



Effective Sales Compensation for SaaS Companies

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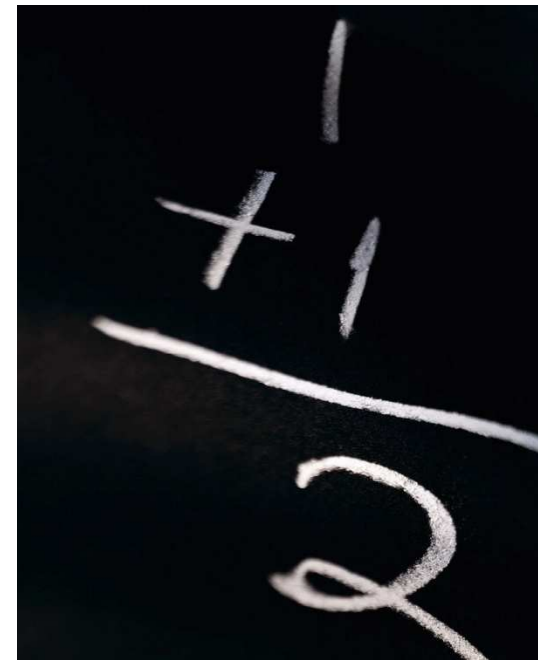
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Agenda

- SaaS Challenges
- Best Practices
- Q&A



The Planning Struggle - a real example

Compensation summary by assignment

Assignment	Leverage	Accelerator 100-120-120+	Quarterly Skew Incentive
Distribution Manager	60/40/125	1%/\$800/\$1200	\$3500 per quarter
Territory Manager	60/40/125	1%/\$800/\$1200	\$3500 per quarter
Major Account Manager	60/40/125	1%/\$800/\$1200	\$3500 per quarter
Network Integrator	90/20/110	\$400 per contract ever goal	N/A
ABU/SBU/NS Manager	70/30/120	1%/\$800/\$1200	\$3500 per quarter
Systems Engineer	Salary plus 15% bonus	90%= \$2000 100%= \$2500 110%= \$3000 120%= \$3500	N/A
Level 1 Manager	70/30/120	1%/\$1000/\$1500	\$4000 per quarter
Regional Manager	70/30/120	1%/\$2000/\$2500	\$5000 per quarter
	90/15/115 or 100 + 15% on mbo	1%/\$360/450	0%

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dials

Real
5%
5%
5%
N/A
3%
5%
3
0
0
5%

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Planning Now...

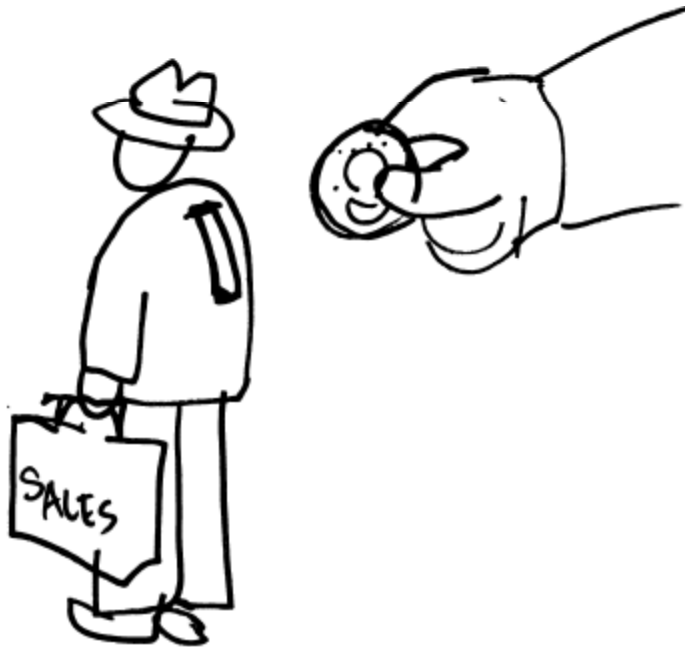
- VPs of Sales are busy
 - No visibility
 - No training
 - No tools
 - No help



Indisputable Truth

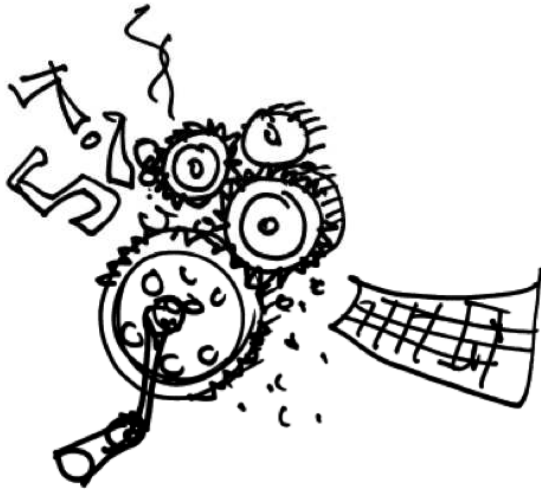
Sales reps follow the money

So the comp plans better say what needs to be done



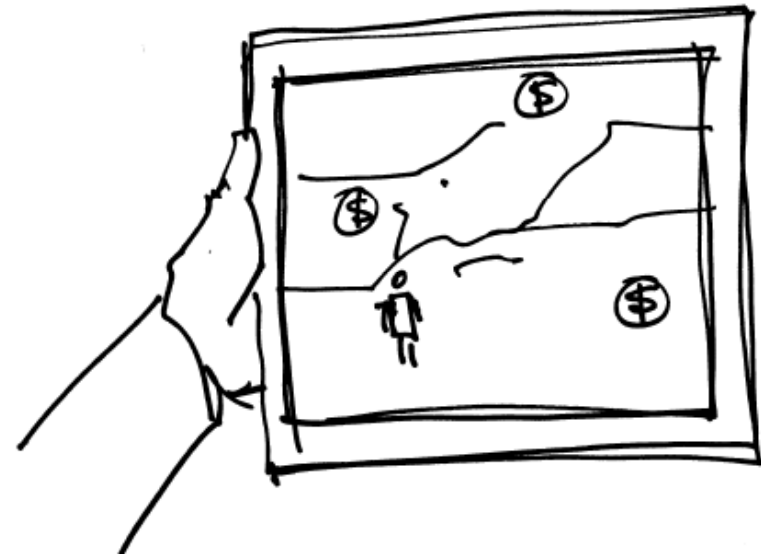
Strategy Should Drive Strategy Sales Compensation

Struggling to automate
calculations....



