



# ***SALES TEAM*** ***COMP PLAN***

**ULTIMATE CHEAT SHEET**

# **CHEAT SHEET FRAMEWORK**

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# ***SET YOUR TARGETS***

*“Setting goals is the first step in turning the invisible into the visible.”*

- Tony Robbins



## SALES TEAM COMP PLAN - ULTIMATE CHEAT SHEET

# #1: SET YOUR TARGETS

To structure your sales team's comp plan correctly, you need to set some key targets for your business. **The most important target is your business' annual revenue.**

- ▶ How much money do you want your business to make?

Once you've determined a number, you're going to break that number down into a daily total.

But before you make that calculation, figure out these 5 metrics first:





## SALES TEAM COMP PLAN - ULTIMATE CHEAT SHEET

# #1: SET YOUR TARGETS

Now you've worked out these metrics, figure out your daily revenue and transaction targets:

| TARGET TYPE                     | HOW TO CALCULATE YOUR TARGET                 | EXAMPLE                                    |
|---------------------------------|--|--|
| #1: Weekly Target               | Annual Target/ 52 Weeks                      | \$20 million /52 Weeks<br>=<br>\$384,615   |
| #2: Daily Target                | Weekly Target/ 5 Days                        | \$384, 614 /5<br>= \$76,923                |
| #3: Daily Transactions Required | Daily Target/<br>Average Sale Price per Unit | \$76,923 / \$15,000<br>= 5.13 Transactions |

Once you've calculated your targets, you can figure out the daily activities required to reach your targets. When you've completed this, you'll know how many salespeople you need to hire, as well as how much revenue each employee needs to generate per day.



# SALES TEAM COMP PLAN - ULTIMATE CHEAT SHEET

## #1: SET YOUR TARGETS

| ACTIVITY TYPE                | HOW TO DETERMINE YOUR ACTIVITIES                    | EXAMPLE   |
|------------------------------|---|---|
| #1: Demos Required           | Daily Transaction Required / Close Rate             | 5.13 Transactions / 20% = 25.65 Demos                 |
| #2: Appointments Required    | Demos Required/ Appointment Show Rate               | 25.63 Demos / 50% Show Rate = 51.3 Appointments       |
| #3: Number of Contacts       | Appointments Required / Contact to Appointment Rate | 51.3 Appointments / 20% Contact Rate = 256.5 Contacts |
| #4: Number of Calls Required | Number of Contacts Required / Call to Contact Rate  | 256.5 Contacts / 10% Call To Contact = 2,565 Calls    |

With this example, assuming that a fully onboarded salesperson should be making 200 calls per day after 90 days of training, you'll need to hire 13 salespeople to make 2,565 calls per day.

And each salesperson would need to make \$5,917 per day in sales...

*(Daily Sales Target of \$76,923 / 13 salespeople = \$5,917.15 sold per salesperson per day). This amounts to \$29.58 earned for every call they make.*

*(Salesperson's Daily Target \$5,917 / 200 calls = \$29.58 per call)*

# 2

## **CHOOSE YOUR COMP PLAN STRUCTURE**

*“The sales process must be aligned around the way your customer buys, rather than the way you want to sell.”*

- Girish Ramachandran



## #2: CHOOSE YOUR COMP PLAN STRUCTURE

Now you know what targets you need to hit. You've figured out where you're going on your road map (your sales targets) and you've plotted out which roads you need to take to get there (those are your team's call targets). Next, you need to pick a vehicle that's going to tear up the road...

And this is where your Sales Comp Model comes in; you need to choose the best possible compensation structure for your sales team.

Here's how you DEFINE what the best possible comp plan is:

*The best comp model is one that drives maximum growth for your business, while creating enough reward to attract and retain the best sales talent, at a cost you're able and willing to pay.*

What's the maximum amount you're willing to pay a salesperson per unit sale?

This can be a tough question to answer. The following page provides some simple prompts to help you choose the best comp models for your business.



