Motivating and rewarding your sales force in a digital economy
The rising digital economy is having a dramatic impact on the world of work with traditional operating and service delivery models being disrupted by rapid technological change and agile segment players. This is driving increased expectations of customers for more tailored experiences, which is forcing sales and service organisations to adapt and change, including the way they manage their workforces.

In KPMG’s 2016 CEO Outlook, more than 400 CEOs confirmed the impact that the digital economy is having on the way organisations are developing, changing and repositioning for growth.

- Research confirmed the next 3 years are business critical. Sixty-six percent of CEOs believe that the next three years will be more critical for their industry than the previous 50 years.
- Forty-one percent of CEOs anticipate that their company will be significantly transformed over the next 3 years. Only 40 percent of companies are highly capable of responding to new developments.
- Eighty-eight percent of CEOs are concerned about the loyalty of their customers and 82 percent about the relevance of their products or services.
- Over 50 percent of CEOs report a skills gap in key business functions and 99 percent are taking action to develop existing or future talent. Internal training and automation are the top strategies to address skill gaps.

How will this impact the future of work?

The implications of the digital economy on the future of work is a topic of great debate – while advances in technology change the way we work, they will also determine what we work on.

The role of technologies such as artificial intelligence, robotics, the Internet of Things, autonomous vehicles and 3D printing will see significant changes to the tasks that people perform and the capability and level of engagement with the strategy and organisation.

This presents new and interesting challenges for managing and motivating the future workforce of millennials. Organisations will need to adapt and look for innovative ways to align, energise and focus their people around more dynamic and agile ways of working. To achieve this, some fundamental questions will need to be readdressed:

1. **How will work be designed and performed?**
   - Digitised processes
   - Agile work methods
   - Design thinking
   - Artificial intelligence
   - Dynamic work models

2. **What capabilities will be critical?**
   - Technical ability
   - Customer centricity
   - Solution focus
   - Innovative and adaptive
   - Collaborative
   - Analytical

3. **How will performance be managed?**
   - Real time outcome data
   - High accountability
   - Crowd source feedback
   - Continuous coaching
   - Managing high-low performance

4. **How will people be motivated and rewarded?**
   - Total rewards
   - Performance based
   - Segmented benefits
   - Development focus
   - Flexible engagement models
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So what does this mean for sales organisations, functions and channels?

For sales and service organisations, the digital economy is impacting traditional operating models at a rapid rate, as organisations pursue efficiencies and accelerated growth through new ways of engaging with potential, new and existing clients.

With rich customer data and insights guiding smarter segmentation of clients, more efficient selling processes and effective utilisation of the sales force, they are well equipped to analyse customer needs and respond to ongoing change. As markets become disrupted, sourcing and leveraging customer insights is increasingly becoming the source of strategic advantage and survival for sales organisations in the market.

As a result, the combination of integrated CRM systems, mobility devices, crowdsourcing and social media, and the Internet of Things are dramatically challenging the way the modern sales force operate and the way they are managed.

Digitally enabled sales force

Modern sales toolkit and capability
- Mobile devices to accelerate end to end sales effectiveness
- Connected devices producing real time information about customer preferences, trends and patterns of buying behaviour
- Accelerated and targeted lead generation through digital and OmniChannel management
- Crowdsourced customer feedback on service quality and client experience through social media
- Using customer data and analytics to forecast demand, tailor solutions, and target selling activity

Driving sales force productivity
- More efficient pipeline and contact management
- Reduced non-selling time
- Highly qualified lead generation
- Value propositions and pricing aligned to customer demand and propensity to buy
- More efficient territory management and coverage of key accounts
- Accelerated conversion with tailored solutions, products and services

“More than 80 percent of companies use digital tools to identify new sales leads and propose, price and quote services.”
CSO Global Insights Study 2016

“Fifty-seven percent of companies reported improved access to content and tools was the factor most responsible for sales improvement.”
CSO Sales Enablement Study 2016
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What does this mean for the way the sales force is managed, motivated and rewarded?

The implementation, adoption and use of digital sales tools and related technology will also change the way sales force groups have traditionally been managed. Some snapshots of change include:

- The activity and tasks to be performed by the sales force are changing, some have been digitised, while others have been made redundant or consolidated. The design of sales force work will be less routine, more dynamic, autonomous and highly informed by data and changing client expectations.

- The future capabilities required of the digitally enabled sales force are also evolving – this includes increased emphasis on adeptness with technology, analytical thinking, agility, dealing with change and complexity, and the ability to work with well informed clients with high expectations.

- The way sales force performance is managed is shifting – with real time performance data, and crowdsourced customer feedback – sales planning and performance management will become more agile and immediate. Collaboration tools will allow for more immediate sales coaching and feedback, while sales teams can access digital learning and training on demand.