A Map That Shows The Way

VS

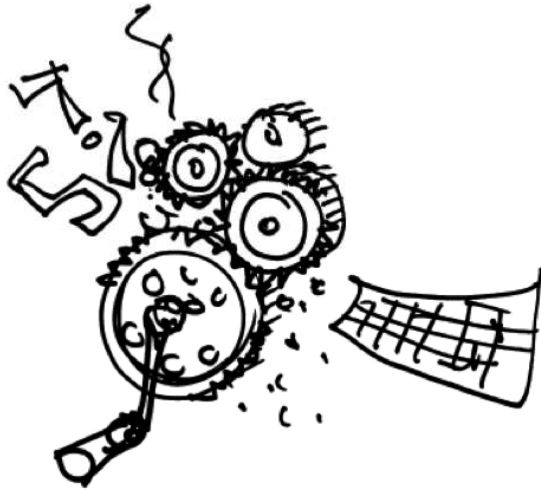


“ The new plan was so successful, we exceeded our stretch goal! ”

VP Sales, Litle & Co.

Sales Comp = Conversation About Strategy

Struggling to automate calculations....



A Conversation About Strategy

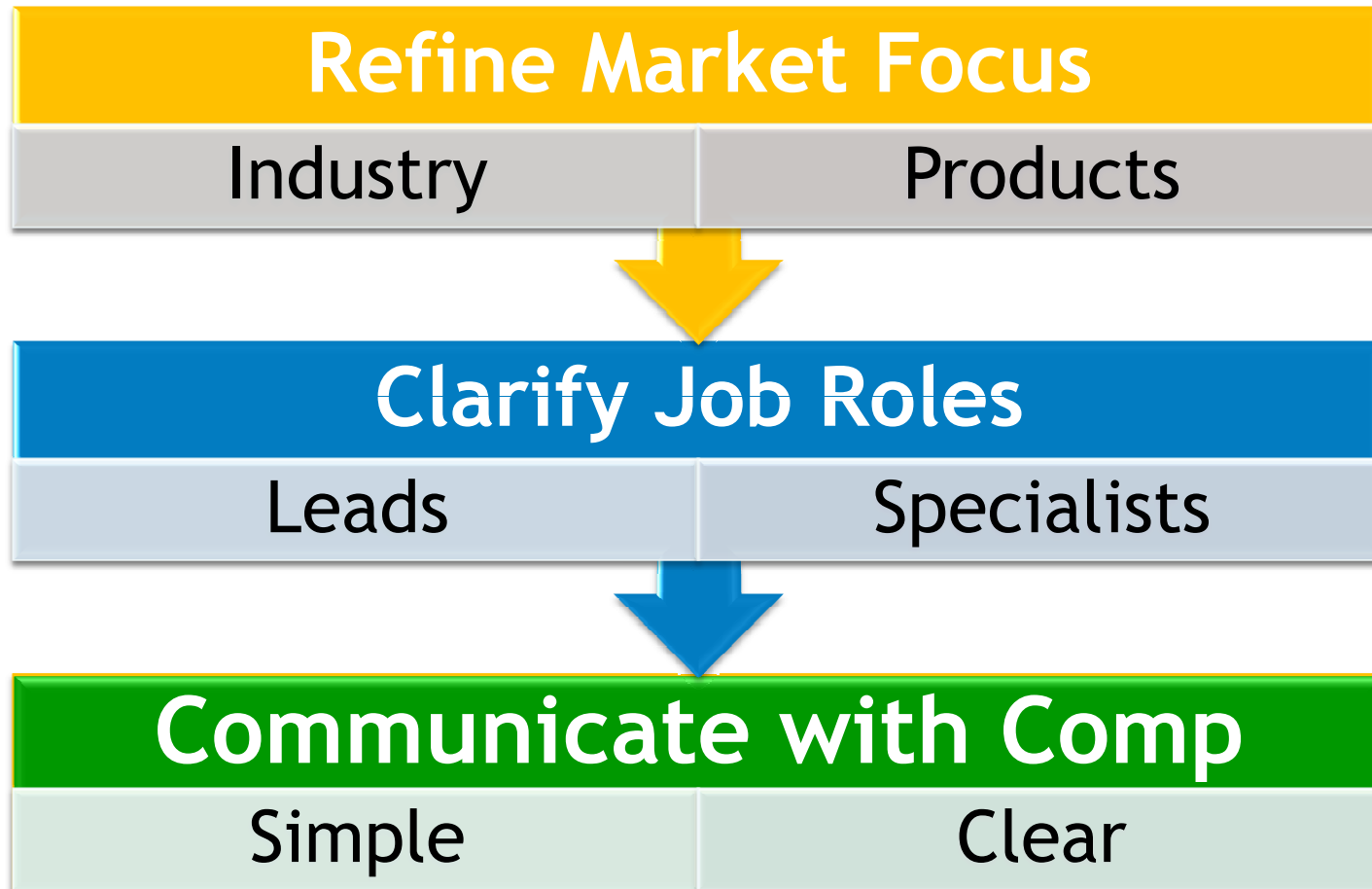
VS



“ Most of the time was spent discussing our business plans and objectives and worrying less about paying too much or too little. ”