## #2: CHOOSE YOUR COMP PLAN STRUCTURE

This prompt list encourages you to ask yourself some important questions about your current pay structure. This step is essential for you to get clear on what you're doing now and why it could need to change:

| PROMPT   | EXAMPLE   |
|--|---|
| What's your current sales compensation plan?                 | \$3,000/mo base + 10% commissions on units sold.  |
| What's working with it?                                      | We have low turnover rate/lots of salespeople stay.   |
| What's not working with it?                                  | I'm not seeing as much growth as I'd like – maybe it's too safe and my sales team doesn't feel very motivated to do more. |
| What is the maximum amount you're able to pay out on a sale? | I could go as high as 15% commission.   |
| What do you want from a rep to pay that out?                 | 10 deals per month, average unit sales price \$5,000  |



## #2: CHOOSE YOUR COMP PLAN STRUCTURE

Now that you've asked yourself these important questions, this Comp Plan Cheat sheet will help you choose from 6 possible comp models:

| COMP PLAN   | PROS  | CONS   |
|---|---|--|
| <p><b>Base plus flat bonus</b></p> <p>You pay your salespeople a guaranteed base salary each month, plus a “flat bonus” for each sale they make (e.g., \$500 bonus per sale).</p> | <ul style="list-style-type: none"> <li>• Great entry-level comp plan.</li> <li>• Guaranteed base makes it easier to recruit people.</li> <li>• Provides security for salespeople, leading to higher retention and reduced turnover.</li> <li>• Incentivizes performance with bonuses, driving higher sales.</li> <li>• Typically leads to a lower percentage payout of commission.</li> </ul> | <ul style="list-style-type: none"> <li>• The salary can be burdensome if your team doesn't produce.</li> <li>• This gives top producers lower overall comp compared to a commission-only plan, so it may not satisfy the best performers.</li> <li>• Without tiered unit sales performance targets, incentive to go above and beyond is low as it doesn't affect their per-unit payout.</li> </ul> |

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## #2: CHOOSE YOUR COMP PLAN STRUCTURE

|   |   |  |
|---|---|--|
| <p><b>Base plus commission %</b></p> <p>You pay your salespeople a guaranteed base salary each month, plus a percentage of for each sale they make (e.g., 10% commission on every sale)</p>                 | <ul style="list-style-type: none"> <li>• Easier to recruit salespeople with this model, gives them some security.</li> <li>• Their earning power goes up because their commission rate is proportionate to each sale, so they're more motivated to sell bigger-ticket items for you.</li> <li>• More predictable management of cash flow with stabilized base salary and percentage of sale.</li> </ul> | <ul style="list-style-type: none"> <li>• The salary can be burdensome if your team doesn't produce.</li> <li>• Without tiered unit sales performance targets, incentive to go above and beyond is low as it doesn't affect their per-unit payout.</li> <li>• More admin resources required, need good tracking and reporting.</li> </ul> |
| <p><b>Draw plus flat bonus</b></p> <p>You provide a draw against future commissions as a base, plus a flat bonus for each sale they make (e.g., \$500 bonus per sale), which is deducted from the draw.</p> | <ul style="list-style-type: none"> <li>• Allows salespeople to start earning immediately, which can attract new hires quickly.</li> <li>• It provides some security for team members while incentivizing sales, driving initial performance.</li> <li>• Allows for the company</li> </ul>   | <ul style="list-style-type: none"> <li>• With low sales performance, a balance of money owed to the company by the salesperson can lead to lower morale and ultimately turnover.</li> <li>• You need to carefully track and manage draws and bonuses, which increases your admin.</li> </ul>   |

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## #2: CHOOSE YOUR COMP PLAN STRUCTURE

### Draw plus commission %

You provide a draw against future commissions as a base, plus a percentage commission on each sale they make (e.g., 10% commission), deducted from the draw.

- Guarantees minimum base amount for salespeople which is more attractive when recruiting.
- It provides some security for team members while incentivizing sales, driving initial performance.
- Allows for the company to recover the draw pay from future sales, reducing overall expense from sales team comp.
- Their earning power goes up because their commission rate is proportionate to each sale, so they're more motivated to sell bigger-ticket items for you.
- With low sales performance, a balance of money owed to the company by the salesperson can lead to lower morale and ultimately turnover.
- You need to carefully track and manage draws and bonuses, which increases your admin.
- Without tiered unit sales performance targets, incentive to go above and beyond is low as it doesn't affect their percentage payout.

