Introduction

ZS Associates and Reality Works Group are pleased to present the inaugural edition of the Inside Sales Compensation Practices Survey for the high tech industry. This is the first data-validated compensation survey of various Inside Sales roles.

Our goal in undertaking this project is to provide information to sales leaders interested in understanding best practices in Inside Sales incentive planning. We hope this study helps you understand compensation trends to provide guidance for your 2015 planning.

If you have any questions or comments, please contact Chad Albrecht <chad.albrecht@zsassociates.com> or Anneke Seley <aseley@realityworksgroup.com>.

Best Regards,
Invitations to participate in the survey were sent to selected contacts in our network who represent small, medium and large high tech companies. Our goal was to engage a statistically significant sample favoring high quality participation that could be validated over a large quantity of responses. Because of this, when questions arose about survey answers, we were able to go back to the respondent and confirm or update the data accordingly.

Participants from 52 US-based high tech companies completed the online survey for their sales teams from May through June 2014.

The survey was divided into the following categories of questions:

- Company and Role Overview
- Inside Sales Roles (responsible for closing business with new and/or existing clients using primarily the phone and online communications)
- Sales Development Roles (responsible for generating and qualifying opportunities that are passed to a quota-carrying sales organization for closure)
- Sales Compensation Issues (all roles)

Note: n-sizes throughout the survey represent the number of responding companies, unless otherwise stated.
Note: Median values are not shown if fewer than five responses were received; Other results are not shown if fewer than three responses were received.
Participants
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Executive Summary
Executive Summary

The results of this survey highlight the dominant methods in which Inside Salespeople (IS) are paid within tech companies, and also highlight the differences in how they are paid based on the size of the companies for which they work. The results confirm that the Inside Sales role is rapidly expanding and is being accepted as an effective way to reach customers and close sales.

- In small companies, Inside Sales is responsible for closing over 50% of company revenues. For larger companies, the median is ~10% of company revenues.
- 40% of large companies and 80% of small companies have no cap on the maximum incentive compensation paid out.
- Contests and SPIFFs are heavily used as supplemental incentives for Inside Sales.
- Quota setting fairness, pay level competitiveness, and sales forecast accuracy are the major compensation issues.
- 58% of large and medium sized companies classify Inside Sales roles as hourly (non-exempt), compared to less than 5% of the smaller companies that took the survey. A larger percentage (~10% more) of Sales Development roles were classified as non-exempt across the board.
Respondent Profile
What is your company’s annual revenue?

Company Size
(Based on Revenue; n=52)

- 22% > $1B in Revenue
- 46% < $100M in Revenue
- 32% $100M – $1B in Revenue

Small Companies | Medium Companies | Large Companies
---|---|---
33% < $25M | 13% $25M – $100M | 12% $1B – $10B
13% $25M – $100M | 17% $100M – $500M | 10% > $10B
17% $100M – $500M | 15% $500M – $1B |
What is your functional area?

- Sales management (56%)
- Sales operations (12%)
- Incentive compensation manager (10%)
- Cross functional executive (6%)
- Executive (4%)
- Finance (4%)
- Marketing (4%)
- HR (4%)
- Other (2%)
Which of the following best describes your company’s industry segment?
(Respondents were allowed to select multiple options)

- Enterprise software in the cloud: 58%
- Enterprise software on premise: 33%
- Business services: 23%
- Internet/platforms: 13%
- Other software applications: 12%
- Networking, storage and/or comm. equip. manufact.: 10%
- Computer and mobile hardware manufact.: 10%
- IT services: 8%
- Communications service provider: 4%
- Other: 4%

Others includes Solution Technology Sales — Services, Software and Hardware, Mobile and Messaging
Through what channels does your company sell its products & services?

