: Rewarding For New Customers

Hunters have more impact on the ultimate outcome of a deal – closed or no – than other members of the sales team. The idea is that the balance of the deal hangs on the closer's abilities. That means they need to be rewarded for success and punished for not getting the job done. They need a larger portion of their target salary to come from variable pay.

Pay at Risk

Benchmarks for hunter reps:

- Among Xactly users the average Hunter pay split is 50% fixed and 50% variable.
- CSO Insights reports similar numbers across all industries (see chart below). In addition, they report that 82.9% of firms utilize accelerators in their compensation plans.

The percentage of pay at risk also depends on other factors that make your product harder or easier to move. For example, a well-established brand is easier to sell than a lesser-known player. The target pay of reps working with the well-known company should be less dependent on variable pay than those working with newer firms.

Farmers: Grow From Your Existing Customer Base

Instead of focusing on the deal right now, farmers need to make mid- and long-range plans for their accounts. A specialized team can focus on customers, keep them happy and find ways to grow business with them.

Farmers encourage clients to make an easier decision than Hunters do. Farmers want existing customers to say yes to you again rather than saying yes to an unknown. Because their role in the decision-making process is diminished compared to the Hunter, Farmers should receive a higher percentage of their total salary as base pay and less as incentive pay.

What to Reward?

Most companies don't want to pay sales people an annuity – a fixed sum of money every year. That's what can happen when Farmers receive a percentage of the revenue generated by customers who would automatically return regardless of the farmer's efforts. It's often a worry that such an arrangement won't inspire sales people to do more.

So, if your barrier to return is low, the percentage of a farmer's salary that is based on customer retention – either as a percentage of revenue or a flat bonus – should be small. However, if your customers aren't loyal on average, you may want to increase this reward.

You also want to reward farmers for their harvest – upsells or add-ons to orders. Yet if rewards tilt too much in this direction, you may be encouraging unnecessary upsells that could disservice customers.

Ensuring balance between the retention and the upsell motivations with a focus on stability, or base salary, encourages Farmers to build relationships while recognizing exception efforts.

Rewarding Sales Support: Prospecting

In some businesses, the sales team that does this is known as the cold callers. In others, they are called prospectors. While they create the opportunity for the sale, they are not the people pushing at the final point to close the deal. That means less of their pay should be variable than an account executive, because they have less influence over the final result.

Job Specific Goals

Consider the job's objective, to bring in leads, and your objective, to grow the company through increasing sales.

Base prospectors' variable pay on both of their goals. Founding a portion of the reward on passing leads to account executives and a portion on the amount for which final deals close. That way you are rewarding for your ultimate goal – profits – and the prospector's part in the process – leads.

Rewarding Sales Support: Specialists

Members of this team work with a group of account executives, helping present demos and draw up contract proposals. This way closers can focus on closing as many deals as possible, while the best possible presenters are showing off what your product can do.

Because they aren't the ones closing the deal, the percentage of variable pay in their target salary mix should be lower than that of the Hunters they depend on. However, because they are – in some cases – nearly the final presenter of the product to the customer, you may want to consider a higher rate of variable pay than you have for your Farmers, for example.

Variables To Consider:

- How technical is your product vs. your potential customer? Is it a difficult demo?
- Is the concept you are selling a new one to perspective customers?
- Will the support person need to respond to competitive claims during demos?

Anything that increases the difficulty of the support job should increase the percentage of variable pay available to your Specialists.

Conclusion

As companies grow, specializing sales team members will increase efficiencies and improve the bottom line. By developing plans based on best practices and considering benchmarks, business leaders can motivate these teams to fulfill their unique goals. While all incentive plans are built around general incenting guidelines, each team will need goals and quotas that reflect its own objectives.

Do You Want More?

Additional Resources on the Xactly website:

Guides:

www.xactlycorp.com/resources/guides/

Webinars:

www.xactlycorp.com/resources/webinars/

Blog:

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