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## #2: CHOOSE YOUR COMP PLAN STRUCTURE

### Base/Draw plus laddered commission

You pay a base or draw and a commission that increases. Higher sales yield higher commission rates (e.g., 5% for the first \$10K, 10% beyond).

- Guarantees minimum base amount for salespeople which is more attractive when recruiting.
- It encourages continuous improvement and higher performance, which can benefit overall sales.
- Incentivizes sales team members to continue to push for more sales throughout the month as the more they produce, the higher payout they will receive.
- Requires a deeper dive into analytics and sales performance to determine bonuses, tier targets and max payouts.
- Adds complexity to accounting payouts as each rep requires an individual calculation based on their performance.
- Tier targets should be set to inspire team; however, if targets are not set appropriately –being too out of reach – sales performance will drop.

### Straight Commission

You compensate your salespeople solely based on the percentage of sales they make (e.g., 20% commission on every sale), without any base salary or draw.

- It's easy, it's clean. You pay only on production. It's easy for you to forecast because the comp is directly linked to sales only. Because of this, you can offer a higher commission.
- This offers the highest earning potential out of any of the plans, because you can afford to take more risk and pay out the highest commission percentage. So this is a benefit you can sell to recruit the best possible talent.
- Taking into account the time required to train, learn, and ramp up as a new hire selling a new product, performance within the first 90 days is typically low which could result in low to no compensation
- Because of no guaranteed base, it can often be more difficult to recruit a salesperson into a straight commission comp plan



## #2: CHOOSE YOUR COMP PLAN STRUCTURE

It's important to set your targets and consider your comp plan options...

***but don't spend too long over-thinking it.***

You'll almost never get the comp plan right the first time. The important thing is for you to simulate scenarios under each option to determine which is the most advantageous for your company, while giving you the best chance to recruit top talent.

You'll probably have to test different ones and adapt to what's going on inside your business.

Inevitably, as your business changes, your comp plan will need to as well. These conversations are never easy; however, they are an unavoidable part of growing and scaling your sales team.

The most important part of finding the right compensation plan for your team is understanding your numbers, your margin, and how much a salesperson will need to achieve to produce an enticing income level that can be marketed in your recruiting.

We'll cover this now with Step #3...

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# 3

## **TRACK YOUR NUMBERS**

*“When it comes to business, you can’t improve what you don’t measure.”*

- Michael Hyatt



## SALES TEAM COMP PLAN - ULTIMATE CHEAT SHEET

# #3: TRACK YOUR NUMBERS

Once you've set your targets and picked your comp plan, you have to measure and track your team's performance. You can't just set and forget them.

Things are changing all the time. There'll be circumstances inside your business that could force you to make changes, such as staff turnover rate, discontinued product lines, pricing changes from vendors, and additional team members required to support their department and production.

There'll also be forces in your market outside of your control.

For example, rising rents could make it harder to attract good talent to your area. So you may have to frontload your sales team's comp for their first 90 days in the business to incentivize them to work with you.

To stay one step ahead in the game, you may need to change your comp plan if you're not hitting your targets. And you'll only know if you're not hitting your targets if you track them! So here's a couple of free trackers to help you monitor your team's performance:

### ACTION STEPS

- ▶ Follow the first 2 steps in this cheat sheet and you'll be able to choose a comp plan structure for your team TODAY. And keep following Step #3 to make sure it's working, so you can make changes ASAP if necessary.



## LET'S SUMMARIZE THIS:

**Step #1:** Set your targets. Figure out how much revenue your business needs to generate per year, then work out how much money each salesperson needs to make so you can hit your revenue target.

**Step #2:** Get as creative as you like with your comp plans. I've given you 6 possible models to follow. Choose your preferred model, based on how much money you need to make and how much you can afford to pay your salespeople per sale.

**Step #3:** Use your Sales KPI Dashboard and your Sales Team Comp Tracker to review your team's performance. If you're not hitting your targets, try switching up your comp structure.

you now have the tools to create a compensation plan that drives motivation, rewards performance, and fuels growth.

But knowledge without action won't get you results. Start implementing these strategies today and watch your sales soar! If you need additional assistance, you can always reach out at [Hello@GregoryScottHenson.com](mailto:Hello@GregoryScottHenson.com)

Don't wait—empower your team, boost your revenue, and achieve your goals.