Steve Balk, VP Sales, Dataflux

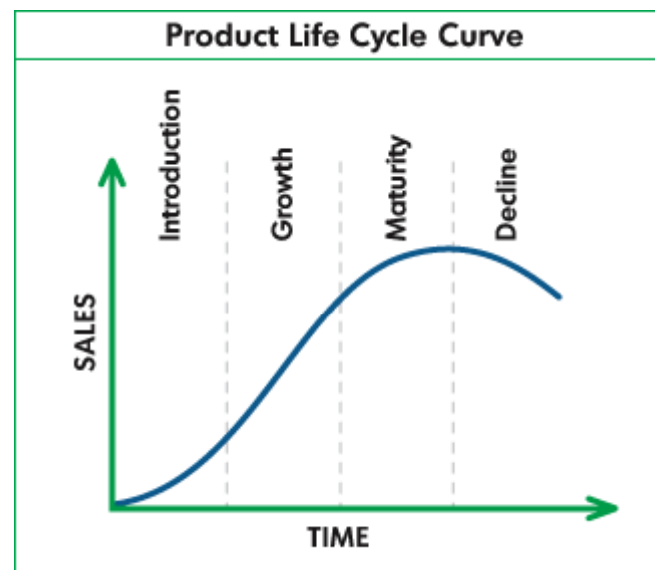
Sales Comp Follows Business Strategy



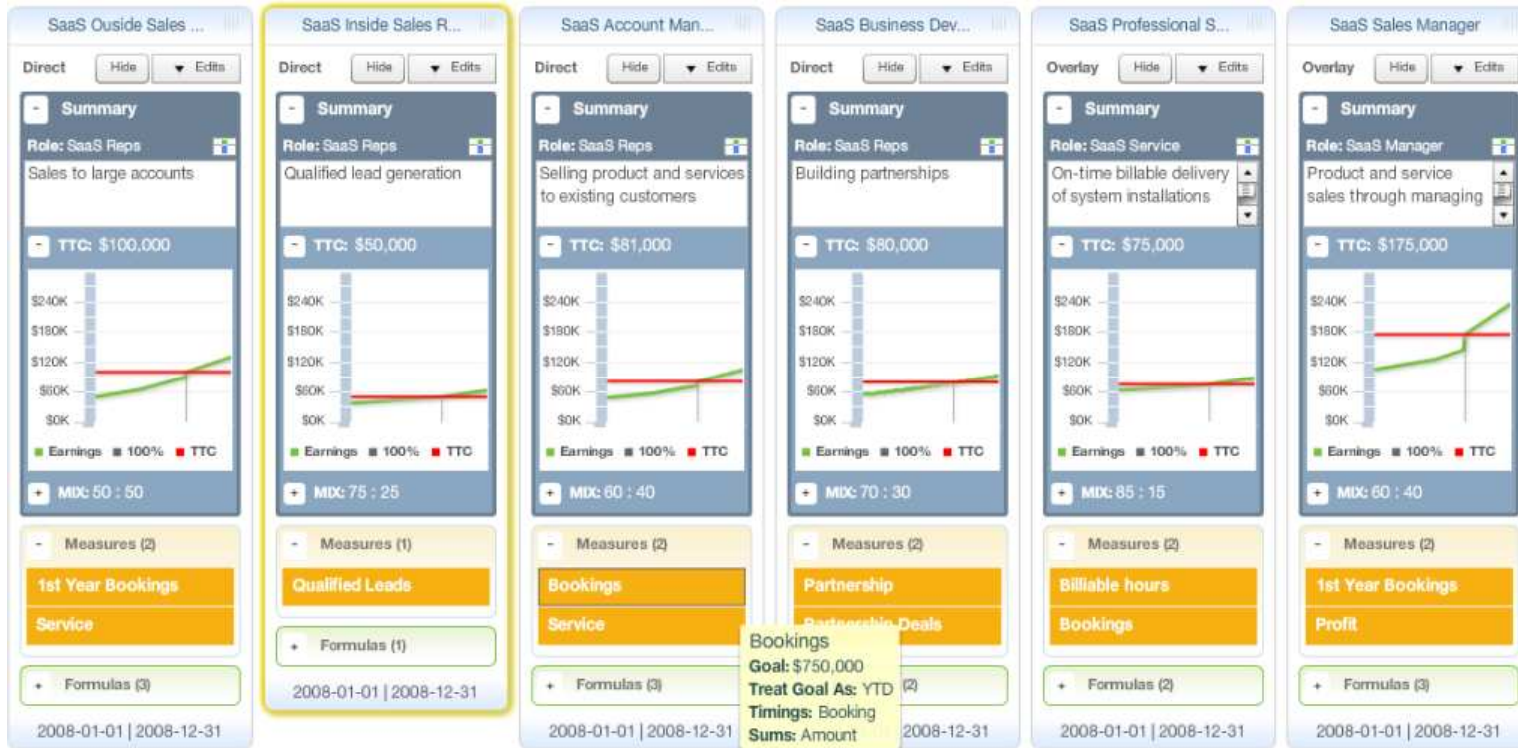
Clarify Job Roles

Stage of the company*

- Consider adding or changing roles as your company grows
- **Intro stage:** hunters
- **Growth stage:** specialists
- **Maturity stage:** account managers



Align Job Roles



SaaS Challenges - Profile

- Lower cost per unit
- Higher volume of transactions
- Cash comes in over time



SaaS Challenge: Revenue vs. Margin

- “Land grab” and high growth
 - Revenue focus
- Optimize profitability
 - Margin focus
- Revenue focus but margins suffering
 - Adjust product mix (quotas)
 - Reward higher margin sales
 - Use management techniques to keep margins inline
- Unit



SaaS Challenges - Multi-year contracts

- Multi-year deals

- Pay now

- Current rate consider only if you receive cash upfront
- Reduced rate for additional year if you receive cash upfront

