SALES COMPENSATION TRENDS TO WATCH IN 2024

A Guide To Build And Enhance
Your Sales Comp Plans

Performio | **Press**

Just Like
Last Year...

Compensation trends are trending. And once again, like last year, I'm sure you saw the top of your social media feeds this morning and shared the news with all your colleagues across all the socials 😂. In all seriousness though, this year, we've upgraded our outlook on sales leaders and compensation managers having an "interesting year" to being in for a challenging one.

We've weathered a lot over the past few years. Inflation rates have been through the roof, and although they've started to go down, they're still higher than anyone would like to see. Unemployment is low, but turnover rates are high. And while some things are finally starting to feel normal again, other distinct challenges remain. In the mix, some incredible opportunities exist for organizations willing to seize them.

At Performio, we've identified four key trends that sales leaders and compensation professionals can expect to play out in 2024—along with key ways to handle them.

Organizations Will Focus On Retention— Or Lose Employees

Businesses of all industries are still recovering from the "Great Resignation," during which tens of millions of employees voluntarily left their jobs. Although things are improving by some measures—**overall unemployment is low**—turnover rates **continue to be above average**, and **sales departments have been hit particularly hard**.

According to Hubspot, the **churn rate for salespeople has stayed around 35%** per year, well above what they suggest as the ideal of 10%. And **according to a recent study by McKinsey**, employee attrition is costing median-size S&P 500 companies between $138 million and $275 million per year.

There are no indications that these stats will change on their own anytime soon, so organizations will have to take action for themselves. Rather than surrendering to the state of the job market, sales leaders can ask the hard questions to understand what factors are causing this high turnover rate, and then do what is necessary to turn things around—or at least lessen this trend's effect on them.

Fortunately, the problems driving this trend can be identified and addressed. By examining your reps' compensation, growth opportunities, experience with the company, and available tools, you can identify areas of improvement and motivate more sales reps to stay.

When it comes to retaining sales reps, culture is key. If you want to learn more about why reps leave and what you can do to keep them around, check out **our free guide to sales staff retention**.

Insufficient Compensation

At the top of the list of reasons why salespeople leave, you'll find insufficient compensation. This should come as no surprise, as sales reps do their jobs to receive a paycheck. If the compensation they're receiving doesn't live up to their expectations, they'll look for another opportunity that pays more. **And given the current job market, they're likely to find one**.

The most crucial step an organization can take to secure their employees' loyalty is to pay them well. This should cover all forms of compensation, from base pay to commissions to bonuses to benefits. How well you reward your sales reps fundamentally demonstrates how much you value them and want them to stick around, and they know it.

No Growth Opportunities

Sales employees want to know that they won't stagnate in their current position, but will be able to grow professionally. While this certainly involves the ability to increase their earnings, it also includes ongoing training and coaching to advance their skill sets, advancing to new positions, and increasing their clout within the company.

For businesses to improve in this area, they must establish a clear path to advancement and promotions, and sales leaders need to be generous with their praise and recognition. Sales reps shouldn't be left guessing where they stand in

the company, but should know exactly what they need to do if they want to further their career within the organization.

Issues With The Company

Some sales reps see the organization they work for as being the problem. They don't buy into the company's mission or values. They don't agree with the direction leadership is taking it. Or they're worried about the stability of the business, so they feel it's better to jump ship than go down with it.

To some extent, this may be unavoidable. Some people simply aren't a good fit. But if it becomes a common occurrence for people to leave over disagreements with leadership or cultural problems, it could indicate a more serious issue to address. Head off these problems before they escalate by keeping an open line of communication with employees, listening to their feedback and responding appropriately.

Lack Of Appropriate Tools

Finally, one of the biggest challenges causing high turnover among sales reps is a lack of access to the tools they need. Dooly's **2022 Sales Happiness Index** surveyed sales employees who wanted to leave their current positions, and 33% of them cited being provided with insufficient tools and technology among the reasons for wanting to leave.

Far too many organizations are relying on lackluster tools that introduce errors, cause unnecessary headaches, and fail to provide the transparency and accuracy sales reps need. Which leads us right into the next trend.

More Organizations Will Adopt ICM Software

Digital Journal's 2023 **Incentive Compensation Management Software Market research report** projects 17% CAGR in the ICM market until 2031. This trend marks a welcome move away from the outdated systems, cobbled-together solutions, and complex spreadsheets that many sales organizations have historically relied on.

