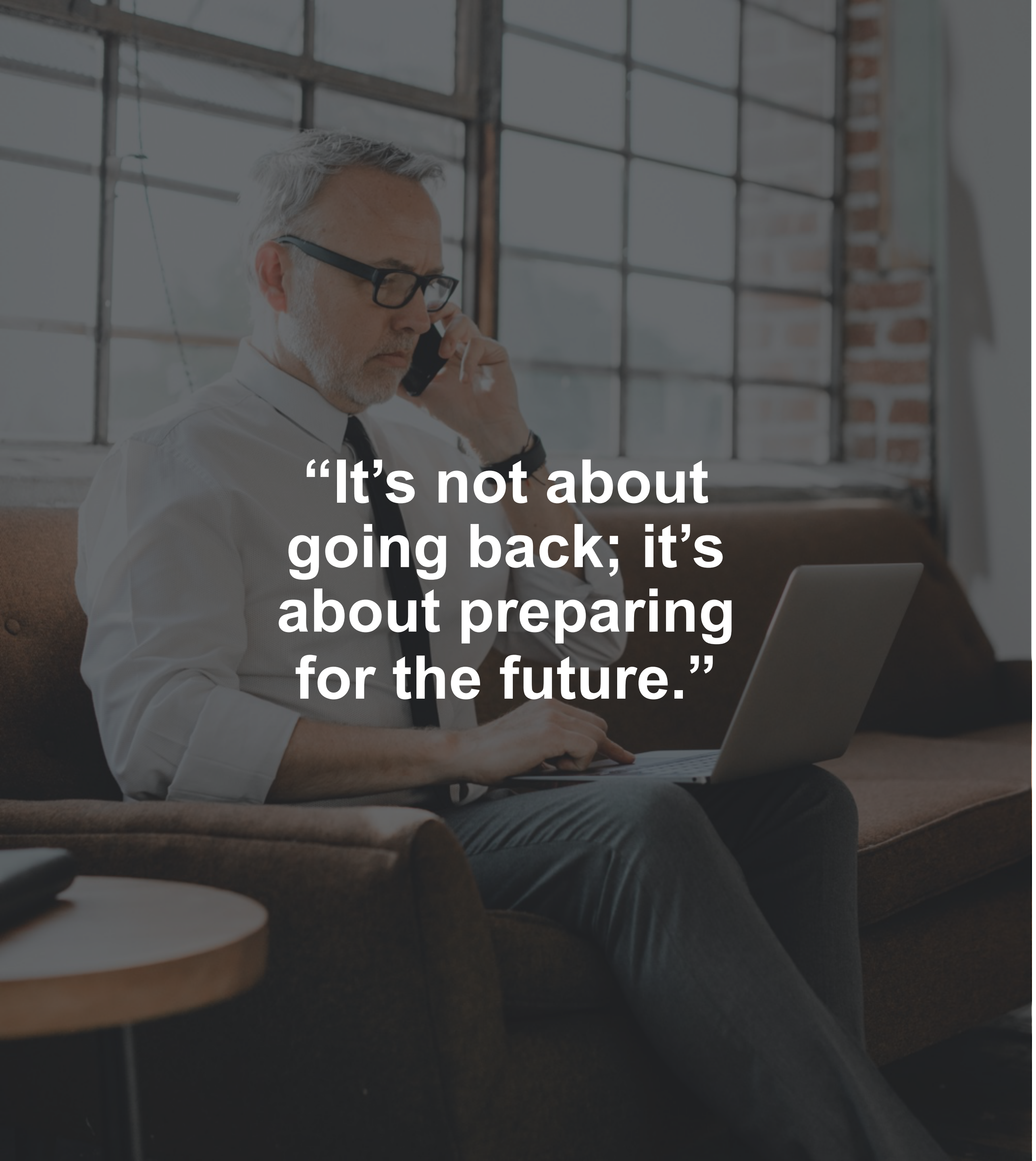
BREVET SPIFF

SaaS Sales Compensation
Policies & Practices Report

JANUARY 2021



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Introduction

Many SaaS organizations have closed out their year and have recently gone through compensation planning for this fiscal year. Nearly every organization will evaluate their sales compensation programs as a part of this process. As organizations evaluate their design, they’ll likely focus on the performance metrics, accelerator tables, quotas, and pay levels. All of which are important design elements, and each have many available industry benchmarks. However, many organizations will not address the policies and practices that govern the overall compensation plan.

Policies and practices are often the toughest questions related to the plan design. They’re situational. They can be specific to your industry sector. They were likely put in place by legacy team members. They don’t often change every year. It can be difficult to know if your company even needs certain policies. But plan policies and practices can have a huge impact on the behavior and performance of your sales team.

Specifically, our research addressed the most common questions we received relating to:

- Sales Crediting
- Mega Deals
- Accelerators
- New Hire Compensation
- And of course, Spiffs

The goal of our research is to help your organization drive smarter decision around these policies and practices. Simply put, we want to capture better insights on these questions with answers that typically start with “it depends…”.

Plan Design: Caps

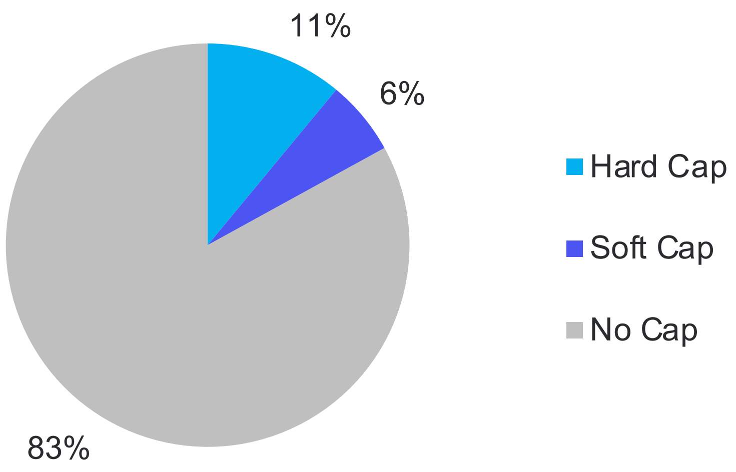
Caps are not a widely used practice in SaaS sales compensation plans, especially for companies with smaller ACVs.

While companies with larger ACVs ($50k+) are 2x more likely to use caps than companies with smaller ACVs, only 25% of companies with larger ACVs have caps.

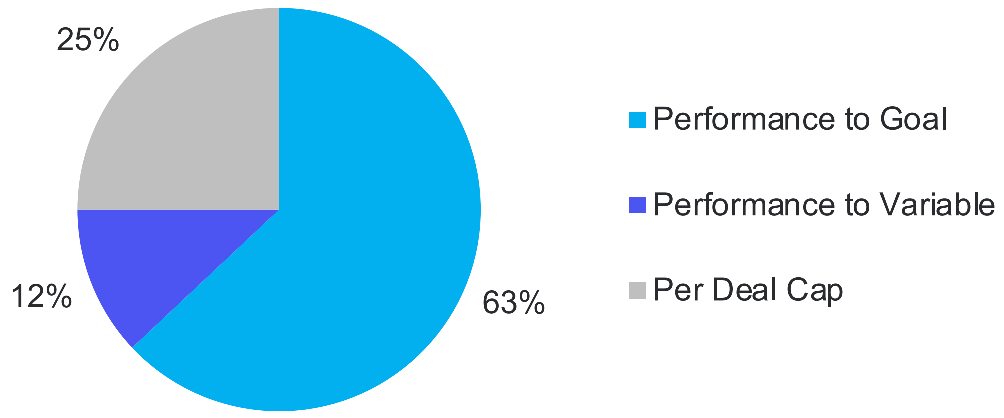
The hard cap limits upside, while the soft cap pays a lower rate at a certain performance level.

The most common practice of caps is to limit the performance to goal (i.e., at 200% of goal) versus performance to variable (i.e., 3x target variable).

Does your plan have a cap?



What is your cap based on?



Reflects SaaS participants who use caps

Plan Design: Multipliers

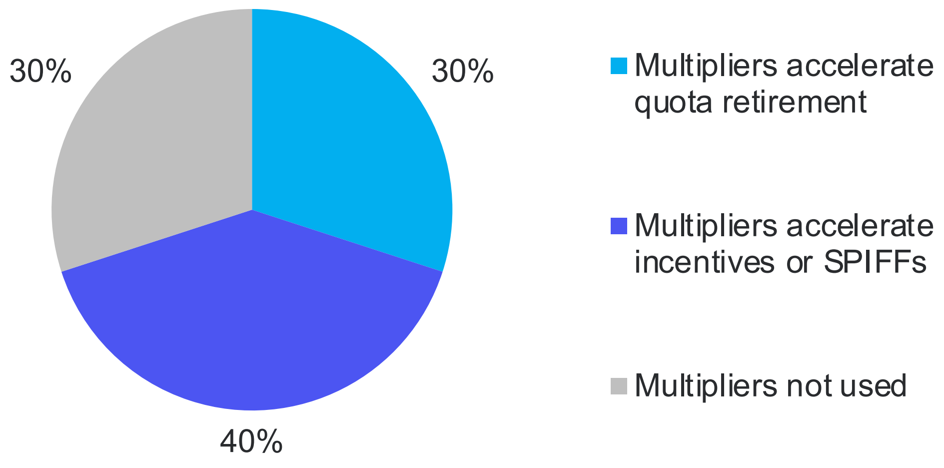
Multipliers are often used in incentive plans (60%) to accelerate quota retirement and/or accelerate incentives.