- Pay later

- Can create a tail

- Make sure you have a solid recovery policy

- Watch for discounting on additional years



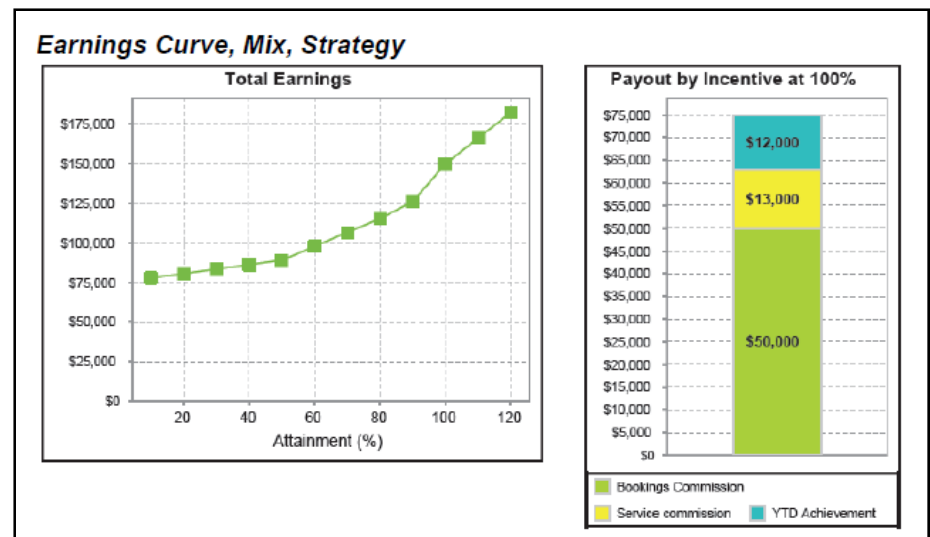
SaaS Challenges - Timing

- Measurement timing
 - Booking
 - Motivational, easy to measure
 - Invoice
 - Small delay
 - Cash Receipt
 - Long delay, confusing



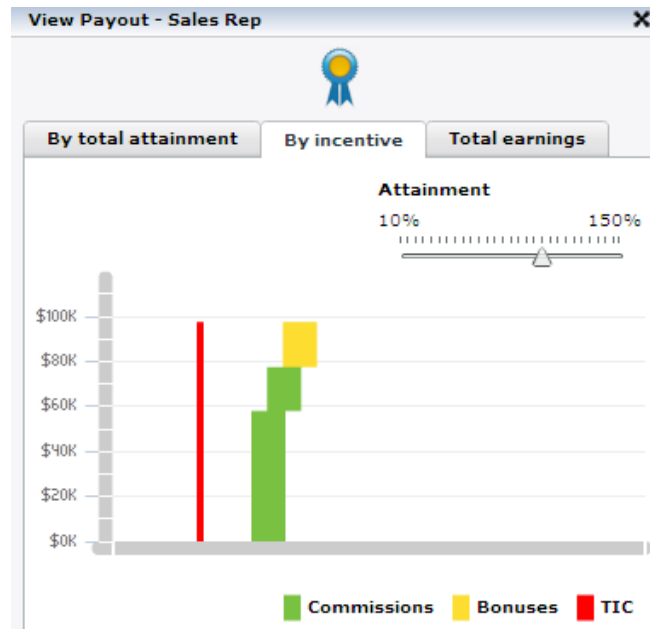
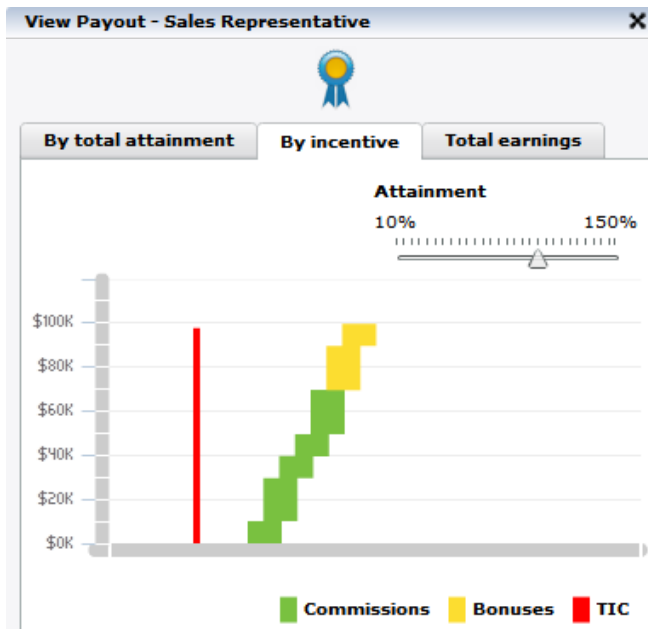
Best Practice: Motivate

- Reward in timely fashion
- Communicate the upside
- Make sure reps have control of the event
- Be aware of competitors' compensation
- Provide reps real-time visibility

