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Powering the Customer Driven Enterprise



Developing a Successful Sales Incentive Program in
Luxury Goods and Services
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Executive Summary

Sales incentive programs act as powerful tools for luxury goods and services organizations striving to improve performance. However, many programs developed achieve minimal to no results and are managed solely by manual processes and cumbersome spreadsheets causing frustration to organizations and sales teams. As incentive programs become more complex and sales models expand into dealers, distributors, and other non employee areas; developing a robust sales incentive program that supports all areas involved internally and externally presents a significant opportunity in the luxury-service market and other value-driven markets.

Those who can make the transition from their current sales-incentive environment to a fully integrated, cross functional sales incentive environment stand to gain many rewards. These include greater sales performance, resource savings, and subsequent profitability. Additionally, a highly motivated sales force that is focused on the right products and services, and armed with the tools to drive continuous self improvement, provides time-starved sales teams with the convenient, consistent, and flexible sales incentive experience they increasingly expect.

This paper explores what a successful sales-incentive program looks like through the consumers' eyes, the costs organizations incur by maintaining the status quo, and the key steps organizations need to consider as they consider developing a successful sales-incentive program.

*"68% of best in class companies now utilize incentives to meet overall corporate profit goals."
Aberdeen Group, March 2007*

The Evolution of Incentive Programs: From a Dog Bone to Steak in Just 10 Years

In hindsight, the thought of a gold watch being received after 30 years of service to an organization seems almost farcical. Now, it is not unusual to see perks such as annual luxurious vacations around the world, luxury vehicles, thousands of dollars, and jewelry. With the changes in the luxury market over the last 10 years, organizations have realized that to stay competitive they must develop creative ways to motivate their 'front line' while still maximizing their bottom line. Aberdeen Group's latest studies show that 88% of companies use incentive compensation programs as the key driver to accurately align sales behavior and performance to business goals.

In fact, what once was considered an expense has now been developed into a highly customizable, measurable, business investment that has been integrated across various channels of business such as vendor to retailer and retailer to consumer. Reflecting this trend, best in class companies are now three times more likely to have implemented an Incentive Management System than the industry average or industry laggards.

While implementing a sales incentive program is not a guarantee for success, it does appear to be a prerequisite. In a study conducted by Aberdeen Group, more than 50% of the best in class companies increased both profitability and revenue by more than 25% since implementing an

incentive program. The incentive program implemented in these organizations promoted a direct correlation with improved business incentive processes and sales team's knowledge.

Sales Professionals Expect a Professional Sales Incentive Program and Leading Luxury Market Professionals are Setting the Pace

Many retailers reluctantly accept the limits imposed by a manually driven, cumbersome, and frequently misaligned sales incentive program. However, top revenue-producing sales professionals emphatically do not. Without ever hearing the term 'structured performance management process' the majority of top sales professionals will expect an incentive plan to be a structured part of their compensation that is fully disclosed and at least partially automated. When this expectation is not met, sales professionals will spend inordinate amounts of time in either shadow accounting or keeping their own records during the time that could otherwise be spent selling, managing, or working towards the desired goal.

The results are staggering: 84% of best in class organizations implementing a sales incentive program have less than 10% staff turnover compared to an industry average close to 30%. In a relation-based industry where service and reputation is paramount, these retention results have become a competitive advantage for many of these organizations.

The High Cost of Inaction

Organizations that ignore the imperative of a well designed sales incentive program do so at their own peril. They put themselves at risk of lost revenue opportunities when sales professionals become unmotivated due to the lack of alignment of business goals to individual goals. They suffer reduced margins and increased inventory levels as employee turnover leads to inexperienced sales professionals driving the organization's sales. Also if they are unable to seamlessly integrate key business goals with an incentive program, they incur higher costs to deliver service comparable to their competitors – or to recover from frequent salesperson dissatisfaction issues. Because they lack a motivation tool to transform their front line behavior, they are always reacting to the dissatisfaction and turnover of top sales professionals, rather than leading them towards organizational profitability. In short, those who can't make the transition to an effective, incentive aligned solution will find themselves left behind – both by their competitors and their customers.