75% of companies with ACVs greater than $25k use multipliers in some fashion for their compensation plans.

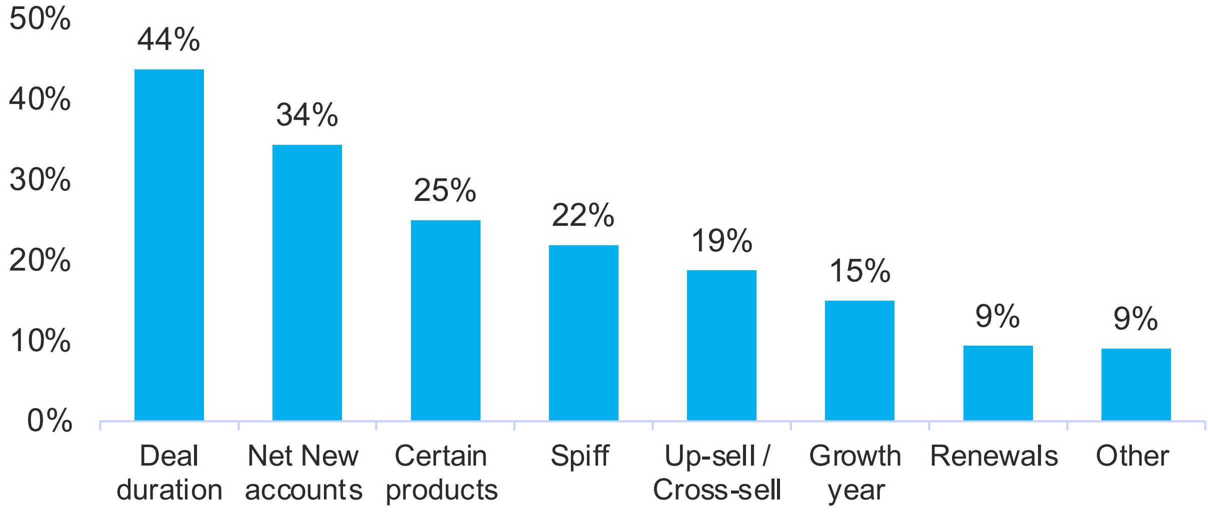
The most common strategic reasons to use multipliers is to extend contract length, obtain new accounts/markets, or promote new/strategic products.

The practice of multipliers needs to be reassessed on a regular basis as it adds complexity to the sales incentive plan.

Does your sales incentive plan use multipliers to accelerate quota retirement or incentives?



What do you pay multipliers on? (Check all that apply)



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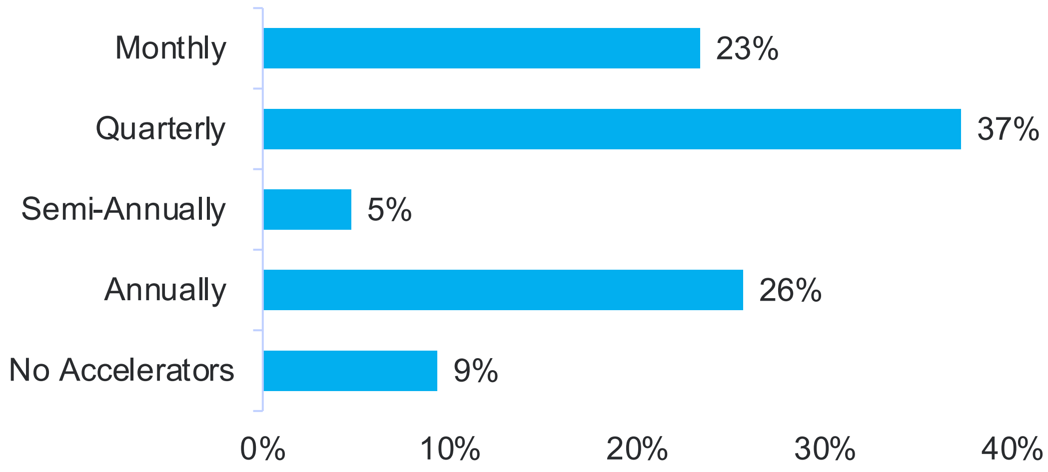
Plan Design: Accelerators

Sellers are eligible for accelerated rates of incentive on varying time frames. Quarterly is the most common approach as it aligns with the sales cycle and compensation payout.

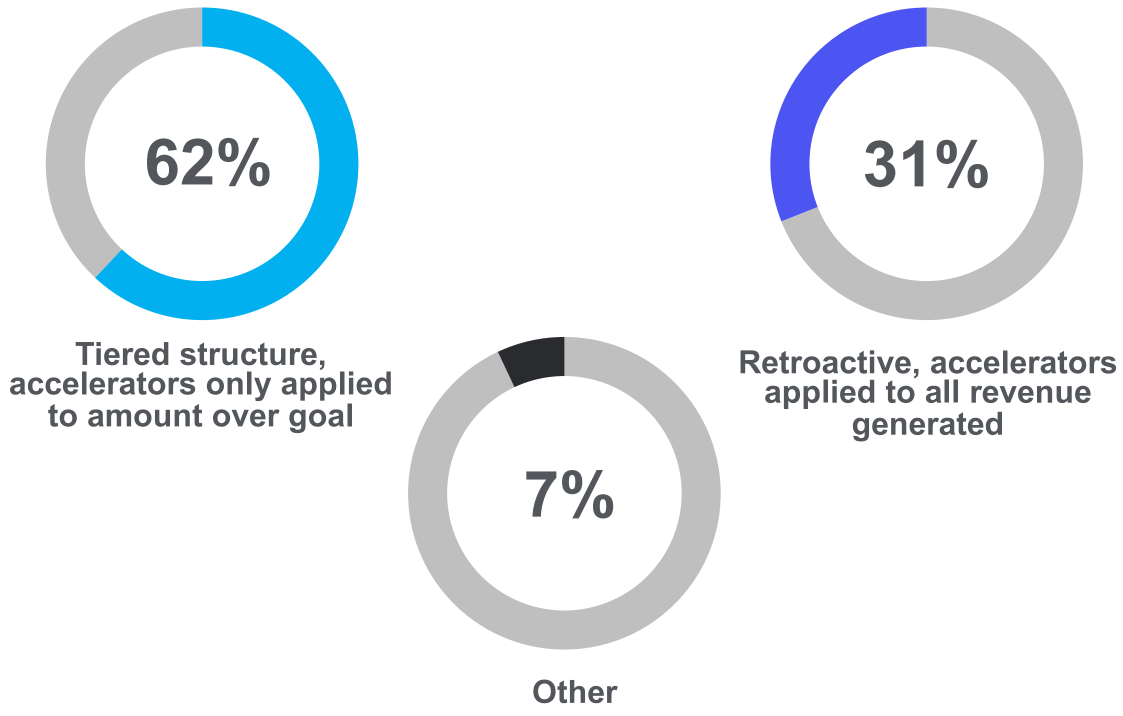
The most common approach to applying accelerators is through a tiered structure. This allows for only net dollars above a specific goal to be eligible for the higher rate.

Only 1/3 of companies apply the acceleration on the full amount.

What is the accelerator frequency?



How are accelerators paid?



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76%

use ACV in some capacity to determine compensation on multi-year deals

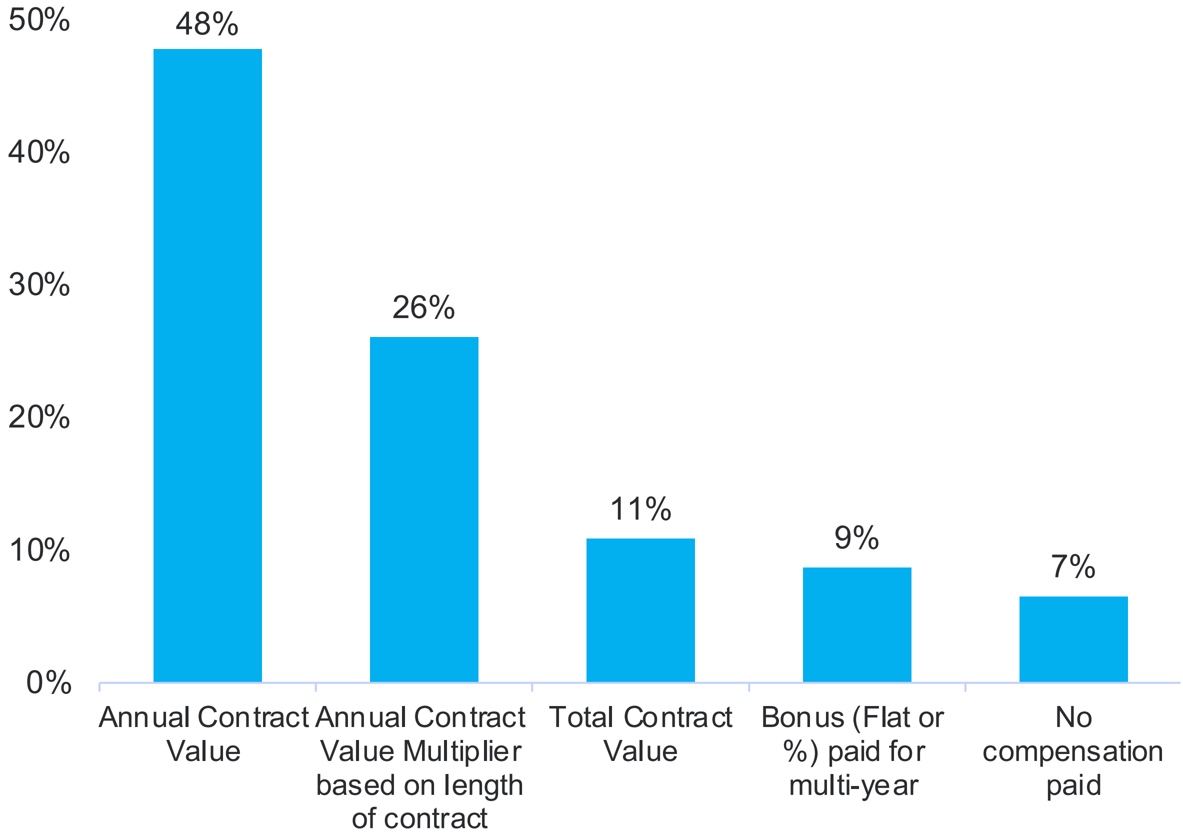
1.5x

is the average multiplier on contracts >12 months. Multipliers on multi-year deals range from 1.15x – 1.75x on two-year deals and 1.1x – 2.5x on three-year deals

