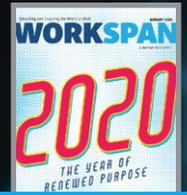


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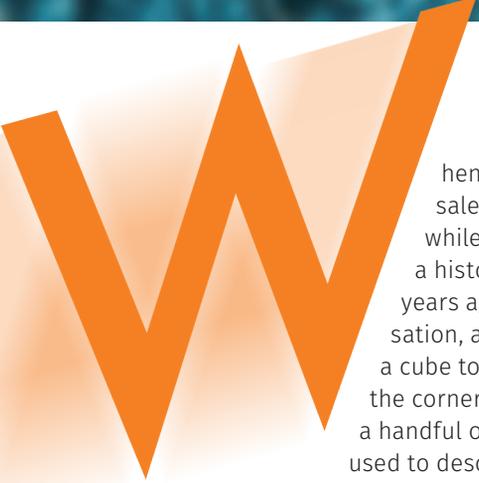
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BY
DARREN TSE
AND
LOUIS-PHILIPPE
BEAUPRÉ

THE FUTURE OF SALES COMP 5

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When considering the future of sales compensation, it is worthwhile to take a moment to think like a historian. In the workplace of 20 years ago, no one discussed compensation, and we aspired to move from a cube to an office to, eventually, the corner office. In the sales arena, a handful of phrases were commonly used to describe sales: “Eat what you kill,” “Sales reps are coin-operated” and “Sales is an individual sport.”

Today, billion-dollar companies are built in flexible workspaces without a salesforce. For example, Kylie Jenner’s cosmetics business hit the billion-dollar mark through sales derived from Jenner’s massive social media reach: She announces product launches, previews new items and shares shades she’s wearing directly to her 175 million-plus followers.

This certainly makes us think twice, not only about the future of sales compensation but also about the future of sales. It is certainly easy to foreshadow the demise of the seller given these headlines. But look further ahead: There is a light at the end of this tech-enabled tunnel. Figure 1 shows the World Economic Forum’s predictions about the decline and growth in employment across jobs through 2020.

According to the World Economic Forum, “practically every industry will need to become skilled in commercializing and explaining their offerings to business or government clients and consumers.” This will come in the form of specialized sales representatives.

This new breed of salesperson will continue to be a must-have, either because of the innovative and technical nature of products themselves or because companies will target new client types. Most sales leaders are already rethinking how they deliver sales results given this complicated and changing business landscape. As such, now is the time to begin thinking about the future of the sales environment.

Sales Compensation in 2040

Emerging trends point us to a future in which field sales is a thriving career choice; however, we also expect there to be a fuzzier line between sales roles and nonsales roles, considering some of the key competencies we see in demand at sales organizations. When asked to comment on sales competencies of the future, our audience at the “WorldatWork Spotlight on Sales Compensation” conference confirmed what we are seeing at our clients: that sales competencies required to succeed in the future are not that different from key competencies that organizations look for in other mission-critical functions, such as being a trusted adviser and to collaborate internally and externally.

PREDICTION 1 Sales incentive plan eligibility will focus on roles that interface with and influence clients.

While this may not seem different from how the line has been drawn in the past, the heart of this discussion focuses on how client interface and influence are defined. Most practitioners think sales incentive plans (SIPs) should be exclusive to those roles that literally interact with customers and influence buying decisions. You may even see this formalized in an eligibility test.

But what happens if we extrapolate a bit and think about this figuratively? Digital marketing roles, for example, continue evolving, and many would argue that digital marketers directly influence how customers interact with an organization and directly affect customer decisions to buy. In this sense, these roles also could meet SIP eligibility requirements. (See Figure 2.)

As new routes to clients and customers play out in the next two decades, we predict more examples will arise that challenge what has traditionally been considered a “sales” role.

PREDICTION 2 Sales will be the key dominant sales incentive plan metric.

Some would argue that we have done a really good job of expanding the universe of sales incentive



metrics. We started with sales itself and have dissected sales into all sorts of permutations, including: recognized revenue, recurring revenue, new revenue and annual contract value. At the same time, a range of alternative measures have come into play, such as lifetime customer value, profitability and customer loyalty. Sometimes, the dominant measure in a sales incentive plan is not actual sales.

In the next 20 years, we expect these boundaries to continue to be pushed in creative ways; however, we also predict a push for simpler constructs, driving some to revert to a single unifying measure of sales performance, in some sort of sales metric. This will be enabled by an overall maturity in the way that sales resources are supported and enabled. With the advent of other programs and processes to reinforce strategic priorities, we see nothing wrong with having a single sales measure in an incentive plan.

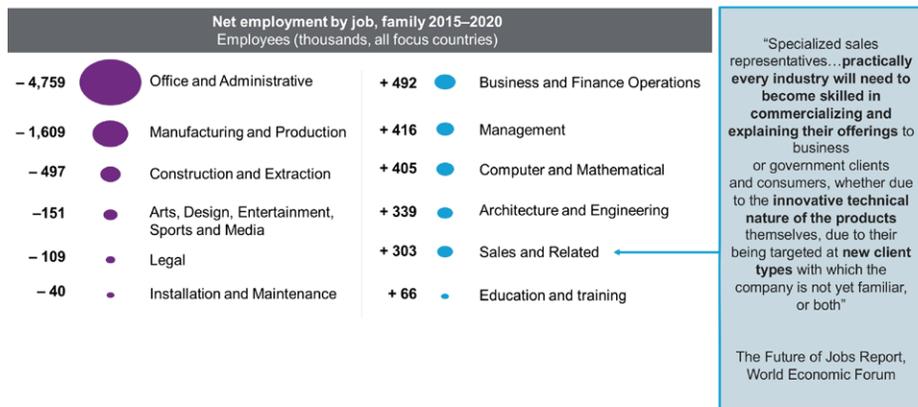
PREDICTION 3 Super sellers will emerge, challenging existing compensation limits.