- The use of sales incentive and commission plans will be realigned to reflect the extent to which digital enablement is contributing to sales results vs individual factors. Where enablement becomes highly prominent, more aggressive individual plans could be replaced by a broader mix of rewards including team based plans that drive collaboration and joint accountability around the customer.

Exploring the impact on sales force reward:

As organisations embrace digital change it is important to evaluate and assess the ongoing relevance, value and ROI impact of existing sales force reward programs. This needs to consider whether plans remain strategically aligned to changing business requirements and key outcomes, whether the right amount is being invested in plans in the best possible way, whether plans are having a meaningful impact on key results and are generating a positive ROI, and whether plans are being managed and implemented in a way that ensures full value is being realised.

Optimising sales incentives – evaluating the key factors that impact the ROI on sales incentives:

1. Ensuring your sales force incentive plans are aligned to the strategic, cultural, financial and people objectives of the organisation.
2. Ensuring you are investing the right amount in sales incentive plans and that this is being structured in the most efficient way.
3. Ensuring sales incentive plans are helping the business and people achieve the right outcomes and are delivering a positive ROI.
4. Ensuring sales incentive plans are being executed and managed the right way and that strong governance and controls are in place.
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Three key questions to consider when evaluating the use of sales incentives in digital environments:

1. Where should I be using sales incentives?

The decision to use sales incentives or commissions over more traditional incentive plans is largely influenced by the degree and level of sales force 'prominence' involved in any selling process.

Prominence refers to the degree to which an individual sales person can impact results directly (through their personal network, negotiation, influence, persuasion, credibility, creativity, initiative) versus all the other causes of a company's sales success (product, price, delivery, location, brand strength, marketing programs, partnerships, etc).

The higher the level of sales force prominence the more relevant and effective sales incentives become. As digital factors start to change the nature of the traditional sales environment, this has the potential to dilute the strength of individual prominence. Some examples include:

- With rich insights on customers and smarter segmentation – the ability to target a potential client with services aligned to their needs is higher, this increases the chance of conversion and reduces the need for cold calling and other unqualified activity that leans on sales force creativity and initiative
- Clients are highly self informed – at the point of contact what used to be an exercise of influence and selling, may largely be an order taking event
- With OmniChannel management becoming more prevalent – the role of online marketing and digital channels have all increased in importance, and are increasingly responsible for higher shares of sales.

2. What mix of programs is right?

In cases where sales prominence is falling or being diluted, it may be more appropriate to look at a broader mix of individual and team based rewards linked to a mix of sales and non-sales objectives. As the customer becomes more sophisticated, informed, and in demand of tailored solutions and services, sales teams are increasingly required and enabled to collaborate to meet their needs.

In these cases the traditional mix of small salary plus individual incentive or commission may no longer be effective, and may need to be redefined to include a broader mix of rewards linked to team results in the short, medium and long term. Other types of programs may also be utilised to drive engagement and to acknowledge high performers.

Choosing sales force total rewards mix

<table>
<thead>
<tr>
<th>Salary</th>
<th>Benefits</th>
<th>Sales Incentive</th>
<th>Team Based Incentives</th>
<th>Sales Sprints/ SPIFFS</th>
<th>Team or Individual Recognition</th>
<th>Non-cash Rewards</th>
</tr>
</thead>
</table>

Key considerations for a client centric culture

- Use total rewards to drive sales results AND strategic customer outcomes
- Understand and target the key drivers of sales force engagement
- Avoid over-investing in cash based programs
- Ensure sales incentives drive a positive ROI and are self funded
- Offset sales incentives with meaningful opportunities to reward team performance around the customer
- Be clear about the connection to short, medium and long-term performance outcomes
- Use Sprints to amplify focus on customer needs and outcomes
- Look to offer benefits that are aligned to staff needs
- Utilise non-cash rewards strategically to motivate and retain key talent
- Use recognition programs to drive a client centred culture
3. How much should be invested in salary v sales incentives?

Where sales incentives or commissions are considered the most appropriate reward mechanism to drive results, the nature of the sales environment combined with levels of prominence can help determine what the right mix of salary to sales incentive should be. As the selling environment becomes more digitised, the existing pay mix may no longer be appropriate and should be tested and revalidated. The following framework provides some guiding principles on ways to set and test pay mix scenarios:

<table>
<thead>
<tr>
<th>Sales environment factors</th>
<th>Sales force prominence</th>
<th>75:25</th>
<th>50:50</th>
<th>0:100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales force prominence</td>
<td>High</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clients</td>
<td>Existing/Segmented</td>
<td>Salary + STI</td>
<td>80:20</td>
<td>60:40</td>
</tr>
<tr>
<td>Competitors</td>
<td>Few</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account volume</td>
<td>Low</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Length of sales cycle</td>
<td>Long</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Account value</td>
<td>High/Client</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complexity</td>
<td>Stable</td>
<td></td>
<td></td>
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<tr>
<td>Channels</td>
<td>Omni</td>
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<td></td>
<td></td>
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<tr>
<td>Service</td>
<td>High</td>
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</tbody>
</table>

Some examples where changes in the sales environment can impact the incentive mix include:

- The onset of digital solutions and applications is quickly simplifying and accelerating traditional selling processes which in turn can help reduce layers of complexity that may exist for sales teams. Simplified sales processes could mean lower at risk reward or upside is required to drive sales results.