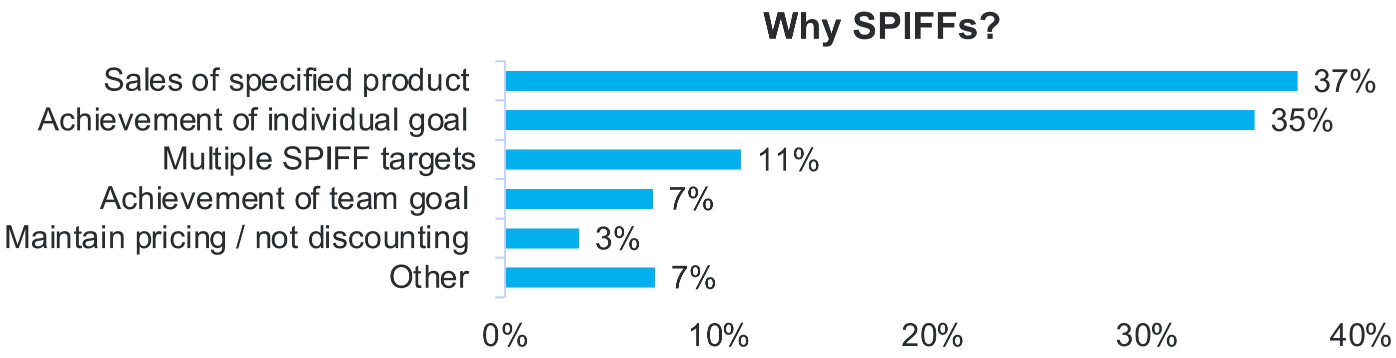
<40%

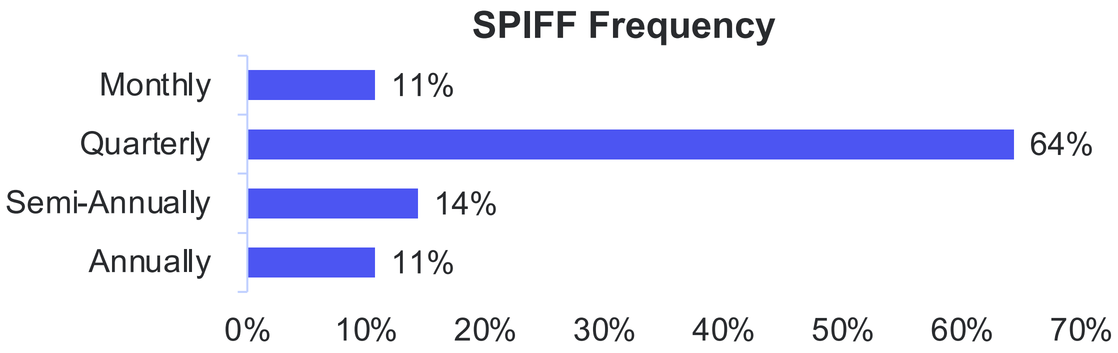
of contracts signed are greater than 12 months

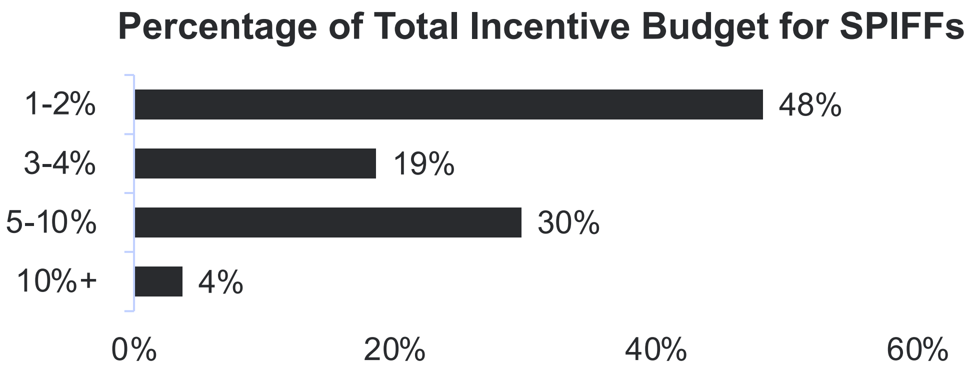
Plan Design: Multi-Year Deal Compensation



Plan Design: SPIFFs







67%
of respondents use SPIFFs to motivate their sales teams

100%
All surveyed companies with $500M+ in sales utilize SPIFFs on sales of a specified product

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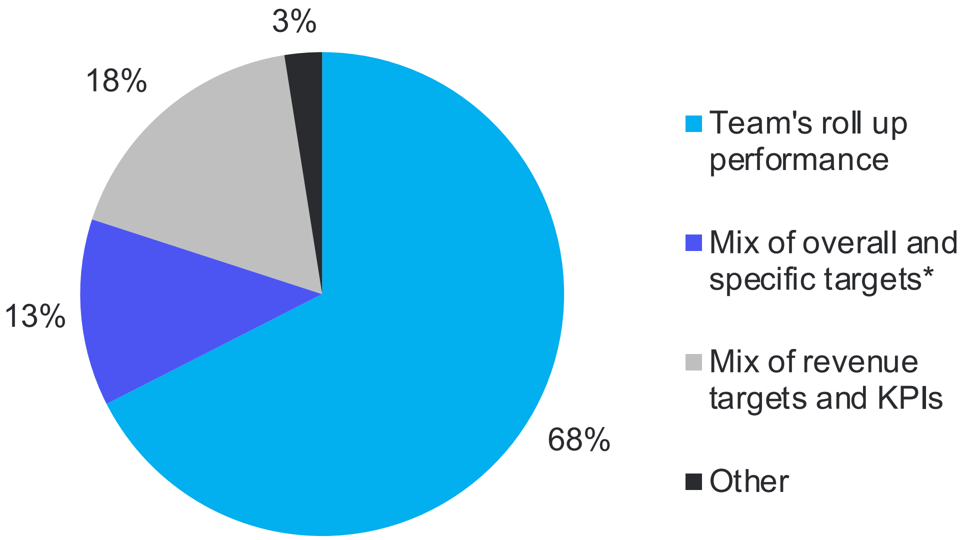
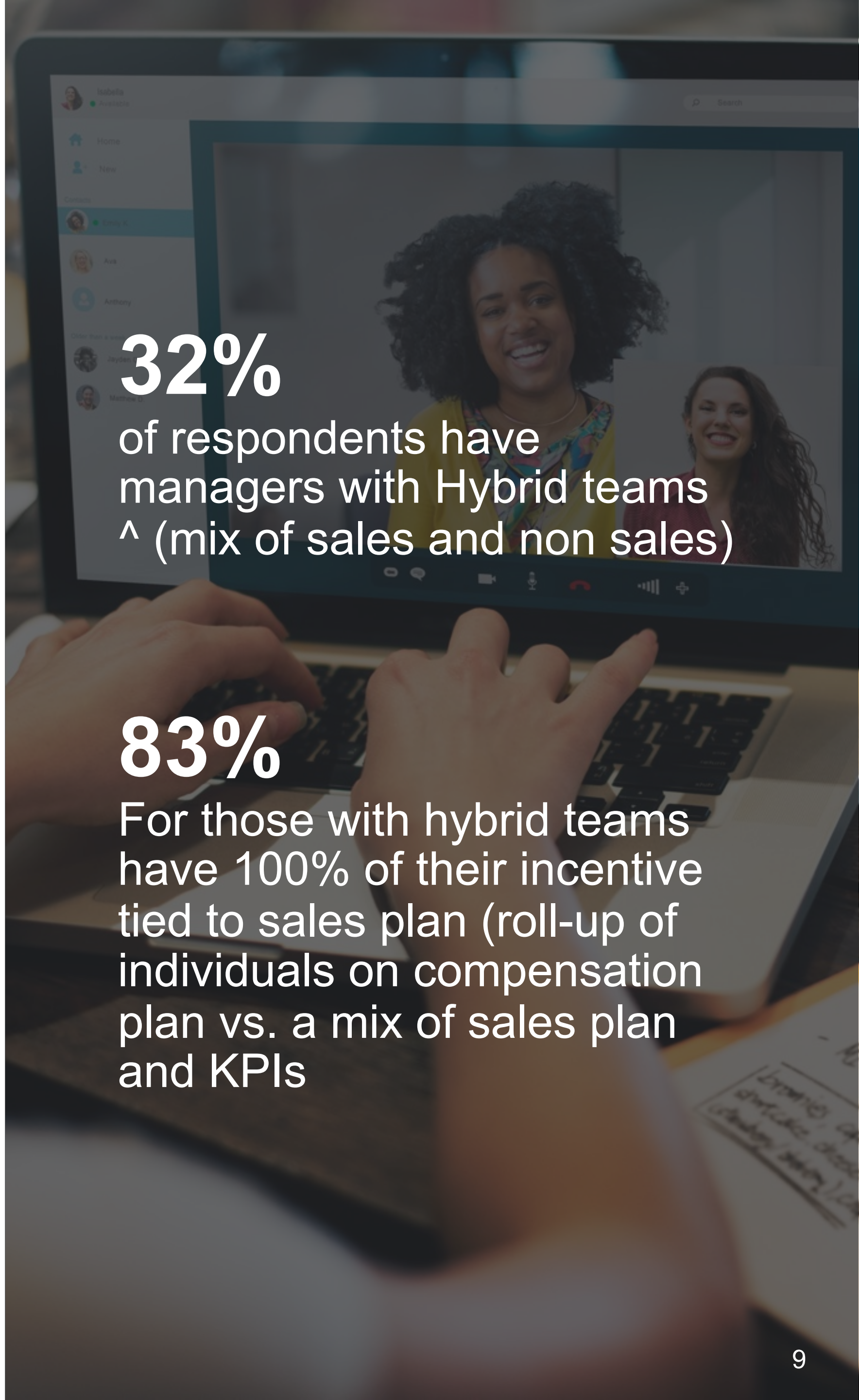
Plan Design: Front-Line Managers