What Does a Successful Sales Incentive Program Mean to my Customers?

Passionate Service.

You and your spouse walk into a travel agency excited about booking your vacation to Hawaii. As you begin talking to the sales associate about the trip, she becomes animated in telling you about her last company incentive trip to Hawaii and all the wonderful places to see and events that she recommends attending. Happy about her experience, you and your spouse book your travel with her and take her advice about several events and places to see. As you are about to leave for the airport, you receive a call from the associate letting you know that your flight is running 30 minutes late and she has arranged the delay with your hotels. On your arrival to the hotel the concierge has already received your vacation itinerary from the travel sales associate and has made arrangements for your travel to all the events you wish to attend. Thanks to the travel sales associate all you have to do is enjoy the well-needed relaxation. After you return from the vacation you find a hand-written letter thanking you for the opportunity to serve you from the sales associate. Thrilled with the service you've received you happily refer your friends to her for their next vacation.

Passionate service to customers from your sales teams are a direct benefit from sales incentive programs that have been successfully developed to focus sales persons on the right products and services, on the right customers, and delivering the right results.

An Educated Purchase Decision.

As customers in the luxury market become increasingly knowledgeable of their purchasing decisions, they have a growing desire for salespersons to be able to counsel them throughout their purchasing process. The ability to discuss the value, competitors' value, and detailed benefits throughout the life of the product or service has become necessary knowledge for salespersons assisting the customer with their purchase. This valuable information can be easily managed, kept current, and analyzed through a successful sales incentive program targeted at highly-technical sales.

Higher Customer Satisfaction.

Incentive plans that are aligned with customer satisfaction can be easily measured through surveys, follow-up phone calls, or mailers. If the sales incentive is aligned to the after-sales response of the customer, customers are able to enjoy superior customer service throughout the purchase process. This response can be measured, reported, and linked to various sales incentives.

What Does a Successful Sales Incentive Program Mean to my Sales Professionals?

Timeliness and accuracy of bonus payouts.

With a successful incentive program, an organization's sales professionals enjoy incentives that are automated into payroll processes ensuring the timeliness and accuracy of bonus payouts. This seamless integration also alleviates frustrations from internal resources scrambling to adjust payroll and accounting issues with errors that were previously made.

Promotion and communication.

Promotional material supporting the incentive program and other communication can be distributed effectively and without delays. A strong campaign drives and maintains the interest of the sales team. Continuous promotion and communication provides powerful motivation in the successful management of a successful sales incentive program.

Result tracking, benchmarking, reporting, and improvement.

By leveraging technology available for incentives, organizations are easily able to perform an analysis of team and individual performances, trends and conditions. This allows management to quickly make changes to a sales-incentive campaign or to plan for a new campaign. Using current information, sales teams can continuously improve by viewing the benchmarks that were provided by management.

How Do We Get From Here to There?

People, Policies, and Processes – Empowered by Technology

- *Determine incentives on a combination of individual contribution and corporate results.*
This combination serves to reinforce the individual's contribution but keeps the overall objective or corporate performance in the line of sight with all sales teams.
- *Implement a robust incentive management application and use it to plan and track incentive programs.*
The complexity of the Incentive Compensation Management (ICM) software application should be determined by both the resources available and the estimated revenue

potential available from the application. Be sure that it supports all the variables needed to administer an effective incentive program that encourages the desired salespersons' behavior and the level of activity required to meet the desired goals.

- *Focus on the sales teams and customers that make the biggest contribution to financial performance.*
Although attention should be paid to all sales teams and other areas impacted by sales incentive programs, the biggest contributors to the organizations goals through sales statistically will be the greatest influencers on the overall goals placed by the incentive program.
- *Increase promotion, communication, and incentive program visibility.*
A successfully-implemented incentive program should allow sales teams to go online immediately after work performance to learn whether they qualify for a bonus, and to determine the financial impact of their compensation.