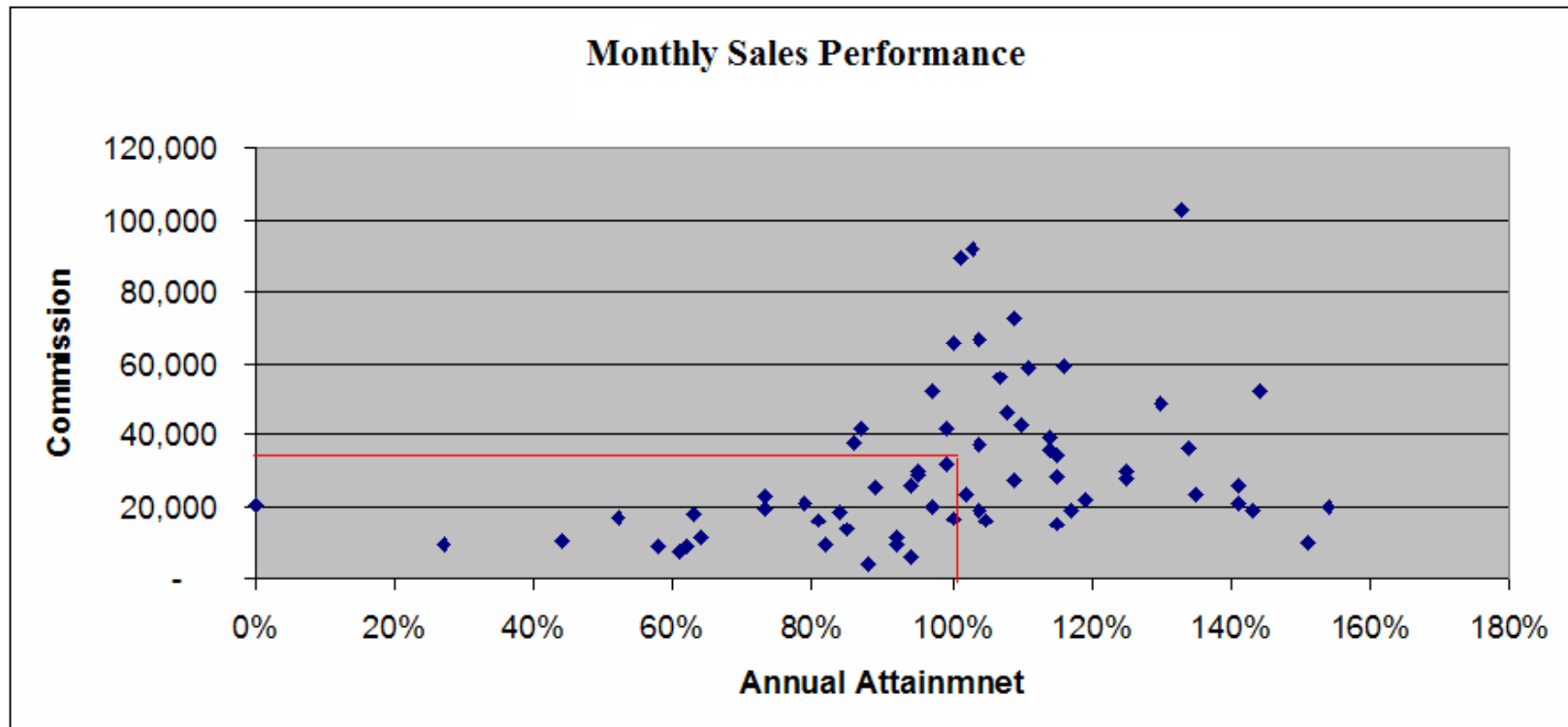


Best Practice: Align with Corp Goals

- Check your plan
 - Ensure measures are aligned with Corp Goals
 - 3 measures are ideal - no more than 5



Best Practice: Pay for Performance

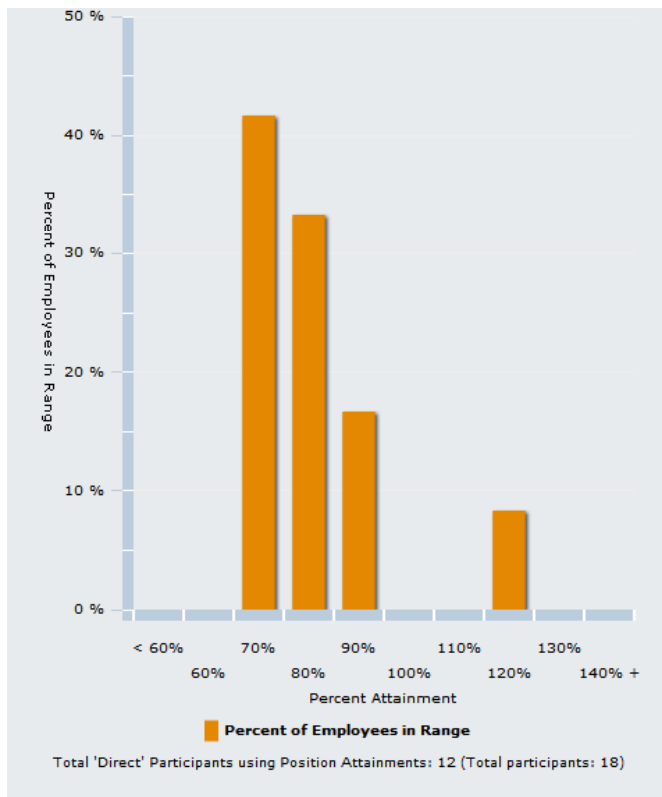


Are you paying the same for equal performance?