Which of the following best describes your front-line sales manager plan?





32%

of respondents have managers with Hybrid teams ^ (mix of sales and non sales)

83%

For those with hybrid teams have 100% of their incentive tied to sales plan (roll-up of individuals on compensation plan vs. a mix of sales plan and KPIs

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*Product, accounts, verticals, etc.
^Hybrid teams defined as a team with individuals on sales incentive plans and other non-sales incentive plans, ex. Corporate plan

Sales Credit: Recognition & Payout Period

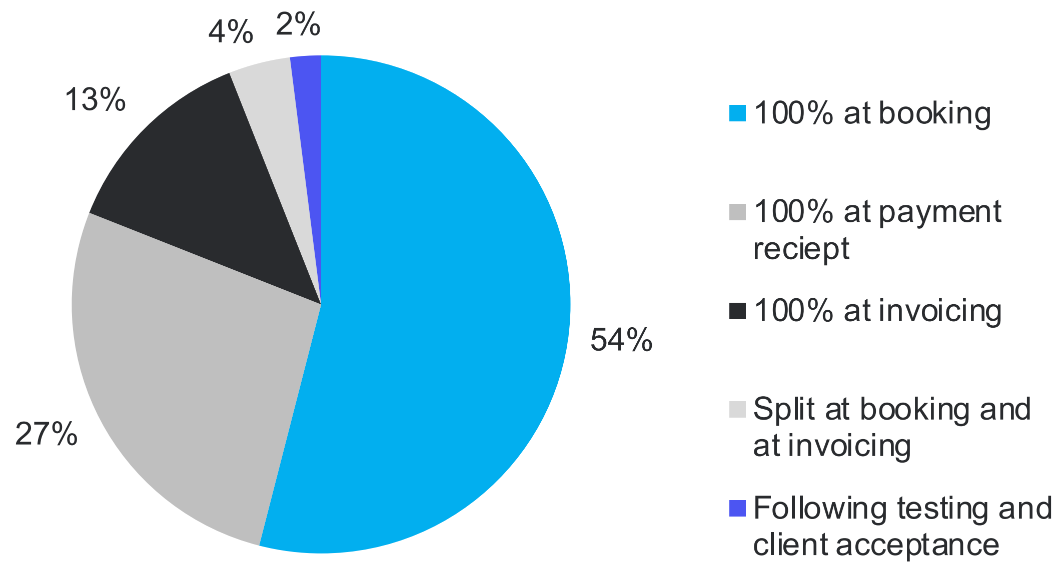
More than half of respondents pay for the sale at booking, leaving the company at risk if the invoice is not paid. Yet only 39% of respondents issue claw backs in their incentive plans.

Over the past 2 years, there has been a shift to credit upon payment receipt (27%). This policy works more effectively for shorter revenue cycles.

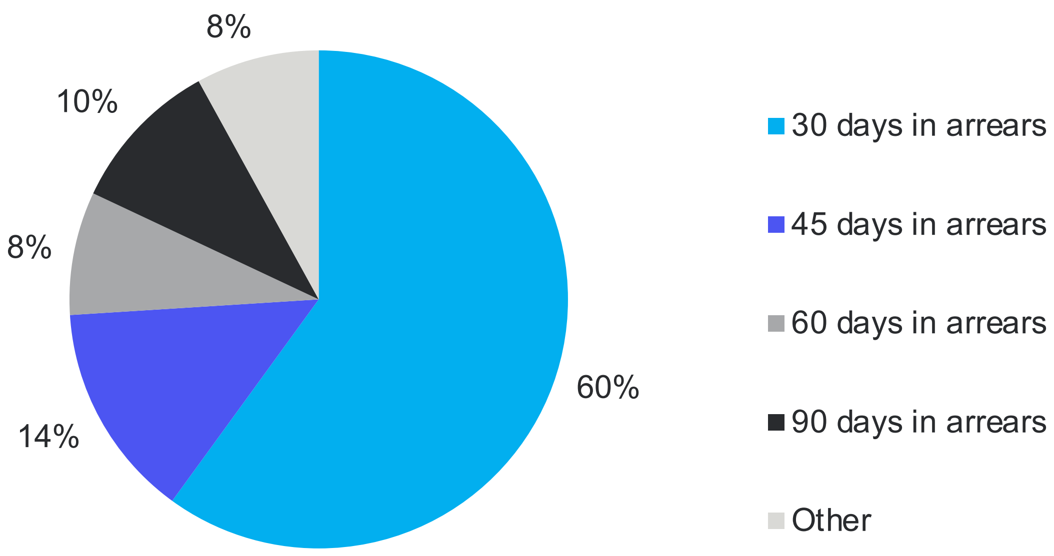
Processing incentive payments within 30 days has become the norm and expectation.

Delaying incentive payments longer than 60 days can lead to a disconnect between work and reward.

When do you credit quota retirement for the sale?



When do you process the payment of incentives?



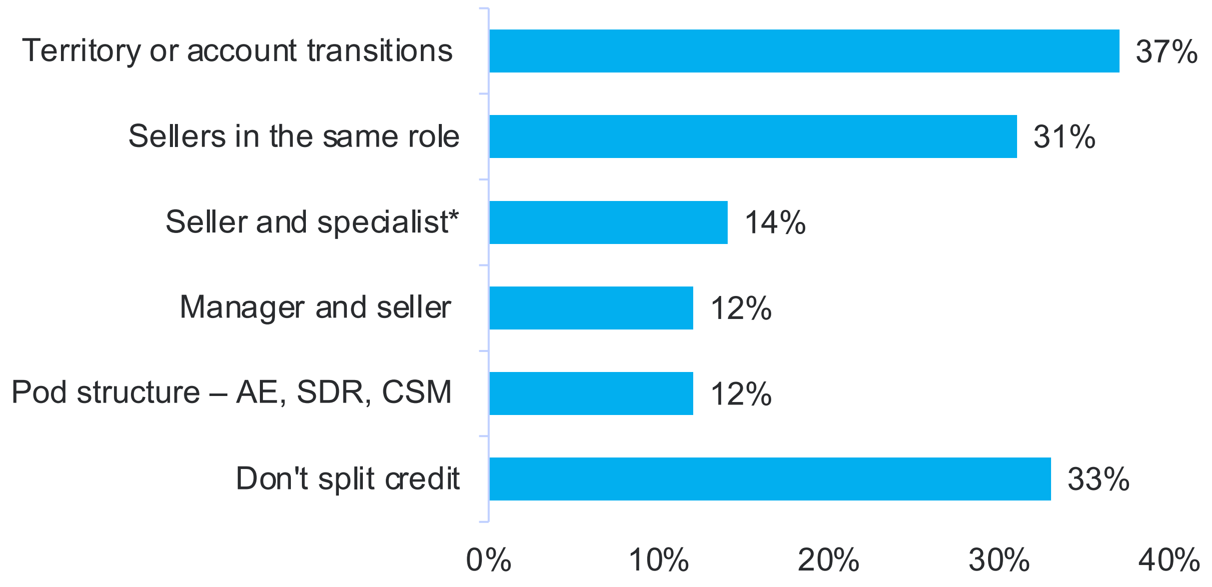
Sales Credit: Splits

Almost 1/3 of respondents do not split sales credit and/or have no split policy.

