



SALES GROWTH CONSULTANTS

# **2010 Sales Compensation Trends Survey<sup>©</sup> Executive Summary**

January 4, 2010

Sponsored by:

**The Alexander Group, Inc.<sup>®</sup>**

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## **2010 Sales Compensation Trends Survey<sup>®</sup>**

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### **Executive Summary**

#### **Overall Observations**

The survey results confirm that 2009 was not a very good year. Sales revenue performance for many companies fell below 2008 performance. Sales force headcount was down. Sales expenses were flat. Sales representative quota performance was below par. And, compensation levels were below 2008, registering a rare deflation in pay practices. Most companies, as of December 2009, see a modest uptick for 2010.

#### **Introduction**

More than 130 sales departments participated in this year's 8<sup>th</sup> annual 2010 Sales Compensation Trends Survey<sup>®</sup>. Participants provided data on what occurred in 2009 and what they think will happen in 2010. This survey represents practices affecting approximately 110,000 sales personnel.

#### **Survey—Points of Interest**

##### **In 2009**

-6.90% was the average incentive payout change from 2008 to 2009: -5.0% for the 50<sup>th</sup> percentile.

-4.0% was the median revenue growth for 2009.

0.00% was the median change in sales department costs in 2009.

51.53% made some type of mid-year change to their sales compensation plan design in 2009.

12.21% rated their 2009 sales compensation program less than effective.

85.00% was the median of the average quota performance reported in 2009.

42.49% of primary sales job incumbents had their quota changed in 2009.

##### **For 2010**

4.0% is the average projected Target Compensation increase for 2010: 2.0% for the 50<sup>th</sup> percentile.

6.5% is the expected median revenue growth for 2010.

34.93% will increase staff in 2010; 48.41% will not change; 16.67% expect a decline.

93.36% of the reporting companies will make changes to the 2010 sales compensation plan.

81.75% of all companies use sales revenue as the primary performance measure.

58.78% say correct goal setting is the greatest challenge for 2010 sales compensation.

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## **Sales Compensation Practices Pay Levels**

### **2009 Sales Compensation Incentive Payouts as Compared to 2008**

(Average Change in Payouts: -6.90%)

10th Percentile	25th Percentile	50th Percentile	75th Percentile	90th Percentile
-26.50	-14.25	-5.00	1.75	10.00

### **2010 Change in Incentive Budget**

(Projected Average Change in Payouts: 2.5%)

10th Percentile	25th Percentile	50th Percentile	75th Percentile	90th Percentile
-10.00	0.00	2.00	5.00	10.00

### **2010 Projected Change in Target Total Compensation for the Primary Sales Job**

(Projected Average Increase: 4.00%)

10th Percentile	25th Percentile	50th Percentile	75th Percentile	90th Percentile
0.00	0.00	2.00	4.00	10.00

## Five Year Trends

(Select Questions)

Comparison of **2006, 2007, 2008, 2009 and 2010 Sales Compensation Trends Survey®** Responses

	2006 Survey	2007 Survey	2008 Survey	2009 Survey	2010 Survey
Actual	2005	2006	2007	2008	2009
Projected	2006	2007	2008	2009	2010
<b>Last Year's Actual</b>					
Actual Median Compensation Payout Changes as Compared to Previous Year:					
	5%	5%	4%	2.5%	-5%
Actual Median Revenue Performance Compared to Previous Year:					
	10%	8%	8%	6%	-4%
Actual Sales Compensation Program Effectiveness (% of Companies):					
<i>Effective</i>	56	59	55.8	57.61	56.49
<i>Acceptable</i>	32	29	26	29.35	31.30
<i>Not Effective</i>	11	13	18.2	13.04	12.21
Actual Sales Compensation Budget Payouts (% of Companies):					
<i>Above</i>	30	34	35.2	31.86	19.85
<i>At Budget</i>	44	33	27.8	25.82	21.43
<i>Below</i>	26	33	37	42.31	58.73
<b>Next Year's Projected</b>					
Projected Median Increase in Target Compensation for Primary Sales Job:					
	5%	4%	4%	3%	2%
Projected Median Revenue Increase for Next Year:					
	10%	10%	10%	5%	6.5%

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## Survey Highlights

The 2010 Sales Compensation Trends Survey® presents with clarity the negative economic downturn of 2009. Survey participants have positive but cautious expectations regarding 2010.

Now in its 8<sup>th</sup> year, the 2010 Sales Compensation Trends Survey® recorded the negative performance of 2009 with sales volume, staffing and compensation levels all recording declines in 2009. Expectations of 2010 practices as compared to 2009 remain either neutral or only slightly positive. Data collected from over 130 corporate US sales forces, representing over 110,000 sales professionals, confirms the challenges of 2009 and tepid ambitions for 2010.