ICM software provides a dedicated, centralized system to track sales activities, monitor progress toward goals and quotas, calculate commissions, analyze sales data for insights, provide accurate forecasting, and more. It offers the **transparency** and **accuracy** sales reps and sales leaders need to measure performance, project compensation, and distribute incentives.

Early adopters of ICM software enjoyed a slight competitive advantage over their spreadsheet-based peers. But soon, this technology (and the compensation plan complexity it enables) will become table stakes.

As ICM software becomes more commonplace, sales reps will expect the transparency it brings to their sales compensation, and sales leaders will expect it as an important input for strategic planning.

Transparency Drives Retention, Recruitment, And Performance

Sales reps don't want to have to jump through hoops to figure out an overly complicated system of compensation in order to know what they're earning. Nor are they willing to operate in the dark, simply hoping that the work they put in will earn them a decent paycheck in the end.

ICM software lets sales reps know exactly what they'll earn from any given sales activity, which enables them to prioritize which activities to focus on. It shows them what they've accomplished so far, how far along they are toward meeting their quotas and goals, and how much they can expect to earn based on what they've already accomplished. This keeps them motivated throughout the sales period and allows them to stay focused on actually doing their work, rather than spending time trying to track their work.

Providing transparency goes a long way toward reducing turnover rates. Employees who don't have access to ICM tools from their current employer will likely look for them elsewhere, giving organizations who do use ICM software a leg up during recruitment. Additionally, ICM software allows businesses to more effectively align their compensation plans with organizational goals, driving performance by incentivising revenue-generating activities.

Accuracy Promotes Trust

Transparency and accuracy are two sides of the same coin. As essential as transparent reporting may be, it doesn't mean much if the data it provides is full of errors. If sales reps are told they're earning a certain amount, only to actually receive something different—or worse, if their earnings are clawed back later—they won't be able to trust what the organization is telling them.

Lacking accurate reporting, sales reps will resort to "shadow accounting"—recording their progress themselves using a series of homebrewed calculations (which may not be any more accurate) in an attempt to gain the insights they should have been given in the first place.

It's a waste of their time and thus company time—especially when the sales rep's expectations don't align with reality. When reps notice discrepancies between what they expect to earn and what they actually earn, they raise disputes, wasting even more time, harming employee morale, and eroding their sense of trust in the organization.

And in today's high-turnover environment, if a rep can't trust their employer to pay them (or if their income is a mystery to them every pay period), reps will start looking for the nearest exit.

In order to enhance productivity, promote trust, increase loyalty, and improve retention, it's little wonder that organizations are moving to ICM systems that guarantee their sales compensation reporting is transparent and accurate.

Interdepartmental Alignment Will Become A Priority For Sales Organizations

For any organization to run smoothly, each of its various departments needs to fulfill its own function while operating in harmony with all of the others. And for a sales organization, the sales department lies at the heart of it all.

Sales teams not only need to convert leads into customers, but they also need to work effectively with marketing, finance, human resources, management, and all the others. Unhealthy friction between departments results in an endless back-and-forth as various departments try to get what they need from one another, which reduces morale, productivity, and efficiency..

In the **2023 State of Revenue Marketing report** put out by the Revenue Marketing Alliance (RMA), they hone in on **sales and marketing alignment**, asserting that "synergy between these two departments can support continual innovation, collaboration, and a healthy bottom line."

But despite this potential, there's lots of room for improvement in 2024. Of the

organizations surveyed, just a little over half (52.7%) assessed their alignment as "good" or better, with the other half reporting alignment that was "fair" (33.4%), "poor" (5.6%), or even "terrible" (8.3%).

So what's the solution? The same RMA report asked organizations with alignment scores of "good" or better what tools or activities they employ to achieve their alignment, and the number one response (at 77.8%) was "integrated tools that share data." This comes back to the need for transparency and accuracy that we previously discussed.

For example, sales needs to receive relevant information about the leads they get from marketing. Marketing needs to have a record of which leads sales has contacted. And they both need to have a shared understanding of lead engagement. When relevant parties are given transparency to access reliable data, they're empowered to function in harmony.

And it isn't only marketing who needs accurate sales data. Take **the finance department** for another example. They need accurate forecasts from the sales department to create realistic budgets. And sales needs accurate commission reporting to create their forecasts. If the sales data either department relies on isn't accurate—or if it's siloed away, difficult to track down, or otherwise not transparently accessible—it'll lead to faulty forecasts, unrealistic budgets, and a breakdown between departments.