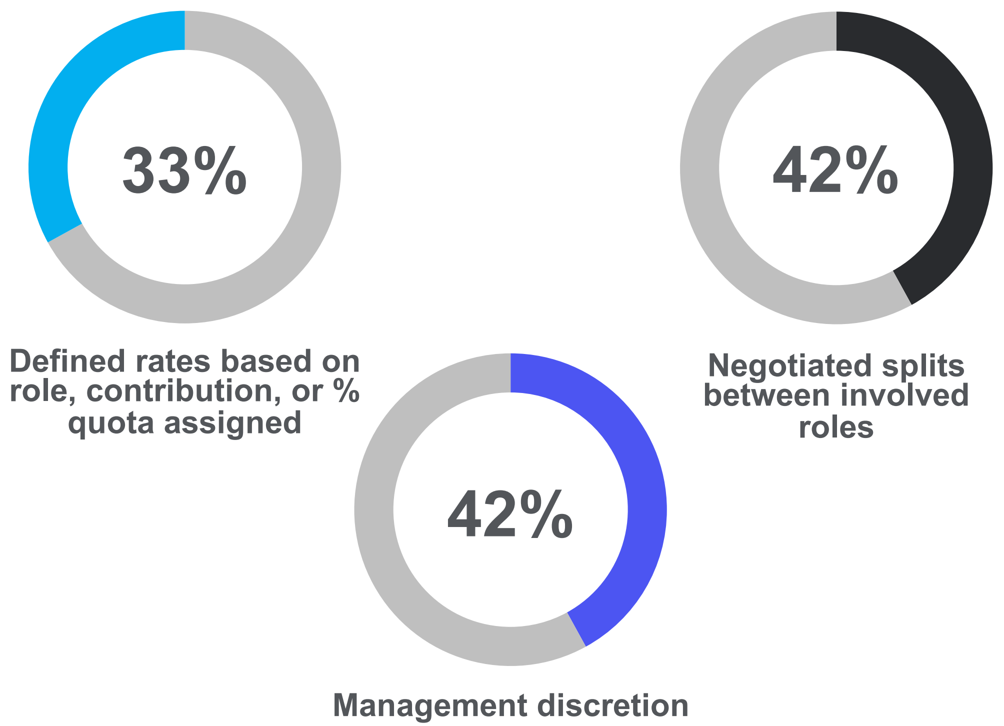
Splitting credit is commonplace, who gets the split credit is not. For participants that do split credits, it's primarily due to territory and/or account changes as relationships transition. There is an increase in splits for collaborative sales between reps.

Very few SaaS participants have a specific criterion to determine splits. Most respondents determine splits on a situational basis. Allowing the involved reps to negotiate splits enables management to stay unbiased. But this can lead to awkward situations where imbalances of seniority and negotiation skills can create tension.

When do you split sales credit? (Check all that apply)



How are splits determined? (Check all that apply)



*Solution consultant, Technical specialist, etc.

Reflects SaaS participants who have split policy

Sales Credit: Early Renewals

The policy on handling early renewals has received a lot of attention in the last few years. There is mixed reaction on recognizing early renewals.

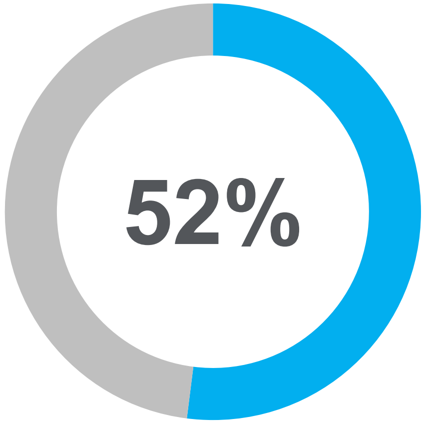
Surprisingly, the majority of participants do not recognize early renewals at this time and/or treat early renewals the same as standard renewals. For companies that do recognize early renewals, the AE and assigned CSM are most likely to receive credit.

For the participants that have specific early renewals policies, the amount of credit is split between new contract only vs. the net of the new contract and original contract. In some cases, the quota is adjusted to incorporate the new contract.

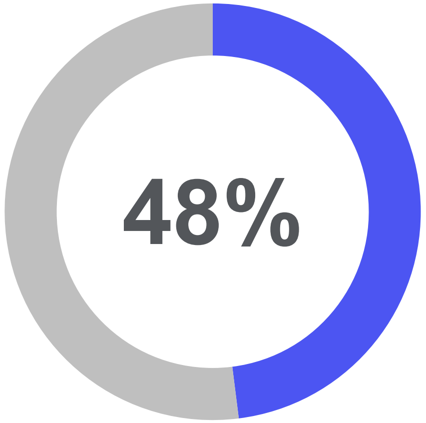
Who receives credit for early renewals?

No credit for early renewal	50%
AE receives credit	14%
CSM rep receives credit	12%
AM receives credit	8%
Multi-credit between roles (AE and CSM)	8%
CSM team receives credit	4%
Other	4%

How is early renewal credit determined?



New Contract Only



New Contract Less Remaining Contract

*Reflects SaaS participants who recognize/pay for early renewals only

82%

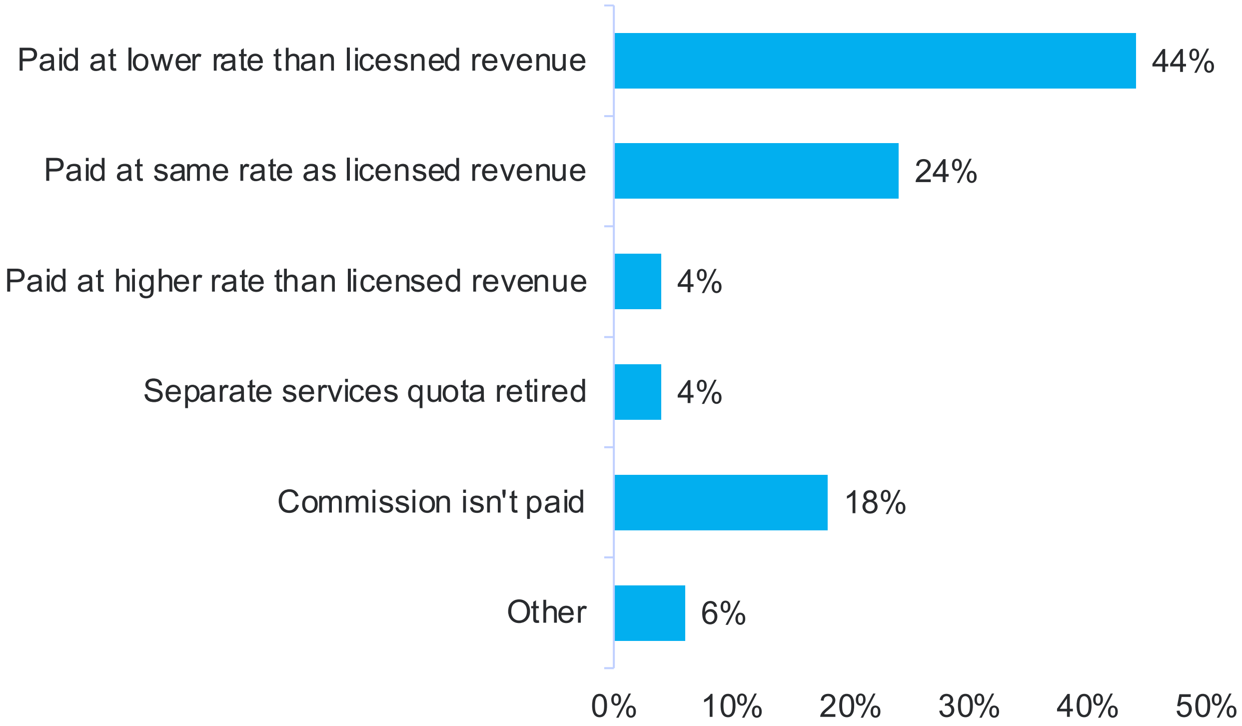
of respondents recognize and incent for non-recurring revenue, such as services or implementation fees