- 2009 sales growth results were -4.0% for the participants, an unusual negative decline.
- 2010 sales growth projections are 6.5%, an improvement over the 2009 projection but still below historic growth rates.
- 2010 sales force staffing sees 48.41% of the companies keeping current headcount. Among the remaining 51.6%, those planning to hire in 2010 outnumber those planning to reduce headcount by 2 to 1.
- 2009 sales compensation earnings deflated, recording a median decline of -5.0%.
- 2010 compensation budgets will increase a modest median 2.0% (2.5% average).

### **Sales Revenue Trends—Sales Growth Projections Increases Slightly**

Each year, the survey respondents estimate growth for the coming year. When compared to actual outcomes, these growth projections are generally over-ambitious. However, they do accurately capture directional sentiment. This year's estimate of 2010 sales growth is 6.5%, a 30% improvement over last year's estimated growth. This growth estimate is substantially down from pre-recession trends, but still suggests improvement for 2010.

### **Sales Force Cost Trends—No Cost Increases for 2010**

Sales departments are attempting to navigate 2010 without any overall sales force cost increases. The median projected cost increase is a dead 0.0%. This cost objective will prove challenging since one-third of the companies (34.93%) plan to increase headcount and the median increase in overall compensation will be 2.0%.

### **Sales Force Pay Level Trends—2009 Pay Deflation; Modest 2010 Plan Increase**

Only a significant recession can cause a reduction in pay from one year to the next. Actual pay levels (not to be confused with "costs") dropped a median of -5.0% in 2009 as compared to 2008. Overall quota performance on the average was 85% to goal. Target compensation levels for the primary sales job will increase a modest 2.0% (median) for 2010.

### **Global Sales Compensation Practices—More Strategic, More Global; Less Strategic, More Local**

The more strategic the sales compensation element, the more likely sales management addresses it at a global level. The more tactical the topic, the more likely it's handled at a local level. Practices more likely to be handled at a global level include Program Design Principles, Program Approval, Formula Mechanics, Pay Competitiveness Philosophy, Performance Measures, Job Grades and Technical Automation Support. Practices more likely to be handled at the local level include Quota Setting Method, Pay Mix, Payout Administration, Survey Benchmark Companies and Quotas for Individual Sales Personnel.

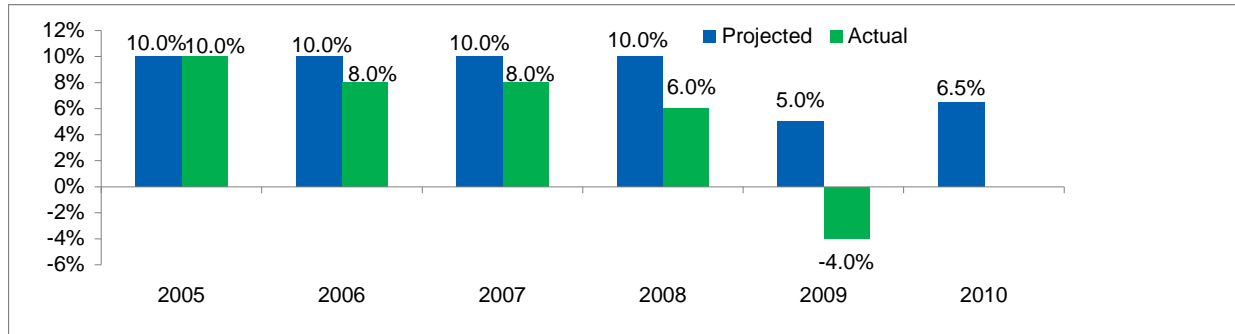
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## Key Year-to-Year Trends

### 2005 to 2010 Sales Revenue Trends

The overall pattern from 2006 to 2009 was to overestimate the expected sales volume for the following year. The degree of this estimation error by sales management increases from 2005 to 2009. This divergence between projected and actual revenue was the greatest for 2009. Sales management estimated 2009 year growth of 5.0%, but the economic recession of 2009 produced a -4.0% median growth decline for the reporting companies.