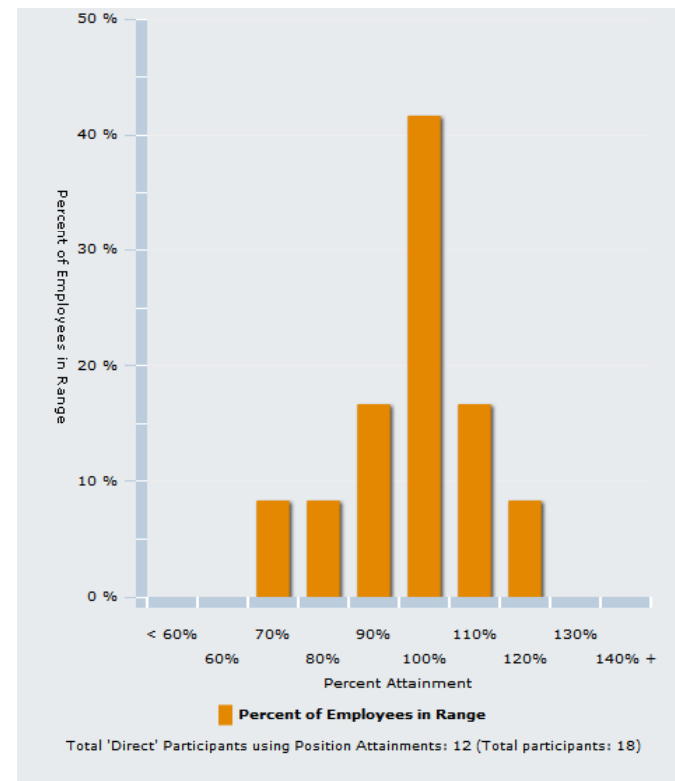
Best Practice: Build a Team of Winners

Performance Distribution Curve - Quota/territory management

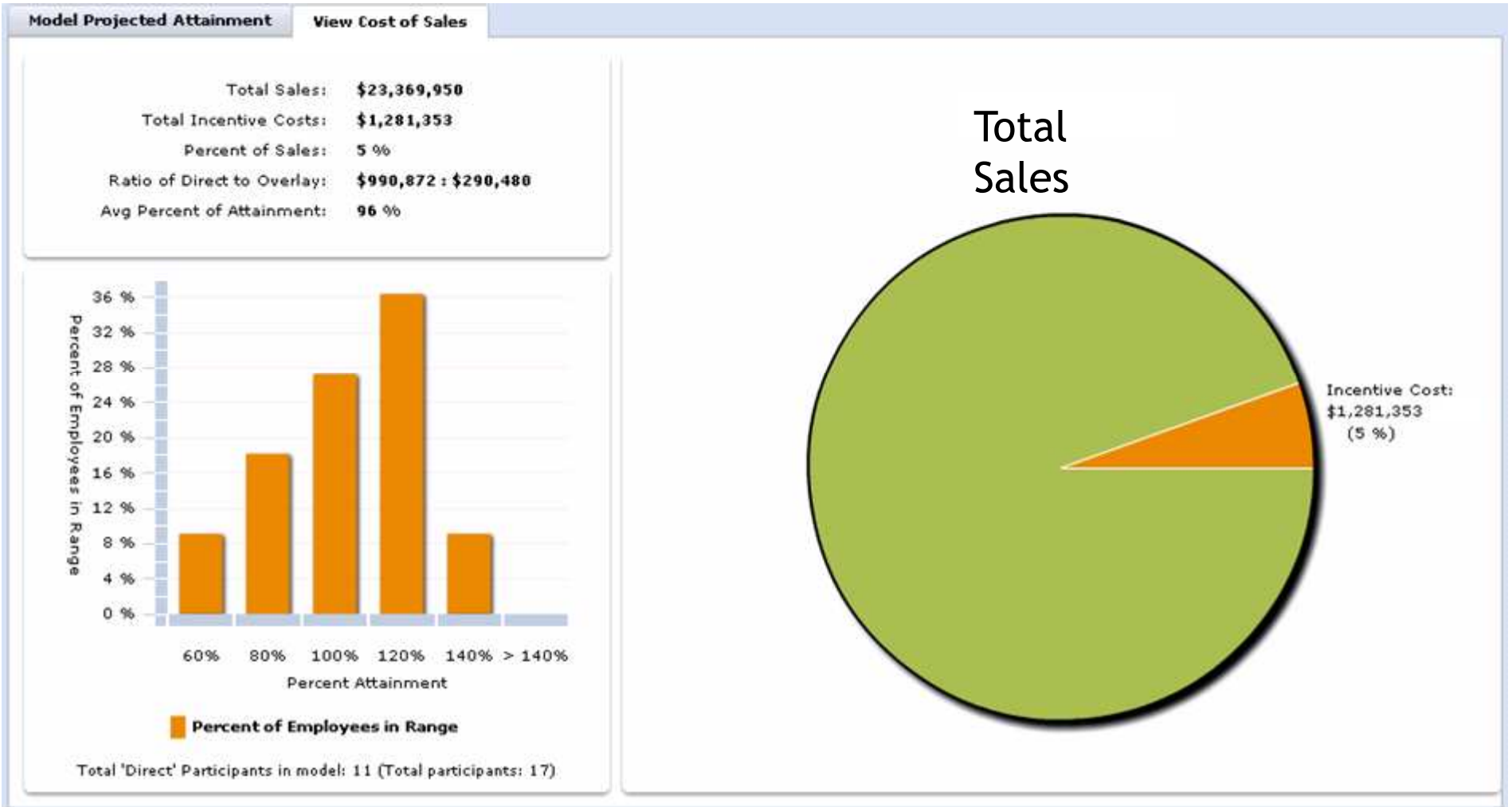
Unbalanced



Balanced



Best Practice: Model Your Costs



Best Practice: Communicate Performance

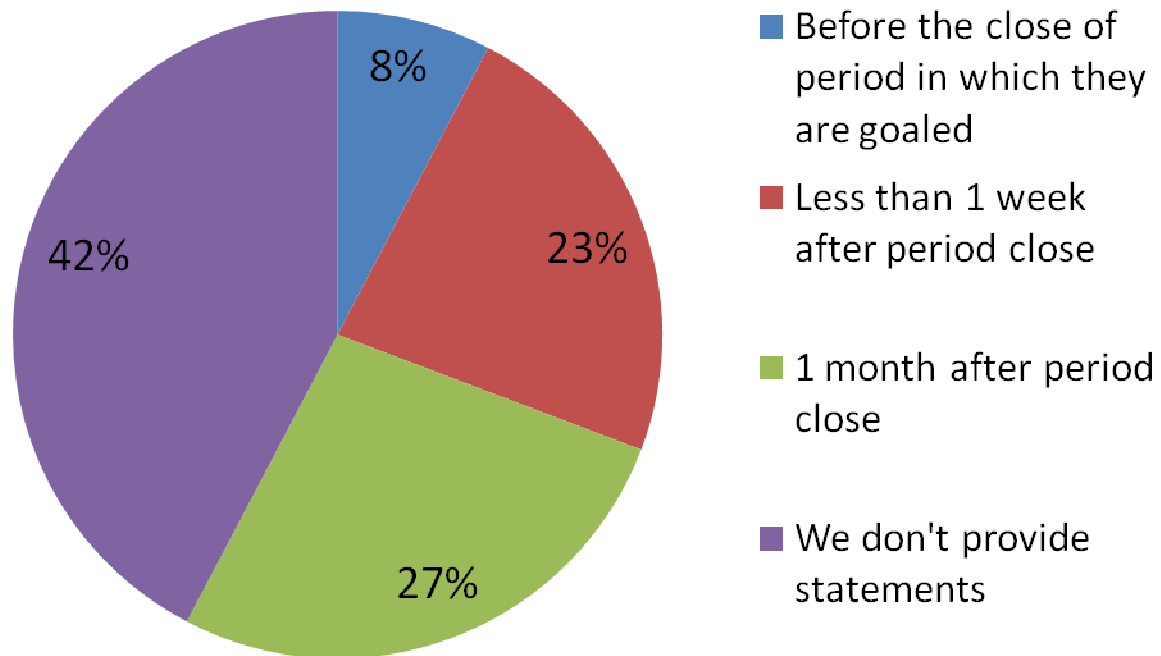


- Provide frequent feedback
- Visibility motivates
- Know where you stand
- Quickly spot problems
- Enables pro-active adjustments
- Keeps team on strategy
- Build trust

Top Priority!

Must Communicate Performance

When do you provide commission statements?



Manager's Summary Report

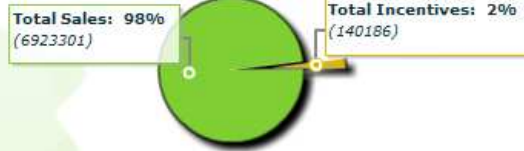
Welcome Kelly Devlin

Group Summary Rankings My Summary My Statement

Group Summary for October 2008

Total Sales: **\$6,923,301.00**
 Total Incentives: **\$140,186.00**
 Sales Percentage: **2.02%**
 Direct Incentives: **\$132,558.00**
 Overlay Incentives: **\$7,628.00**

■ Total Incentives
■ Total Sales



Bookings Measure Bookings

Name	Plan	Incentive Payout		Measure Details			
		This Month	YTD	Measure Name	Payout	Goal	Attainment %
Carol Courtney	Sales Rep	\$377.95	\$377.95	Bookings	\$1,070,900.00	\$1,500,000.00	71.4%
				Service	\$322,600.00	\$650,000.00	49.6%
Ken Davis	Sales Rep	\$391.80	\$391.80	Bookings	\$1,134,200.00	\$1,500,000.00	75.6%
				Service	\$640,000.00	\$650,000.00	98.5%
Helen Elgin	Sales Rep	\$74,376.31	\$74,376.31	Bookings	\$1,333,201.00	\$1,500,000.00	88.88%
				Service	\$590,700.00	\$650,000.00	90.9%
James Ballentine	Sales Rep	\$190.50	\$190.50	Bookings	\$1,298,700.00	\$1,500,000.00	86.6%