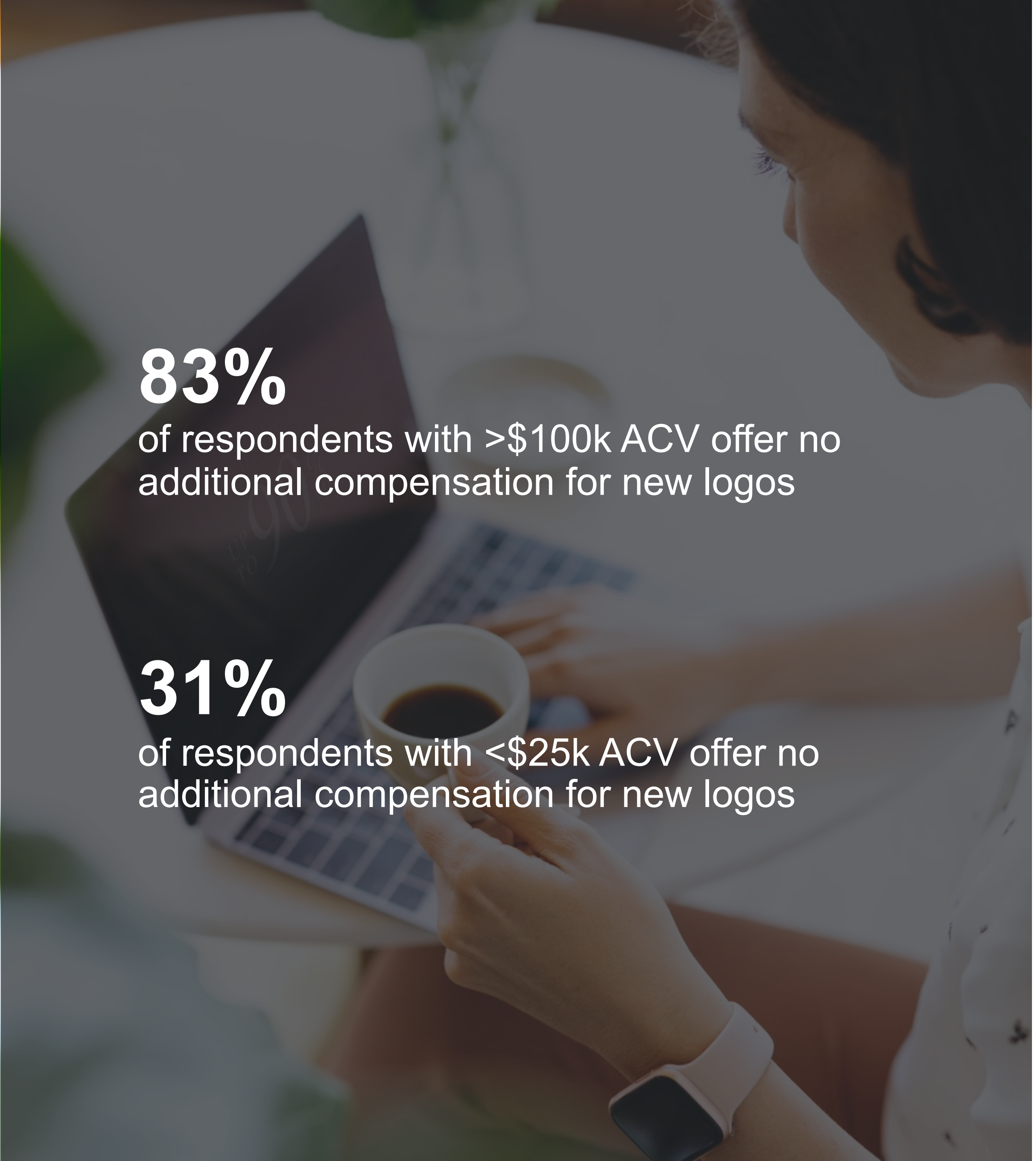
Sales Credit/Comp: Non-Recurring Revenue

As SaaS companies continue to expand their product offerings, there's a question of how to compensate non-recurring offerings, such as professional services or implementation fees.

Similar to renewals, non-recurring revenue is often paid at a lower commission rate then recurring revenue.

Commission on Services Revenue





83%

of respondents with >$100k ACV offer no additional compensation for new logos

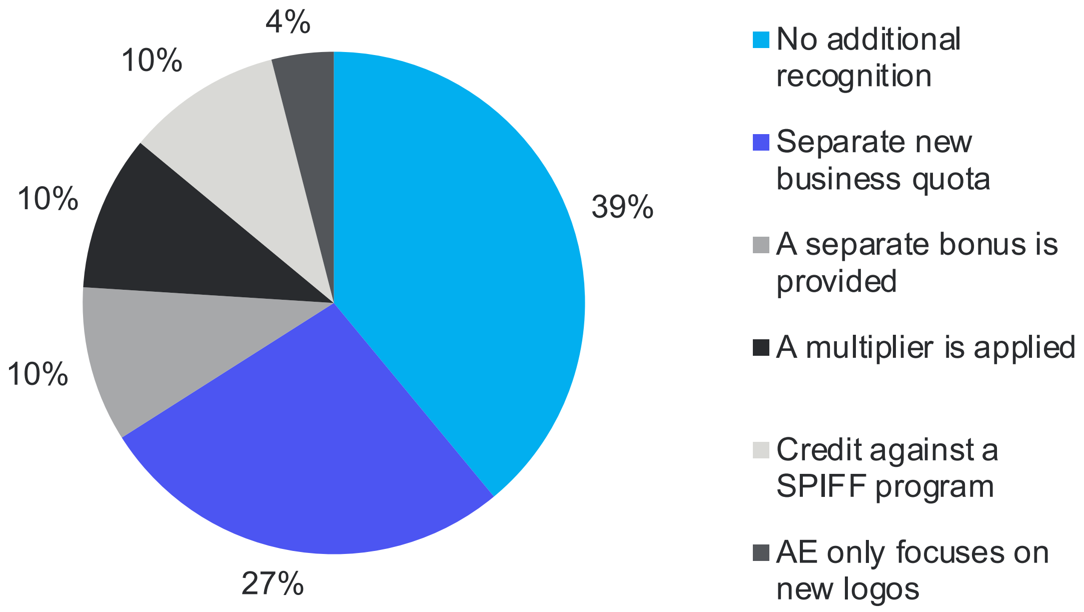
31%

of respondents with <$25k ACV offer no additional compensation for new logos

Sales Credit: New Logos

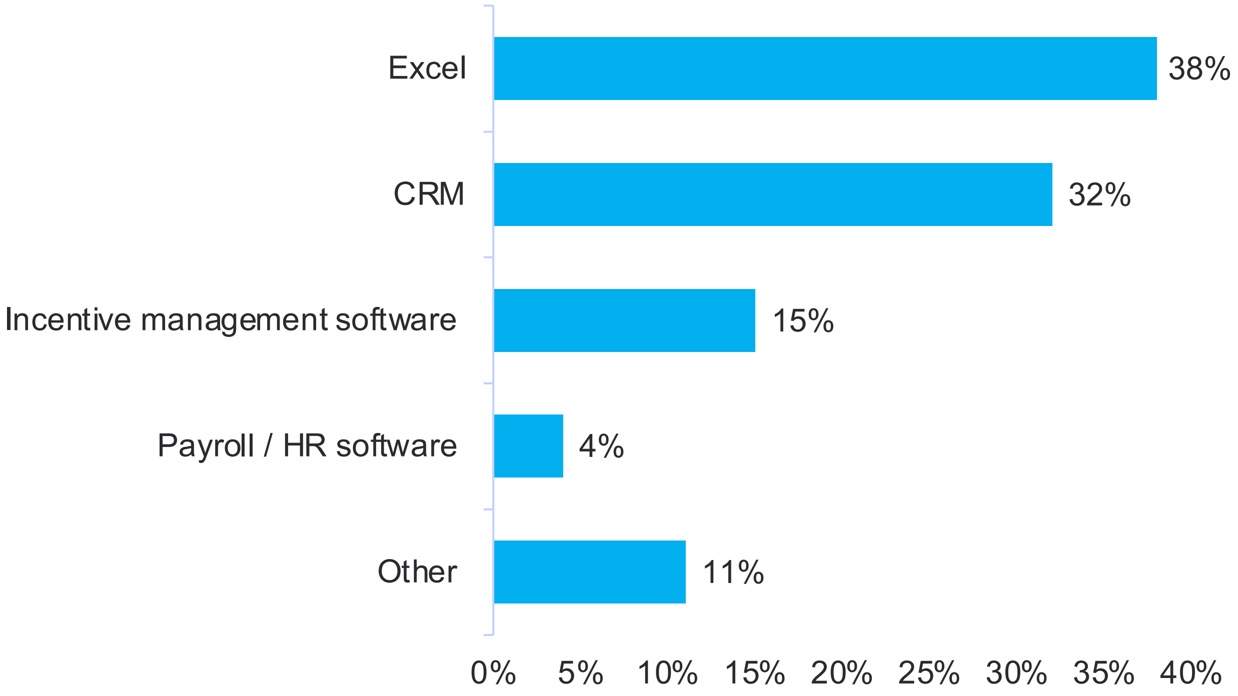
Almost 40% of Account Executives do not receive any additional recognition for new customer logos (a $ of revenue is treated the same regardless of the type of customer).

New Logo Sales Credit



Sales Credit: Tools

What is the workflow tool that is used to capture sales crediting?



Excel and CRM easily outpace any other workflow tool to capture sales crediting, likely due to familiarity and legacy

75%

of companies with a sales force <200 use Excel or CRM to administer sales crediting

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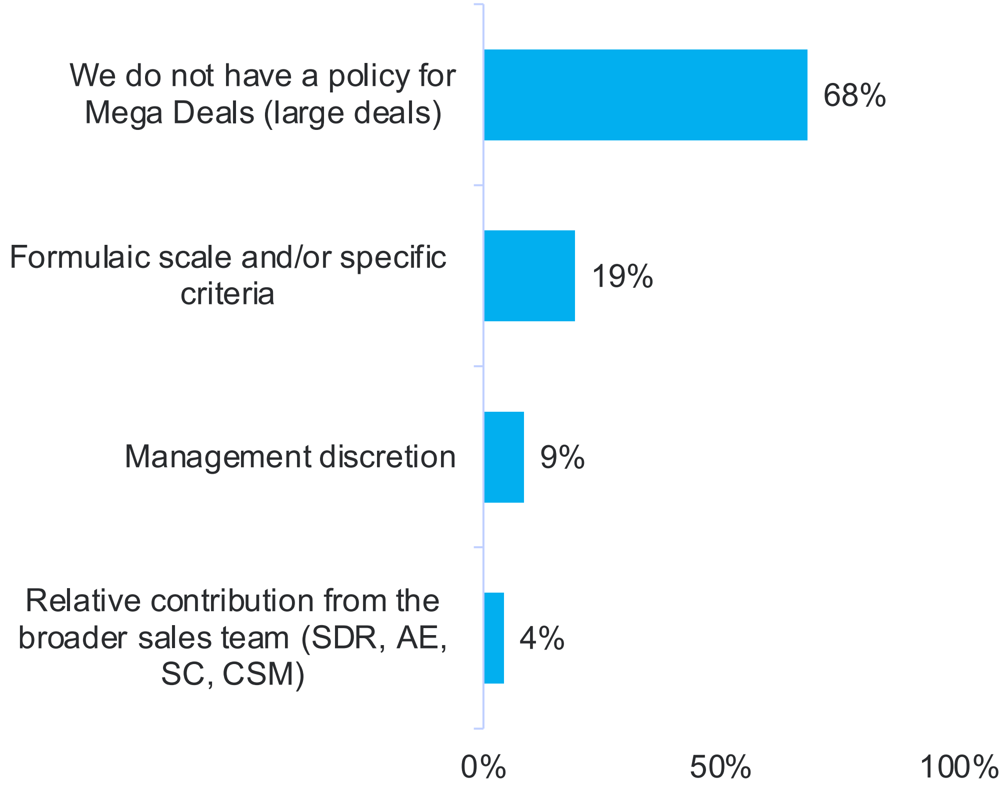
Policy: Mega Deals