- Some traditional sales roles may have had a low requirement to focus on service – with clients becoming increasingly informed and requiring tailored solutions, service is now becoming a larger part of the selling process which may be in conflict with highly geared incentive arrangements.

Key takeaways:

- The design of a well aligned sales force reward strategy needs to reflect the changing nature and value of sales force work, which is increasingly being influenced by digital enablement, highly informed customers demanding tailored solutions, and OmniChannel management practices.

- Incentive plans need to be anchored around the areas where the sales force has the greatest potential to create value – which is no longer just a matter of pipeline management and revenue generation.

- Taking time to review the ongoing efficiency and effectiveness of your incentive plans can be a source for improving sales force engagement, performance and enhancing the customer experience.
How do KPMG work with clients to manage sales force performance and reward?

KPMG’s Performance & Reward team works with clients who are looking to review their existing sales incentive plans, or develop and align new plans that better reflect business needs. Examples of our work include:

- Working with Board Remuneration committees or executive groups to undertake organisation wide reviews of sales incentive plan practices. This includes identifying the number of different plans operating concurrently across different business units to understand the variation in design, competitiveness, risk factors and the cost-benefit back to the business.
- Working with sales leadership teams to develop sales force reward strategies tightly aligned to new operating models, structures and/or product and service delivery strategies. This includes developing performance scorecards and designing and modelling different pay mix and commission schedules that align back to business needs.
- Working with HR leaders and specialist reward teams to manage the design and implementation of incentive and commission plans as part of a broader total rewards strategy. This includes helping manage communication and change to ensure sales force engagement is reinforced and the plan realises its desired impact.

KPMG capability
Managing sales force reward

Review and analysis
- Validating plan alignment and ROI impacts
- Testing plan cost and funding
- Analysing performance pay alignment
- Evaluating market competitiveness
- Reviewing governance and control

Design and alignment
- Sales force reward strategy and policy
- Commission plans
- At risk sales incentives
- MBO plans
- Team based incentives
- Sprints / SPIFF plans
- Profit share plans
- Recognition programs
- Equity plans

Implement and monitor
- Plan description, rules and term sheets
- Staff communication
- Change management
- Manager and staff toolkits
- Predictive cost modelling
- Plan calculators
- Benefit realisation
- Plan audit and review

About the Author
Jason White is a Director in KPMG’s Performance & Reward practice in People Advisory. He specialises in the review, design and management of sales force incentives, commission plans and broader reward strategies. He has extensive experience working with clients across multiple industry sectors, helping them improve the alignment and impact of sales force performance and reward strategies on business performance, the customer experience and staff engagement.
We bring a broad mix of capability and experience to give our clients a holistic view of the impact of digital change on the nature of sales force work and how they are managed and rewarded.

KPMG Performance & Reward

– We provide strategic advice, insights and solutions that help organisations attract, engage and retain their key executives, sales force and employees.
– We combine data, analytics and design thinking techniques to develop innovative and creative reward solutions that drive performance higher across the organisation.
– We help organisations achieve the required level of reward governance and compliance to meet shareholder needs and regulatory requirements.

KPMG People & Change

– We transform the performance of organisations across the world by changing the way people are led, managed and developed.
– We do this by focusing on two areas of the change agenda – delivering the people agenda on large scale, complex, transformational change programmes and transforming the HR function.
– We have five key service networks – Behavioural Change Management, Human Resources Optimisation, Organisational Design for Performance, Talent Management and Workforce Optimisation.

KPMG Sales Transformation

– We leverage our comprehensive Sales Transformation capabilities to address the needs of the entire sales organisation across the customer lifecycle.
– Our Sales Effectiveness Framework and Toolkit utilises our global insight and supports our clients to develop a comprehensive way forward to improve the operating performance of their sales organisation, while aligning it with customer needs.

Contacts

Ben Travers
Partner
T: +61 424 165 900
E: btravers1@kpmg.com.au

Tim Nice
Partner
T: +61 420 459 353
E: timnice@kpmg.com.au

Jason White
Director
T: +61 431 478 363
E: jwhite9@kpmg.com.au

Stefanie Bradley
Partner
T: +61 410 449 069
E: sbradley1@kpmg.com.au

Catia Davim
Partner
T: +61 408 023 388
E: cdavim@kpmg.com.au

Lisa Barry
Partner
T: +61 418 131 645
E: lisabarry@kpmg.com.au

Duncan Murcott
Global Lead for KPMG’s Sales Transformation CoE
T: +61 416 557 469
E: dmurcott@kpmg.com.au