Sales Compensation Survey

October 22, 2016

Overview: Everybody hates their compensation plan. Owners feel they are overpaying for the performance they are getting. Salespeople believe they are underpaid. Owners believe the plans incent the wrong behaviors. Salespeople think the plans are too complicated. Who is correct?

This is my latest attempt to identify the current baseline sales compensation plans among resellers of Information Technology products and services. This report includes 46 comp plans from 28 companies. They are broken into three groups:

- Account Executives (1-5 years of experience +/-)
- Senior Account Executives (Many years of industry experience and success)
- Administrative and Business Development People

Many of these comp plans are so complicated, they cannot be reasonable compared with each other. I have included not just the data, but the notes and comments from everyone who contributed. See attached Excel Spreadsheet. Scroll down to lines 35-39 to see notes, and click on the tabs at the bottom to see the individual roll ups.

This is painful. Some of these comp plans run more than five pages. There are accelerators, conditions, limiters, buckets, and targets. You've got products, services, cloud, support contracts, and more. Some are paid up front, some are residual. All probably made sense at one time, but now?

That's why I've tried to reduce the complexity to three simple data points: "What's the base?" What's the Quota?", and "What do you Earn when you Attain it?

The first reaction when I hear when I present industry data is "my market is different". This report includes organizations from across North America in Tier 1, 2 & 3 markets. I have included reference benchmarks from Salary.com to allow you to adjust up or down based on market size. In general:

- Tier 1 Markets (1.5 Million market size and above) have the highest compensation – duh
- Tier 2 Markets (500K – 1.5 Million, such as Kansas City, Charlotte, Buffalo) are 20% less
- Tier 3 Markets (under 500K MSA, such as Binghamton & Wilmington) are 30% less than tier 1

Lastly, the type of IT Reseller will have quite different expectations of sales and compensation. Product-centric companies selling big ticket solutions from Cisco, HP, and Avaya will have higher sales expectations. Managed Services sales organizations often have quite low product / project sales, but more than make up for it in higher margins and profits.

Because all the participants in this survey are confidential, you can see the primary business model:

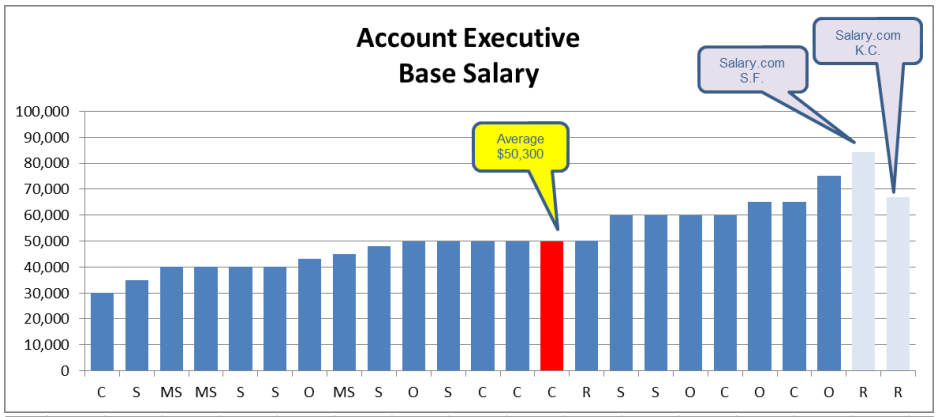
- C – Cisco is the primary hardware product
- S – ShoreTel is the primary hardware product
- O – Is either Avaya, Juniper, HP, or other product
- MS – Is primarily a Managed Services sales organization
- R – is a reference point, such as a Group Average, or compensation data from Salary.com

After reading this, I promise you will still be confused, but on a much higher level. Good luck!