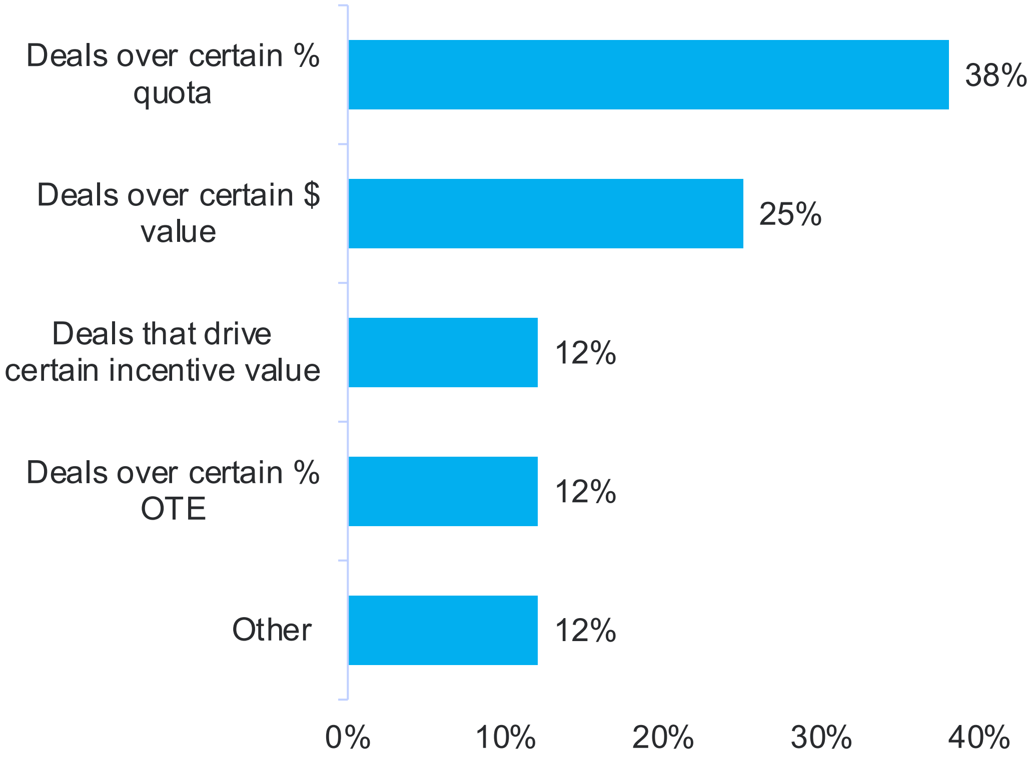
The definition of Mega Deal varies from company to company. Companies with >$50k ACV deals are significantly more likely to have an established Mega Deal policy.

Those companies that have defined criteria often consider a Mega Deal as a percentage of an individual's quota (i.e., 50+%) or a deal with a specific dollar amount (i.e., >$500K ACV) .

How do you pay on Mega Deals?



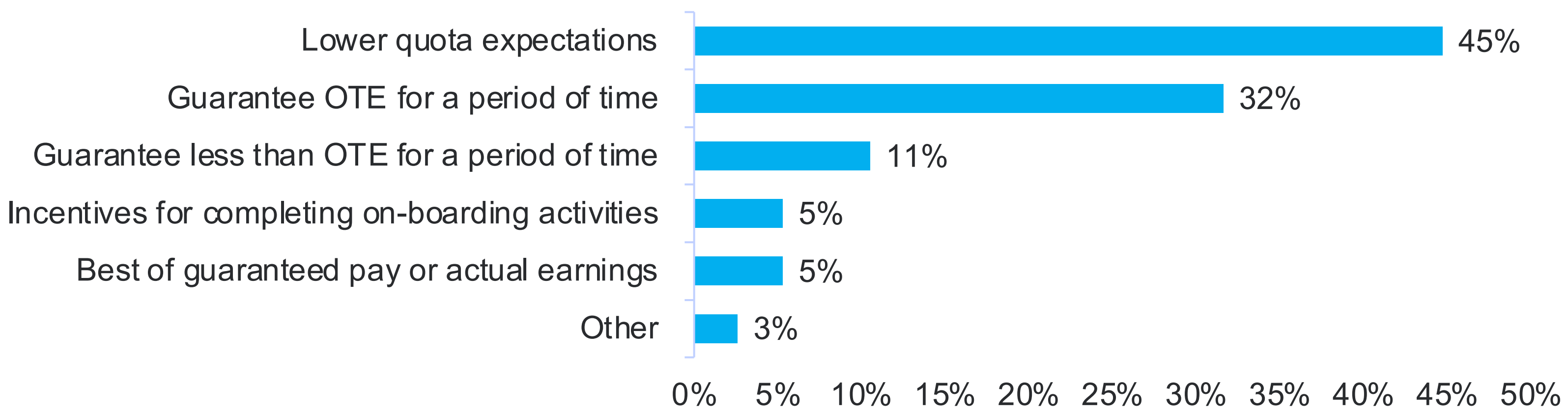
If you use specific criteria, what criteria makes a Mega Deal?



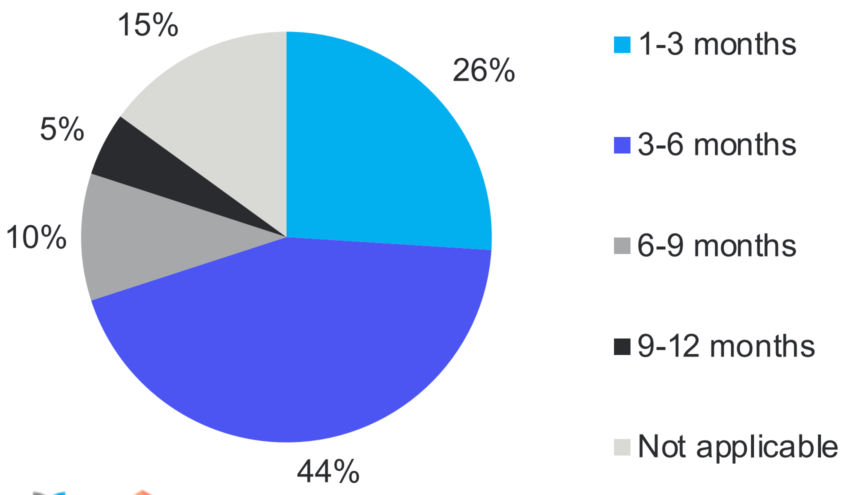
*Reflects SaaS participants who have Mega Deal policies

Policy: New Hire Ramp

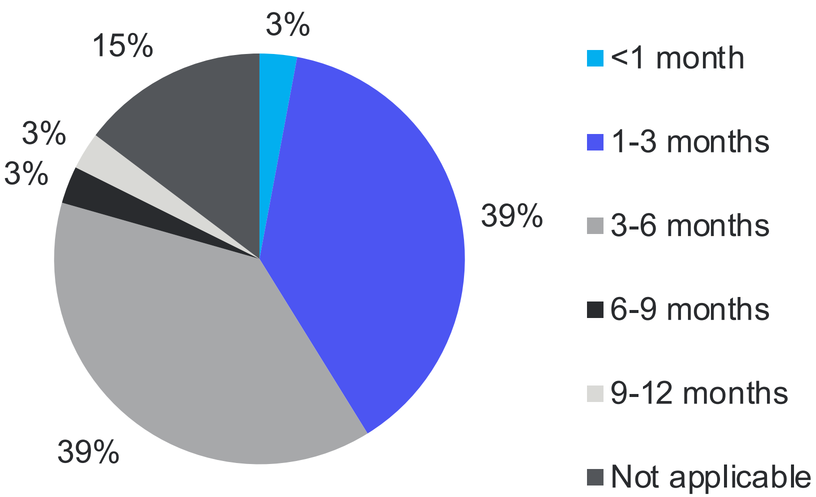
New hire compensation adjustment



Quota adjustment period



Compensation adjustment period



<6 Months

Ramps are traditionally less than 6 months – and this is getting shortened each year