				Service	\$533,000.00	\$650,000.00	82.0%
Mark Verigan	Product Consultant	\$3,717.49	\$3,717.49	Billable Hours	\$500.00	\$1,632.00	30.6%
				Bookings	\$6,923,301.00	\$9,000,000.00	76.8%

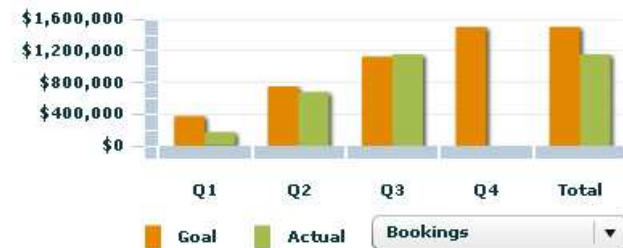
Individual Performance

Welcome Helen Elgin

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▼ Incentive Summary for September 2008

	Current Month	Quarter To Date	Year To Date
Commission	\$8,667.21	\$24,668.59	\$36,305.97
Bonus	\$3,000.00	\$3,000.00	\$3,000.00
Total Incentive	\$11,667.21	\$27,668.59	\$39,305.97
Misc Payment Adjustment	\$0.00	\$0.00	\$0.00
Gross Earnings	\$11,667.21	\$27,668.59	\$39,305.97



Name		Q1	Q2	Q3	Q4	YTD
▼ Bookings						
	Goal	\$375,000	\$750,000	\$1,125,000	\$1,500,000	\$1,500,000
	Actual	\$169,590	\$677,074	\$1,155,787	\$0	\$1,155,787
	QTD Attainment %	45.2%	90.3%	102.7%	0.0%	0.0%
	YTD Attainment %	45.2%	90.3%	102.7%	0.0%	102.7%
	Annual Attainment %	11.3%	45.1%	77.0%	0.0%	77.0%
▼ Service						
	Goal	\$162,500	\$162,500	\$162,500	\$162,500	\$650,000
	Actual	\$60,833	\$182,499	\$182,499	\$0	\$425,831
	QTD Attainment %	37.4%	112.3%	112.3%	0.0%	0.0%
	YTD Attainment %	37.4%	74.9%	87.3%	0.0%	87.3%
	Annual Attainment %	9.4%	28.1%	28.1%	0.0%	65.5%

Statement with Order Details

Welcome Helen Elgin

View reports for:

September 2008

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Rep Summary

Rep Statement

▼ Incentive Detail for September 2008

Summary

Gross Earnings to Payroll	\$11,667.21
Bookings Commission	\$7,450.55
Service commission	\$1,216.66
YTD Achievement	\$3,000.00
Misc. Payment Adjustments	\$0.00



