

# TOP RULES FOR INCENTIVE PROGRAMS



- **Incentivize for the results you want**
- **Involve top management**
- **Get input from the sales force**
- **Keep it simple**
- **Have specific goals/quotas for sales and/or margins**
- **Have a combination of salary and commission**
  - ~ *Do not cap commissions; accelerate them*
  - ~ *Base salary should generally not exceed 50% of compensation*
- **Concentrate on rewarding/coaching the best producers**
  - ~ *The rest will work harder or leave*
- **Be flexible**
  - ~ *Reward people based on what they want*
- **Treat novices differently**
  - ~ *Tie rewards to 10% improvement instead of raw numbers*
- **If you change the plan, give salespeople a grace period (six months) before rules take effect**
- **The optimum compensation level is between 17% and 29% of gross profit**
- **Do not offer commissions based on sales where the sales person has total control over pricing**
- **Incentives are motivating for most salespeople**
  - ~ *Cash incentives have about a 20-day life span*
  - ~ *Something tangible to show to parent/spouse/kids has a longer life*
  - ~ *Recognition programs (travel, awards, etc.) boost performance 22% on average*
  - ~ *Customize incentives for each salesperson*
  - ~ *Appreciation (present in front of the sales team)*
  - ~ *Reinforcement (update the sales plan frequently)*

*“Ten Incentive Mistakes to Avoid At All Costs” (H&R Challey Group)  
International Society of Performers*