Choosing the Right Sales Incentive Solution

The decision to choose the right sales incentive solution is highly dependent on the criteria for success in each organization's goals. Each incentive plan must be customized based on the organization's immediate and long-term financial goals, current resources available, type of sales team (internal sales team, channel partner, etc), and industry trends. And there are additional impacts that are non-sales related. How will the program impact procurement and the cost-of-goods? Shipping? Cash flow? Should the program be implemented by a fully-automated solution or partially automated? These are several of the questions that must be answered when developing a successful sales-incentive solution.

Expertise: Choose a partner dedicated to your success

By its very nature, successful sales incentive integration touches several core systems that a business relies on to run smoothly. A botched implementation can be disastrous, disrupting business-critical processes, causing a wave of organizational complaints and defections, increasing the workload and stress level of staff, and requiring costly remediation measures.

In choosing a solution, it is important to choose a provider who can help ensure a smooth, timely deployment that is transparent to sales teams and partners. They should have proven expertise in business solution integration, a track record of successful, on-time deployments with brand leaders in a range of industry sectors, and the resources to assist you with planning, integration, and deployment, as needed.

When evaluating a provider's references, organizations should be sure to inquire about these dimensions of the organization's experience as well as their satisfaction with the vendor's product, service, and ongoing support.

About Jagged Peak

Headquartered in Clearwater, Florida, Jagged Peak is a software development, fulfillment logistics, and IT services company focused on providing the marketplace with Enterprise Demand and Supply Chain Management solutions.

Jagged Peak's ability to provide and integrate its technology solutions with its marketing fulfillment services offers clients the benefit of a single source provider solution to develop, manage and support marketing initiatives end to end, from inception through delivery execution.

Jagged Peak's Best-in-Class software solutions are delivered in either a fully hosted, managed services environment (SaaS), or through a traditional licensed model. Every solution is supported by a world-class team of IT, business and implementation consultants. Jagged Peak offers a broad portfolio of IT professional services that include turn-key concept-to-delivery application and web development, business analysis and SRS documentation, business process consulting, system integration, project management, solution implementation, training, and application support as well on-site staff augmentation.

Jagged Peak's software solutions are designed to compliment and extend its clients' existing systems and IT infrastructure. It facilitates automation of internal and external business processes associated with supply chain and customer-facing demand activities and marketing programs. The benefits derived from Jagged Peak's solutions include increased revenue and profitability, reduced operating expenses, improved customer service, and the acquisition and retention of new customers, markets and channels.

Within the supply and demand chain, Jagged Peak's software solutions are deployed to support a variety of business-to-business, business-to-consumer, and business-to-internal enterprise initiatives. These initiatives encompass e-commerce, customer interaction management, CRM, supply chain management, reverse and service logistics, and multi-channel distributed order management. Solutions and services offered allow organizations to create, define, and manage a full spectrum of multi-channel promotional campaigns, marketing communications, digital assets, web portals, multi-channel direct commerce, product catalogs, distributed order management, customer and member relationship management, collaboration, service logistics, and process-management activities, supported globally (in multiple languages and currencies) in a browser-based environment. Developed solutions are built on state-of-the-art technologies, based on industry best practices and are engineered for lowest total administration cost and ROI.

Deloitte and Touche has recognized Jagged Peak for the fourth-consecutive year as one of America's fastest growing technology services companies. The company is currently doing business in the US, Canada and Europe with plans to expand to Asia, and features a blue chip client roster that consist of companies such as Nestle Nespresso, LVMH, Tag Heuer, Swatch Group, Leapfrog, Davidoff of Geneva, French Ministry of Tourism, Allergen and AIG Sun America and many other blue chip companies.