Downloads



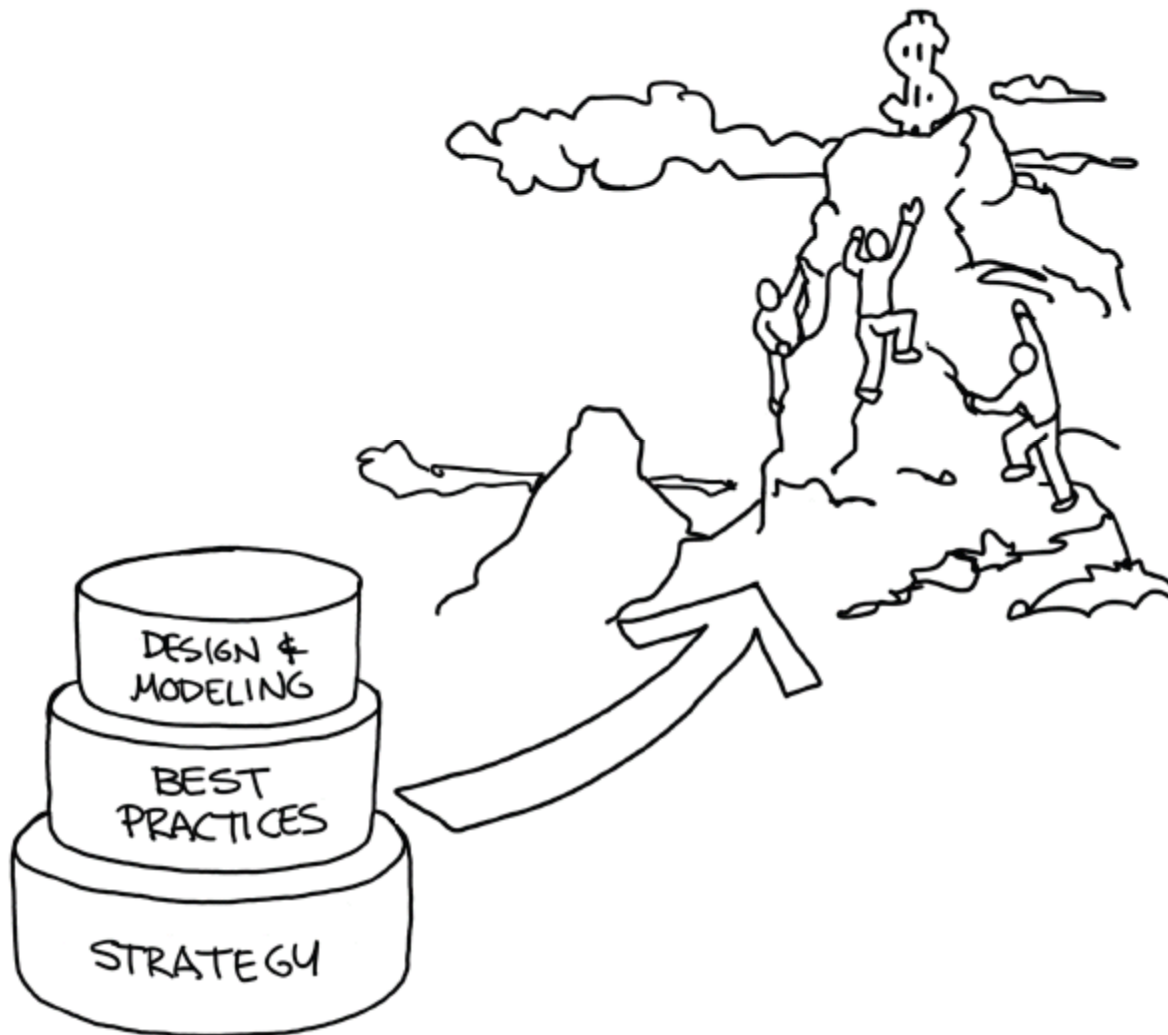
	Commissions	Incentive Earned	Customer Name	Order Number	Product	Quantity	Amount	Portion of Credit Applied	Incentive Rate	Transaction Date	Invoice Number	Contract Number
▼	Bookings Commission	\$7,450.55										
		\$121.30	Champion Sportswear	KL7117	Network Services	1	\$2,426.00	\$2,426.00	5.00	9/14/2008		
		\$1,905.00	TiVo	KQ6772	Sales	1	\$38,100.00	\$38,100.00	5.00	9/18/2008		
		\$128.60	Apple, Inc.	ZE10842	Network Services	1	\$2,572.00	\$2,572.00	5.00	9/25/2008		
		\$5,028.95	Sprint	OW19102	Network Services	1	\$121,158.00	\$100,579.00	5.00	9/28/2008		
		\$266.70	MCI	MN4146	Service	1	\$5,334.00	\$5,334.00	5.00	9/29/2008		
▼	Service commission	\$1,216.66										
		\$378.46	Data Resources, Inc.	VD5795	Service	1	\$18,923.00	\$18,923.00	2.00	9/17/2008		
		\$838.20	Xerox	VL10825	Service	1	\$41,910.00	\$41,910.00	2.00	9/29/2008		

Bonuses	Incentive Earned	Based On	Goal	Attainment	Percent Attainment
YTD Achievement	\$3,000.00	Bookings	\$1,125,000	\$1,155,787	102.7%

There are no adjustments for this fiscal period

Effective Sales Comp Energizes the Team

to achieve the strategy.



Questions & Answers

Resources

- Expert Consulting
- Sales Comp Blog
 - www.makanasolutions.com/blog
- Free Best Practice Content
 - Sample SaaS plans
 - Sample reports
 - SaaS Webinars
 - Surveys
 - www.makanasolutions.com/resources



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