Mike Schmidtmann
Trans4ming Hi-Tech Sales

Account Executive

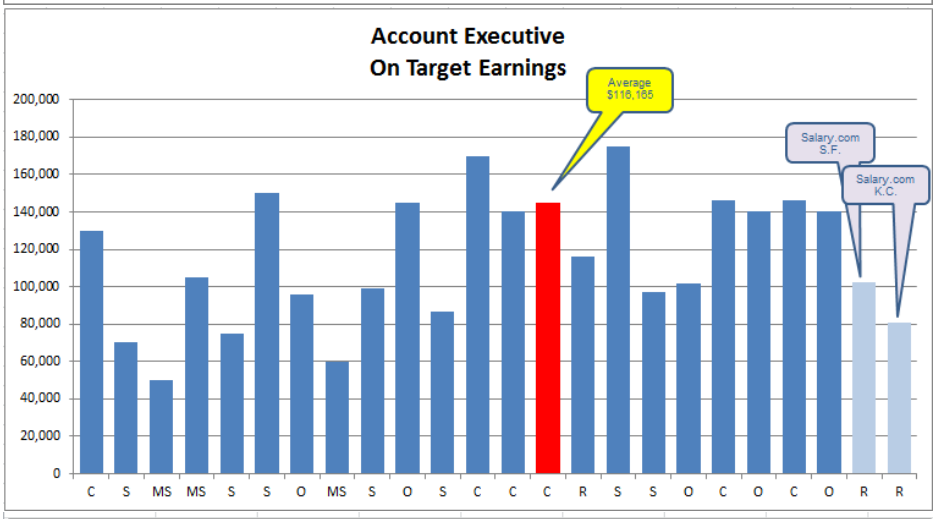
Salaries, On-Target Earnings & Quotas



Base Salaries

An Account Executive is an outside salesperson who finds, sells, and develops accounts. Often this person will manage a territory and have 1-5 years of industry sales experience.

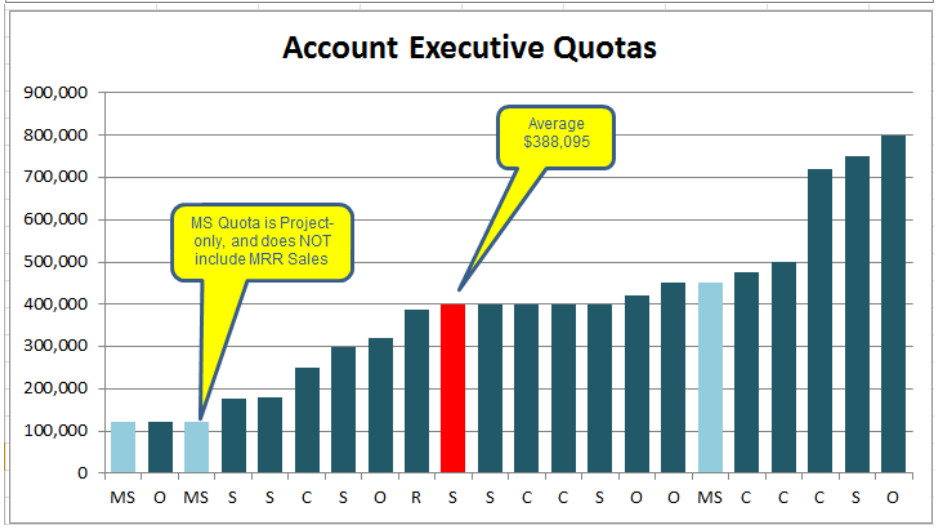
The mid-point salary for this role is right at $50,000. Note two comparables from Salary.com.



On-Target Earnings

This is sometimes also called TAE, or Targeted Annual Earnings. This is how much a salesperson will earn when they attain quota.

This number includes salary, commission, bonus, and many other potential factors, but NOT expenses, car allowance, or fringe benefits.



Quotas

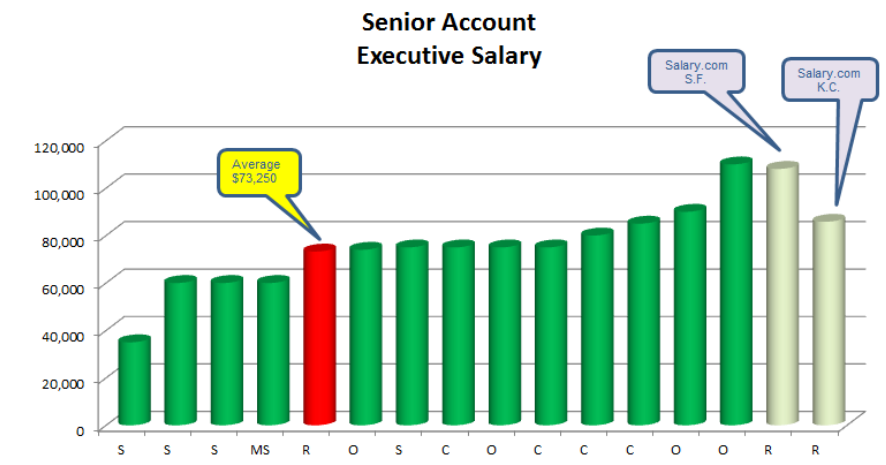
Nearly half the companies set GP Quotas around $400,000 for Account Executives.