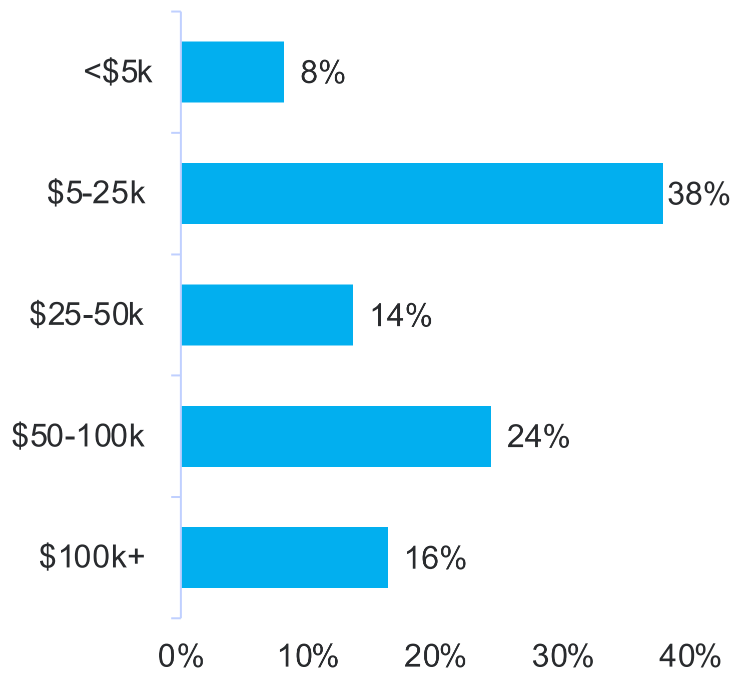
80-100%

Guarantee of OTE during ramp period

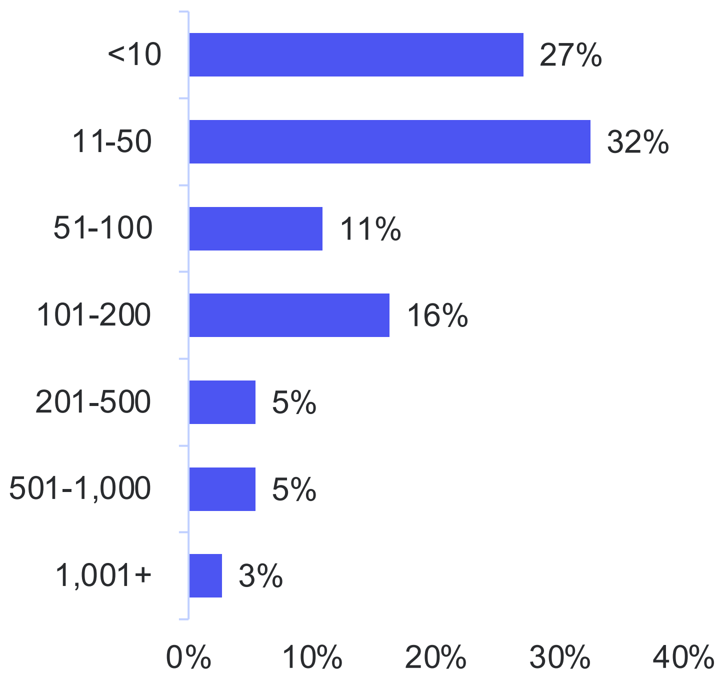
Participant Demographics

- Survey was conducted in December 2020 via online survey tool
- 93 participants from broad spectrum of companies

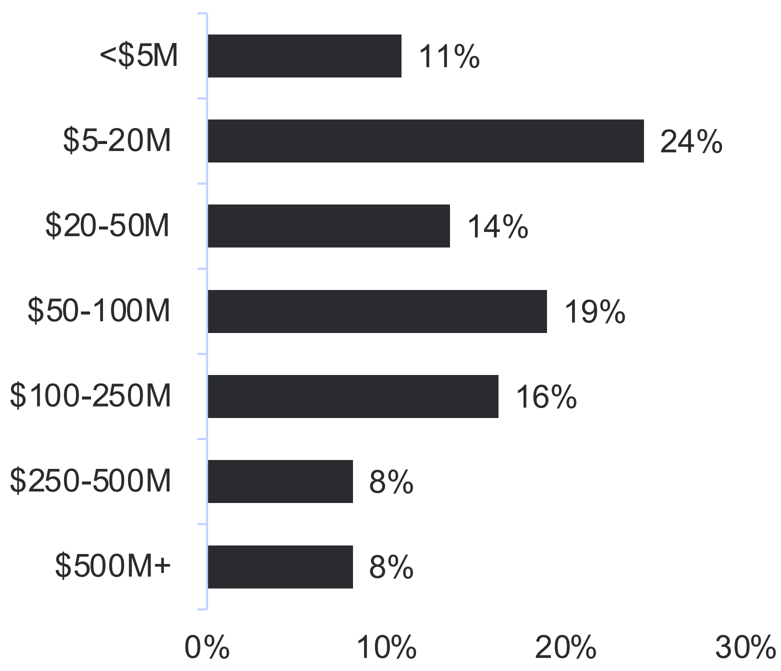
ACV



Size of Sales Team



Annual Revenue



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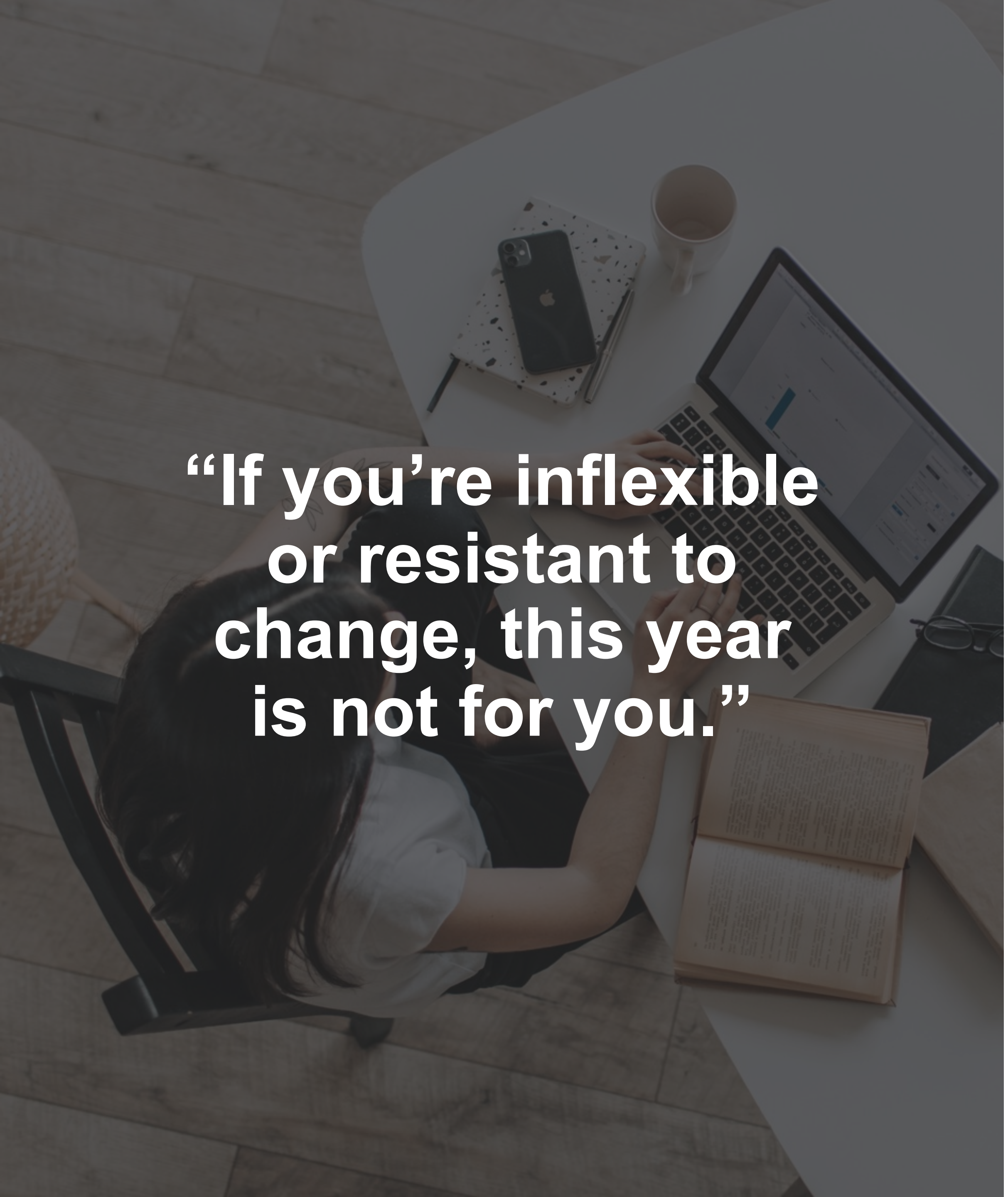

COVID has had a direct impact on SaaS sales practices

The pandemic and the shift to virtual selling has highlighted so many challenges for organizations and is forcing a reckoning. For many teams, COVID has put a new spotlight on known, but long-ignored gaps in their sales compensation plans.

SaaS companies are no longer waiting for their annual review to tweak their compensation plans and policies. Questions continue to arise about plan design, sales crediting, and quota setting.

The Brevet Group and SPIFF are having these conversations every day within the industry and are here to help you design and formalize your sales compensation plans and policies. We also have a network of your counterparts, who are looking to share ideas with you.

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