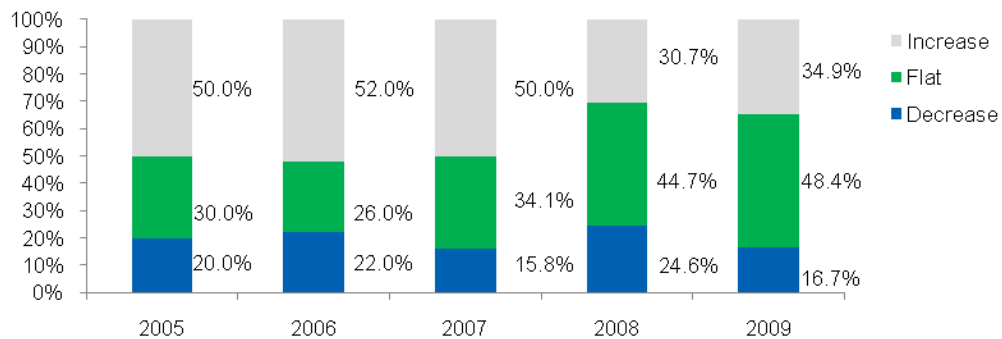
**Year-to-Year Revenue: Projected and Actual**



### 2005 to 2010 Staffing Projections

The year-to-year comparison highlights the impact of the 2009 recession. The estimated reduction in hiring for 2009 reflected sales management's awareness of the looming recession at the end of 2008. 2010 shows a promising slight upturn in staffing levels and a downturn in headcount reductions.

**Projected Staffing Growth**  
(% of respondents)

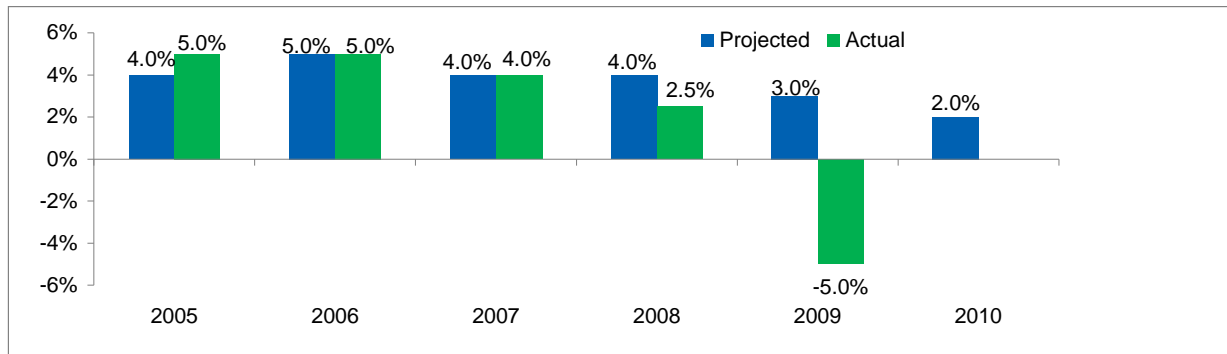


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### **2005 to 2010 Sales Compensation Cost**

2009 compensation payouts were a -5% median of the previous year, confirming the deflationary impact of the recession on sales personnel pay.

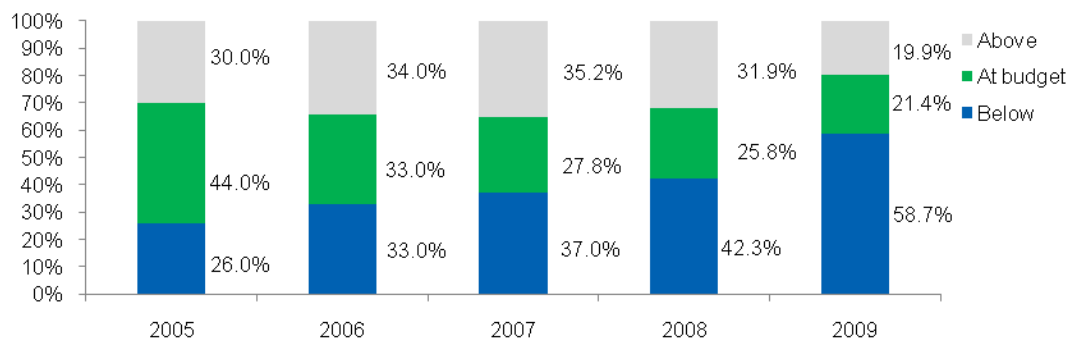
**Year-over-Year Compensation Payout Changes**



### **2005 to 2009 Sales Compensation Budget Payouts**

Almost 60% of the companies did not pay out their target 2009 sales compensation budget in 2009. Yet, even with the recession of 2009, approximately 20% of the companies did exceed their target sales compensation budget.