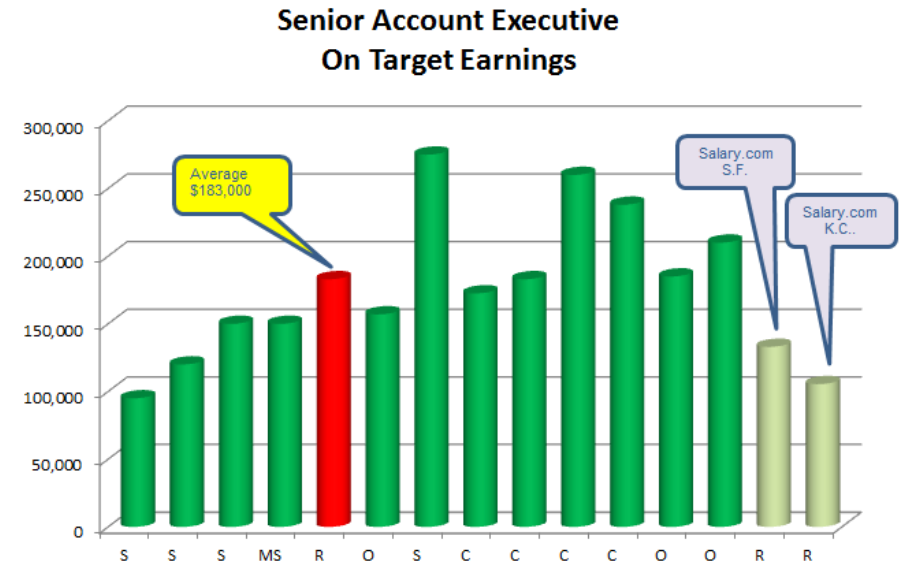
Quotas and Expectations for Managed Services, Cloud Sales, and Pro Services are not factored into these numbers.

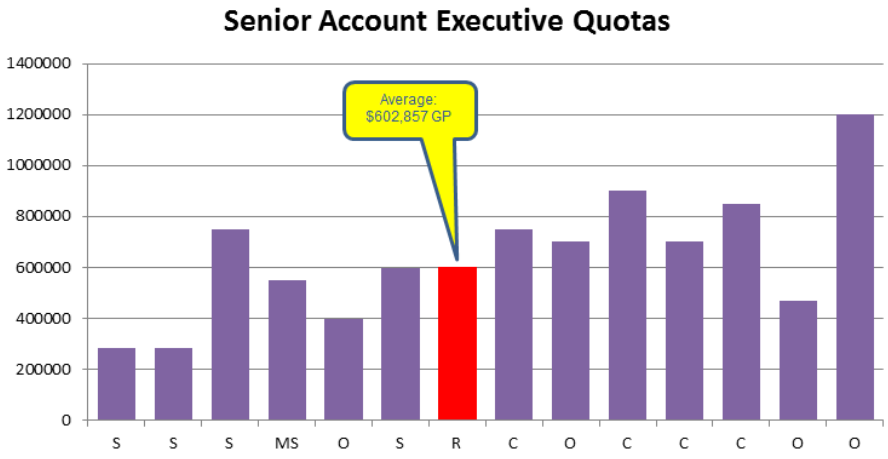
MRR quotas can be quite high for many companies, so a metric solely around GP sales is becoming obsolete. Perhaps next time we'll track the Lifetime Value of the MRR Contracts.

Senior Account Executive

Salaries, On-Target Earnings & Quotas







Base Salaries

A Senior Sales Executive can have many different titles. Major Accounts, Vertical Market Specialist, and many other even more grandiose titles.

This person will be among the most experienced and tenured salespeople in the company. This role shows little variation in the range of base salaries.

On-Target Earnings

You can see from the comparables on the right from Salary,com, that the IT industry has a much higher income upside than other industries.

Other professions offer comparable or higher base salaries, but don't have nearly the potential to earn big commissions and bonuses.