“A great lathe operator commands several times the wage of an average lathe operator, but a great writer of software code is worth 10,000x the price of an average software writer.”

— Bill Gates

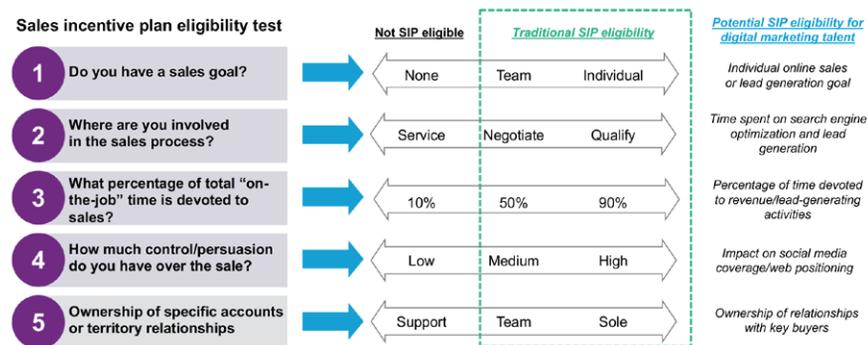
This quote from Bill Gates perfectly reflects the practicalities of embracing a knowledge economy. The Pareto principle — that 80% of results

Figure 1: Net employment by job, family (2015 – 2020)



SOURCE: WILLIS TOWERS WATSON

Figure 2: Sales incentive plan eligibility test, with digital marketers as a factor



SOURCE: WILLIS TOWERS WATSON

come from 20% of contributors — has already been embraced by Silicon Valley’s technology establishments. We are starting to see more outliers at client organizations.

As we see competencies such as consultative advice and technical savvy being demanded in some sales environments, we expect to see more outliers. This directly challenges conventional sales compensation design and calibration.

While we believe that managing to a “normal” distribution will still be relevant, we also believe that “super sellers” will emerge in some segments, selling disproportionately more than

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everyone else. The organizations that are willing to break from conventional SIP limitations may very well win the hearts of this unique talent.

PREDICTION 4 The participant experience will be consumer grade, with personalized communications overriding choice.

For a brief moment in time, before smartphones became ubiquitous, it seemed as though some organizations had consumer-grade sales compensation plans. For example, many big pharmas treated sales compensation plans like consumer products, naming and branding their sales incentive programs and promoting them with ongoing campaigns.

In the blink of an eye, this seems to have eroded. For example, the technology for ordering groceries is more accessible, dynamic and personalized than anything most SIP participants use to access incentive plan information. While we predict a drive to personalized consumer-grade experiences, we are skeptical that the notion of “choice” will survive in a meaningful way. For example, we have seen clients experiment for years by offering choice in the amount of pay to put at risk or the size of the goal and upside to sign up for. This starts eroding the value of SIPs as a management tool to communicate a clear value proposition and associated desired behaviors. We believe organizations will choose to personalize the sales compensation experience, but using standard SIPs rather than offering the goodwill of choice in design features.

PREDICTION 5 Sales compensation functions will be consultative.

Sales compensation design is not yet a consultative discipline or function in many of our client organizations. Even the most skilled practitioners are often on understaffed teams and, despite best intentions, are thrown into the scramble of dealing with ad hoc issues rather than designing for the future. At best, planning takes place as part of a year-end annual review process that, in some organizations, is nothing more than a check-the-box exercise. Every part of this dynamic seems ripe for change. For example, why is annual the right cycle to review and renew sales compensation plans? Surely it makes sense

for some plans to be evergreen — in place until otherwise communicated; for other plans, annual could be an eternity. An annual plan may have best suited the world of B2B sales when it was dominated by companies focused on securing annual capital expenditure budgets. As the Everything as a Service (XaaS) business model continues to be embraced, a new paradigm is needed to align to business reality — and urgently too, considering the growth that is being predicted. Zuora’s Subscription Economy Index confirms that for 28 consecutive quarters, subscription business revenues have grown more than 300%!

Against the backdrop of dynamic sales environments, the current state of our profession will be disrupted. We envision a maturing of sales compensation into a discipline that:

- Clearly targets the optimization of sales incentive design, governance and administration;
- Is resourced as a team that can be flexibly deployed; is skilled at all aspects of incentive compensation mechanics; and can, in turn, advise businesses on the right path and direction; and
- Drives employee satisfaction and experience.

The inevitability of change

Just 20 years ago, the cloud didn’t exist. Yet some of the biggest sales compensation challenges that we have solved by transitioning sellers to software-as-a-service plans already seem like old news. We believe this dynamic will continue to play out in the next 20 years.

The World Economic Forum predicts that 65% of children entering elementary school today will end up in jobs that don’t currently exist. Coupled with the belief that sales as a profession will be well represented in this sea of new jobs, sales compensation professionals will have their work cut out for them. If business leaders are willing to change, the job of sales compensation practitioners will be to ensure that organizations have the capacity to enable and energize this change. **ws**

Darren Tse is the North America Practice Leader, Sales Effectiveness and Rewards Consulting, at Willis Towers Watson.

Louis-Philippe Beaupré is director of Talent and Rewards at Willis Towers Watson.