Additionally, when errors in sales compensation occur and employees raise disputes, the finance and/or HR departments have to deal with those disputes. They can end up wasting hours going back over the numbers to determine accurate figures and issue corrections. It's an interdepartmental nightmare that no one wants to deal with—and no one should have to.

When sales organizations invest in solutions that provide the transparency and accuracy demanded by sales, all the other departments benefit from the same. It requires an investment in the necessary tools to empower such transparency and accuracy, but we believe that organizations are well poised to take advantage of this opportunity in 2024.

Sales Data Analytics Will Play A Bigger Role In Driving Revenue

Organizations that know how to leverage their sales data will be able to use it to increase their revenue. According to **a 2023 study by NewVantage Partners**, 87.8% of organizations surveyed reported increasing their data investments throughout the year, with 83.9% expecting those investments to continue increasing over the next year. And 91.9% of respondents indicated that their data investments were delivering measurable business value.

There are a number of ways to **increase revenue with sales data analysis**, but we'll take a look at three of them: rewarding high-performing sales reps, aligning compensation plans with revenue-driving activities, and eliminating sales bottlenecks.

Rewarding High-Performing Sales Reps

At its most basic level, sales compensation is already about rewarding sales reps for their performance. The more and better sales they close, the more they'll earn

in commissions. But money isn't the only form of compensation that motivates sales reps. They're also driven by things like competitions, public recognition and praise, and other non-cash incentives.

In order to single out sales reps for accolades or awards, you must first have the ability to gauge their performance—on an individual level and in comparison with the rest of their team. The sales data you gather from compensation reporting should allow you to do that, as long as you've invested in a system with the right capabilities.

Aligning Compensation Plans With Revenue-driving Activities

Certain sales activities are more directly tied to revenue than others, and certain kinds of sales generate more revenue than others. You can use your sales compensation plan to promote revenue-driving activities by providing greater incentives for their completion. But first you have to know which activities those are—and that isn't always as straightforward as it might seem.

For example, closing sale A might generate twice the revenue of sale B. That may make it sound as though it's better to prioritize sale A. But what if sale A takes three times as long to complete as sale B? In that case, focusing on sale A would actually generate less revenue in the long run. These are the kinds of insights you can gain with a thorough analysis of your sales data.

Eliminating Sales Bottlenecks

You'll often have parts of the sales process that cause things to get bogged down. By addressing those sticking points, you can speed up the whole process, help your sales reps become more efficient, and generate more revenue. But first you have to find the bottlenecks, and then you have to know how to fix them. Sales data can help with both.

The right system for tracking and reporting on sales compensation will allow you to analyze the data at each step along the way. You'll be able to

see exactly how long it's taking for every stage of the process and identify the holdups. Then you can look across the data for that particular stage to find examples of sales reps who aren't getting stuck at that point. Reach out to those reps to learn what they're doing differently that others might be able to emulate.
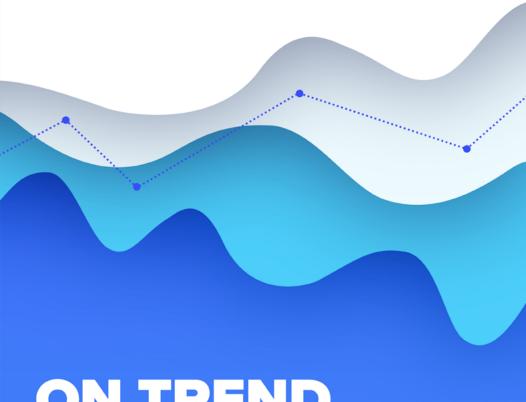
Navigate The Challenges Of 2024 With Performio

This new year brings both challenges and opportunities in the world of sales compensation management—but with an advanced ICM platform like Performio, you'll be ready to face them all.

Performio is the only enterprise incentive compensation management provider that drives business performance with a product built to handle complexity. Our product is used by large global enterprises and growing mid-market companies worldwide. This feature-rich cloud application enables enterprises to automate sales compensation calculations, provide increased transparency to sales reps, and adapt to changing market conditions with confidence. Built for complexity, but mastered for flexibility.

To see what Performio can do for your organization, schedule a demo today.

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