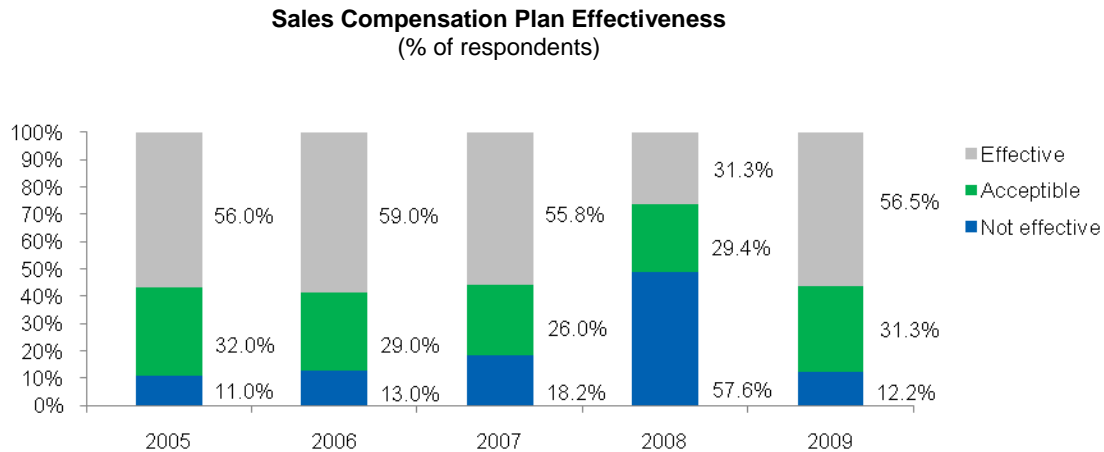
**Sales Compensation Budget Payout**  
(% of respondents)



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## **2005 to 2009 Sales Compensation Program Effectiveness**

While 2009 was a recession year for most companies, most sales leaders felt the sales compensation program was doing the job it was supposed to do. 56.5% of the companies rated the 2009 sales compensation program as effective.



## **Survey Questions and Report**

The 8<sup>th</sup> annual 2010 Sales Compensation Trends Survey<sup>®</sup> is an in-depth survey featuring over 56 questions. More than 130 data sets represent a cross section of corporate selling covering over 110,000 sales professionals. Participants receive a full copy of the 57 page survey results with supporting graphics.

The Survey contains the following sections:

- **Sales Department Indices**—10 questions regarding revenue, turnover and performance goals
- **2009 Sales Compensation Program Practices**—7 questions on program design
- **2010 Sales Compensation Program Practices**—6 questions on the 2010 sales compensation plan
- **2010 Sales Compensation Practices for the Primary Sales Job**—13 questions
- **Global Sales Compensation Practices**—12 questions on global sales compensation practices
- **Demographics**—6 demographic questions

## **Data Collection/Methodology**

The **2010 Sales Compensation Trends Survey<sup>®</sup>** presents responses from over 130 participants. Multiple sales departments from the same company participate. Participants had to have at least 20 full-time sales personnel. Participants provided data during the first three weeks of December 2009. The Alexander Group gathered responses via a web-based survey. For numerical response questions, we trimmed the top three and bottom three responses before the percentile and average calculations. We published the results in the first week of January 2010.

## **Would You Like to Participate in Future Surveys Like This One?**

Please send an email to [dcichelli@alexandergroupinc.com](mailto:dcichelli@alexandergroupinc.com) to join our Sales Effectiveness Survey Panel. Put "Survey Panel" in the subject line and provide your (complete) business card information. To be accepted as a survey panelist, you must meet the following criteria: 1) you must have at least 20 customer contact sales representatives, 2) you have no commercial interest in marketing/selling products



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or services to sales departments and 3) you agree to fully complete surveys submitted to you. Survey panelists receive a free copy of survey results. Being a Sales Effectiveness Survey Panelist is voluntary and you can opt-out at any time. We keep all responses in strict confidence.

### **About the Sponsor**

#### **The Alexander Group, Inc.®**

The Alexander Group, Inc. provides Fortune 1000 companies with advanced sales growth solutions to acquire, retain and grow customers. Through the Sales Management System™, the Firm helps its clients identify target customers, design channel strategies, deploy customer contact resources, manage sales performance and leverage technology. The Alexander Group provides sales management consulting, software services and systems integration support. The Alexander Group has offices across the United States. Visit [www.alexandergroupinc.com](http://www.alexandergroupinc.com) or call 800.327.8525.

#### **About the Editor**

David J. Cichelli is Senior Vice President of The Alexander Group, Inc. He is author of McGraw Hill's "Compensating the Sales Force," a frequent speaker on sales effectiveness issues and an author/instructor for WorldatWork's certification course in sales compensation. He is a regular contributing editor to *Sales and Marketing Management* magazine. To learn more about David's book on sales compensation, visit [www.compensatingthesalesforce.com](http://www.compensatingthesalesforce.com). To learn about The Alexander Group's sales compensation services, visit [www.salescompsolutions.com](http://www.salescompsolutions.com).