Improve Profitability Through Sales Compensation

Company Profile

The Australia/New Zealand Region, with $700M in annual revenue, of a major global high tech manufacturer.

Challenge

Profitability was dropping, the sales people were selling on price as opposed to value, and the company was unable to determine critical metrics by account.

Objective

Reverse falling profits and improve sales accountability for selling profitable business by designing a new sales compensation process and metrics, including reporting systems.

Project

- **Analysis**
  o Excessive discounting, despite a solid competitive position

  o Despite the fact that the finance organization had recently developed financial reporting by customer, the sales organization was not using that capability in their compensation structure

- **Design the compensation program**
  o Incorporate discount reduction targets into State/District Managers' metrics

  o Measure the account managers on profitability of their accounts, including special bonuses for meeting target discount reductions

- **Integrate the region's financial systems into compensation reporting**

- **Develop communication program**
  o The communication program included presentations, handbook, multiple email messages, and help desk

Result

- Six point profit improvement within 5 months of implementation