



**PRACTIQUE**  
A Merced Company

## **Whitepaper:**

Sales commission is complex,  
Practique's solution is simple.

Prepared by Practique Associates Limited the leading specialist vendor of Incentive Compensation Management software in Europe.

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**Practique Whitepaper**

**email:** [sales@practique.co.uk](mailto:sales@practique.co.uk)  
**web:** [www.practique.co.uk](http://www.practique.co.uk)  
**tel:** 01344 354 988

# Executive Summary

The problems regarding sales commission from an employee and an employer perspective are well documented. According to analysts Gartner, the productivity of sales teams must be continuously increased; technology's role in accelerating productivity gains in order to sell more has advanced dramatically, notably in the area of incentive compensation.

Whilst the majority of employers use some form of incentive scheme as part of their remuneration strategy, many cannot identify exactly how the incentive motivates people, whether or not the scheme is effective or if they are paying too much or too little. Where incentive schemes are used widely, in the area of direct sales for example, most do not react to changing market conditions. This is because the majority are spreadsheet based systems, which are inflexible and do not have a reporting facility. This means that any imaginative and effective deployment of incentive management is virtually stymied because of the administrative burden.

Leading edge companies will align the incentive schemes corporate, customer management and sales objectives in order to steer sales behaviour in the right direction. The key is how effectively the incentive scheme is communicated and understood by salespeople and how performance is reported against each scheme. Inappropriately targeted incentives; late or inaccurate payments; unexplained adjustments and unreliable reports breeds distrust and creates a sense of disillusionment within sales teams.

Jo Walker, Managing Director of Practique believes executives should stop viewing incentive compensation management systems purely as a financial tool. "Improved scheme administration, calculation accuracy, workflow control and achievement reporting are a given with these expert systems. Executives need to look at the significant role ICM has to play in directing sales effort through the creation, modelling and implementation of schemes that are appropriate to job role, behavioural styles and market conditions i.e. they should be seen as a vital cog in the sales ops handbook for driving sales performance."

"Emphasis should be placed on steering sales efforts toward high value, low volume product lines; up selling new lines into established accounts and the promotion of valued added service to support customer retention objectives."

ICM solutions are designed to automate the process of commission, bonus or incentive administration in support of any type of variable pay strategy, giving greater accuracy to the calculation process and improving sales force motivation and retention. The ability to forecast effectively is also a key differentiator as incentives against targets – quarterly or monthly – can ensure accelerated sales productivity.

# The ICM Solution

This is not just focused on eliminating the administration burden associated with enterprise incentive compensation schemes that is, improved calculation accuracy; reduced cost of administration; process and compliance controls, it pulls together vital parts of the business to promote growth of the company and personal growth of its people.

The combination of flexible plan set-up, modelling and unlimited reporting enables managers to:

- Be more creative with scheme design and target setting – e.g. design schemes in line with job role and personal development objectives
- Incorporate variable performance measures such as revenue, customer satisfaction and management objectives
- Make adjustments quickly and easy in response to role changes e.g. leavers, joiners, temporary assignments; market climate changes
- Implement individual as well as team schemes to create a competitive environment
- Direct the sales focus toward profitable (high margin) products and services by introducing special promotional incentives
- Create league tables to monitor individual and team performance against target in real-time
- Push results out to individuals and teams, forecasting results and influencing behaviours toward stretch targets
- Assess the effectiveness of schemes by reporting at all levels – from commission paid by scheme; top product lines and revenue by product

INCA, Practique's ICM solution delivers improved process control, speed and flexibility for switching incentive schemes in response to performance results and market climate, crucial for sales to be aligned to the market.

For businesses cost justification and deployment time is a key deciding factor. INCA by its very nature offers a high ROI since it addresses the problem of cost overhead, operational complexity and scope for human error immediately. More significantly, INCA can help executives influence sales behaviours and promote increased productivity through the implementation of creative incentive schemes and real-time monitoring of achievement results and scheme effectiveness. Thus the business case for expert ICM balances cost savings with sales productivity and increased revenue gains.

## About Practique

Practique is the author of INCA an Incentive Management solution. This web-based software automates sales commission and bonus and is responsible for managing the commission of over 120,000 employees and channel partners across Europe every day.

Practique, a UK based organisation, is the leading specialist vendor of Incentive Compensation Management software in Europe. INCA is implemented in many forward thinking companies including O<sub>2</sub> in the UK and Germany, The Carphone Warehouse, Mazda, BT, Cable & Wireless, STA Travel and The Royal Bank of Scotland.

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