Quotas

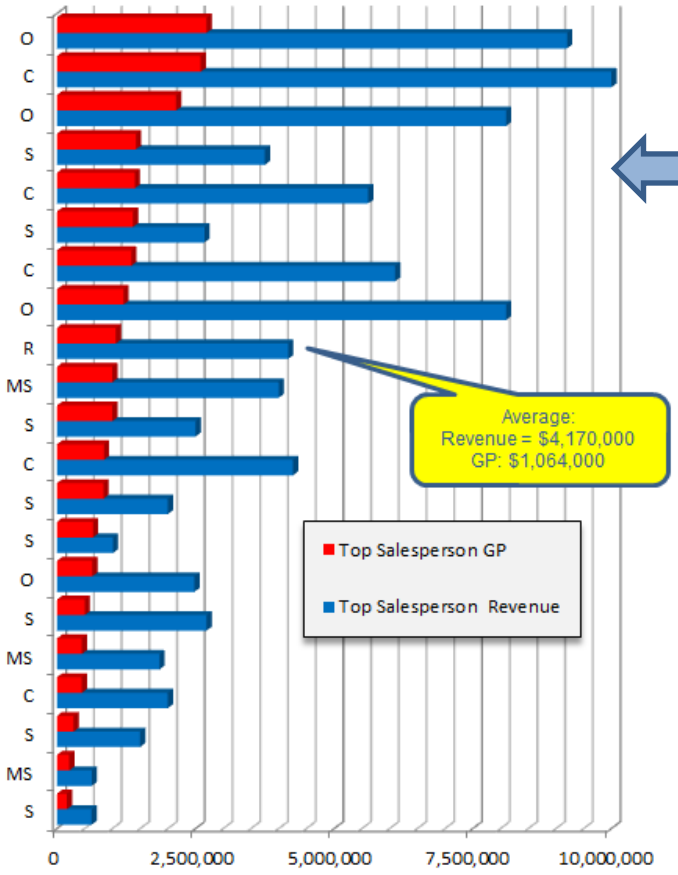
You can see there's quite a bit of variation in quotas in this industry.

Sellers of high-dollar equipment such as Cisco, HP, and Avaya will have higher revenues and quotas.

Resellers of Mid-Market products and Managed Services have lower quotas and expectations.

Useful Benchmarks

What and How Salespeople are Compensated



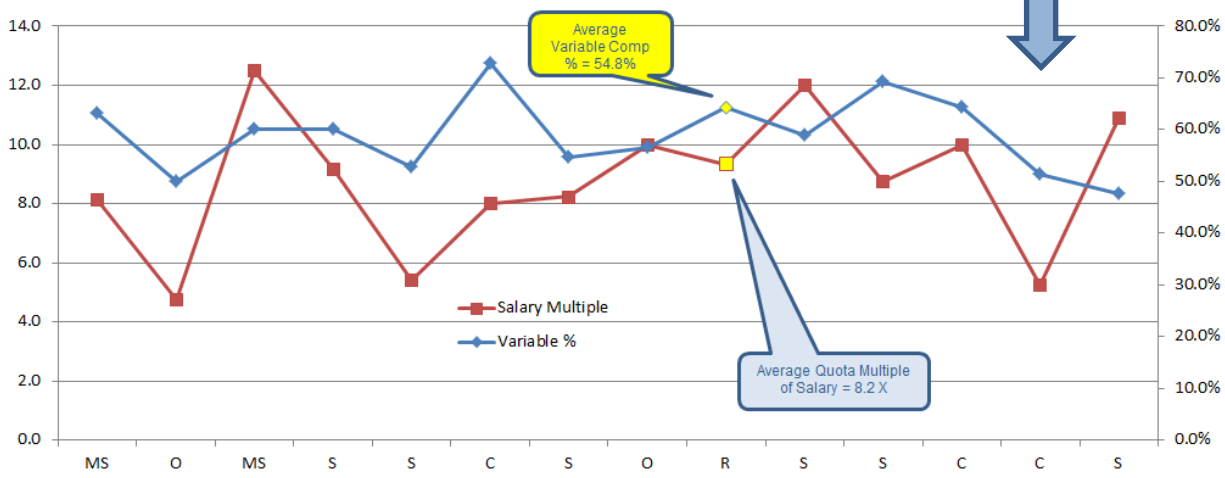
Top Revenue & GP Producers

This graph probably reflects the top salespeople found in the majority of IT Sales organizations in the $5M - $100M revenue range.

It misses two classes of top salespeople:

- The countless thousands of Mom & Pop shops around North America with selling owners or small sales teams. These salespeople would be found at the very bottom of this chart.
- The top salespeople found in the $100M+ and $1B+ organizations, who often generate $5M, $10M, and even more GP every year.

Two Useful Metrics

The Average Variable Compensation measures the amount of income “at risk”, or resulting from commissions and bonuses.

The Average Quota Multiplier measures how many times salary a salesperson’s quota is set at. The old rule of thumb was 10X salary.