

Motivating your sales force through COVID-19

Adjusting sales incentive schemes to respond to market uncertainty

With global cases at over two million, the coronavirus pandemic has wreaked havoc on personal lives, business and the economy more broadly. The International Monetary Fund (IMF) reports the “Great Lockdown” is likely to cause a slump in the global economy equalling that of the Great Depression of the 1930s, with a potential 3% contraction in global growth.

Although the majority of organisations are likely to face declining sales because of the pandemic, others will experience limited impact or, conversely, increased demand. Companies at the epicentre of the economic weakness will be under intense pressure. However, many will need to rethink and reshape to survive. Central to this survival will be ensuring sales populations remain motivated, engaged and responsive to the ever-changing and unprecedented circumstances.



- At the epicentre — staff furloughed, government support (e.g. travel, leisure, non-essential retail)
- Dividend cancelled (e.g. banks)
- Little/no impact of COVID-19 (e.g. non-life insurance)
- Strong tailwind from COVID-19 (e.g. essential retail)





What are the key challenges organisations face?

As we look to the remainder of 2020, organisations will continue to grapple with short-term responses to the immediate sales challenges. Unless businesses respond quickly and appropriately, they may face a reduction not only in sales but also in market share. It is imperative that organisations seize the opportunity to rebound and reinvent their medium-term approaches, flexing schemes to drive desired behaviours that could optimise business performance and give them first-mover advantage.

H1 2020: Crisis management

Unprecedented challenges across the global economy have resulted in major slowdowns in most sectors due to lockdown, supply chain disruption and changes in buying patterns.

H2 2020: Managing through uncertainty

Economic recovery commences as countries gradually exit lockdown and businesses begin to understand changes in demand. Volatility remains in demand and supply.

2021: Regaining control in the new economic reality

Longer-term impact of the crisis on economic growth is understood, with organisations coming to terms with a new normal.

Due to market volatility, uncertainty and questions about organisational affordability, many have approached changes to incentive schemes with caution. However, businesses will need to act now to make sure their sales forces are optimised.

58%
of organisations have
not yet determined
their response
regarding incentive
compensation plans.

Source: Mercer Global COVID-19 Spot Survey (April 2020: 2,000+ responses)

Although the appropriate response will depend greatly on the organisational context, businesses need to consider some core questions. When proposing any future changes to scheme design, employers must balance empathy with economics: Understanding and flexibility will be crucial to any response.

01

What do I need to do now?

Have skin in the game

As the COVID-19 crisis response continues to characterise H1, organisations should not rush to make fundamental changes to plan design or target setting. Responses should maintain the focus and motivation of sales professionals in the short term.

Utilise spiffs with a short duration (two to three weeks) to refocus sellers on immediate priorities. Spiffs provide flexibility to respond to rapidly changing business priorities and maintain motivation while assessing implications for the main sales plan.

Focus on relative rather than absolute sales contributions by indexing performance. Individual targets may be adjusted for team performance versus overall target. Alternatively, base targets on historical contribution of seller/territory to broader (for example, national) sales targets.

Modify payout curves, widening the performance range and reducing or removing threshold performance levels to maintain engagement. Review plan caps to protect against volatility.

02

What should we do to manage through uncertainty?

Incentivise the right behaviours

In H2, as organisations expect to have an improved understanding of the sales impact through modelling and affordability testing — and how this varies by territory, channel, sales role type, etc. — it may be appropriate to make structural changes to plan design.

Review KPIs and associated weightings. Adjust KPIs to reflect emerging business needs. For many, there will be greater emphasis on revenue protection or non-financial customer-centric metrics, with a reduction in weighting towards new business measures.

Rebalance measurement level with increased focus on team metrics, driving collective results, collaboration and cross selling.

Review whether the performance period remains appropriate and whether it would be feasible to disaggregate performance periods or increase the cadence of goal setting.

Review incentive opportunities and set soft caps to enable risk management and ensure organisational affordability while maintaining reasonable total compensation for sales staff. Consider one-off “stay” payments to address retention risks.

03

How can I enable quick decision-making?

Adopt an agile mindset

To respond to the evolving landscape, organisations will need to adopt an agile mindset that facilitates quick and robust decision-making on required actions.

Establish or revisit the incentive committee structure, ensuring HR, operations, sales and finance are represented to enable quick decision-making and rapid rollout of required changes. Establish RACI models for changes to plan rules and ensure flexibility to meet as regularly as required to discuss emerging priorities.

Use sales analytics and continual modelling to understand the ever-changing sales context. Harvest data from sales and CRM databases to monitor trends and enable agile decision-making.

Deliver transparent and regular communication to maintain performance focus. Provide clarity on whether changes are temporary or represent a longer-term shift in strategy.

Key takeaways

Where feasible, many companies are prioritising empathy to best position themselves for gaining market share when the economy improves. Retaining as many salespeople as possible and placing the right talent in the right roles motivated by aligned incentives will be critical.



Model the impact of the crisis on each sales role, and review the requirement for **changes to role definition**.



Take decisive action to address the immediate impact of COVID-19 in H1, but also start planning for H2 and beyond.



Consider higher-than-planned compensation cost of sales/ROI to defend market share and maintain reasonable compensation for staff.



Use spiffs in the shorter term and **recalibrate KPIs** in the medium term to meet business needs and changing demands.



Adopt an agile governance mindset to ensure robust and quick decision-making and rollout.



Communicate quickly and transparently, making sure performance expectations are clear.

Calls to action

Utilise sales data to assess the impact of the outbreak on your sales roles, territories and channels.

Establish an incentive committee to review and recommend changes quickly and efficiently.

Remember, context is everything – there is no one-size-fits-all solution.

Mercer's global network of sales compensation specialists are more than happy to address any feedback or questions about this article or Mercer's broader capabilities:

Northern Europe

Mark McGowan
+44 20 7178 5545
mark.mcgowan@mercer.com

Emma Hill
+44 20 7178 3565
emma.hill@mercer.com

Southern Europe

Luca Baroldi
+39 272413362
luca.baroldi@mercer.com

Pierluigi Vergani
+39 272413354
pierluigi.vergani@mercer.com

United States

Shawn Rossi
+1 404 353 6087
shawn.rossi@mercer.com

Global — other

Monika Todor
+40 742 536742
monika.todor@mercer.com