Based on Company Size (Revenue)

- Large Companies (n=11):
  - Direct: 73%
  - Through partners or resellers: 9%
  - Both: 18%

- Medium Companies (n=17):
  - Direct: 71%
  - Through partners or resellers: 29%

- Small Companies (n=24):
  - Direct: 58%
  - Through partners or resellers: 42%

Overall (n=52):
- Direct: 65%
- Through partners or resellers: 33%
- Both: 2%
Through what fee structure does your company sell its products & services? (Respondents were allowed to select multiple options)

Fee Structure by Company Size

<table>
<thead>
<tr>
<th>Fee Structure</th>
<th>% of respondents (n=52)</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscription</td>
<td>76% (91%)</td>
<td>87%</td>
</tr>
<tr>
<td>License</td>
<td>65% (91%)</td>
<td>52%</td>
</tr>
<tr>
<td>One-time charge</td>
<td>29% (55%)</td>
<td>29%</td>
</tr>
<tr>
<td>Pay-per-use</td>
<td>35% (36%)</td>
<td>29%</td>
</tr>
<tr>
<td>Not applicable</td>
<td>0% (4%)</td>
<td>4%</td>
</tr>
</tbody>
</table>

Small Companies (n=24)  Medium Companies (n=17)  Large Companies (n=11)
What % of your sales headcount is in Inside vs. Outside Field Sales and how do you plan to shift resources in the next two years?

**Mean % of Total Sales Headcount** (By Company Size)

- Large Companies (n=10):
  - Inside Sales: 22%
  - Outside Field Sales: 78%
  - Mean % of respondents: 76%
- Medium Companies (n=14):
  - Inside Sales: 44%
  - Outside Field Sales: 56%
  - Mean % of respondents: 56%
- Small Companies (n=19):
  - Inside Sales: 24%
  - Outside Field Sales: 76%
  - Mean % of respondents: 76%

**Plan to Shift Resources** (By Company Size)

- Large Companies (n=10):
  - No change: 50%
  - From Inside Sales to the Field: 10%
  - From the Field to Inside Sales: 40%
  - Mean % of respondents: 79%
- Medium Companies (n=14):
  - No change: 86%
  - From Inside Sales to the Field: 7%
  - From the Field to Inside Sales: 7%
  - Mean % of respondents: 79%
- Small Companies (n=19):
  - No change: 79%
  - From Inside Sales to the Field: 11%
  - From the Field to Inside Sales: 11%
  - Mean % of respondents: 79%
The Inside Sales group is responsible for closing what % of US revenue?

Median %

- Large Companies (n=11): 10%
- Medium Companies (n=17): 20%
- Small Companies (n=24): 55%
At the end of your most recently completed fiscal year, how many sales people (full time equivalents) were in each of the following roles?

**Median # of FTEs**

<table>
<thead>
<tr>
<th>Role</th>
<th>Large Companies (n=11)</th>
<th>Medium Companies (n=17)</th>
<th>Small Companies (n=24)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inside sales</td>
<td>330</td>
<td>62</td>
<td>4</td>
</tr>
<tr>
<td>Sales Development</td>
<td>75</td>
<td>10</td>
<td>2</td>
</tr>
</tbody>
</table>
How would you describe the coverage role for your Inside Sales team?  
(Respondents were allowed to select multiple options)

Inside Sales Roles by Company Size

- **Discrete ownership of territories/accounts**
  - Overall: 68% (86%)
  - Small Companies (n=19): 50%
  - Medium Companies (n=14): 43%
  - Large Companies (n=10): 80%

- **Shared coverage of accounts with the field**
  - Overall: 11% (37%)
  - Small Companies (n=19): 11%
  - Medium Companies (n=14): 43%
  - Large Companies (n=10): 80%

- **We have no field sales organization**
  - Overall: 32% (14%)
  - Small Companies (n=19): 0%
  - Medium Companies (n=14): 0%
  - Large Companies (n=10): 0%
What Inside Sales roles are in place at your organization?
(Respondents were allowed to select multiple options)

**Inside Sales Responsibilities by Company Size**

- **Salespeople that sell both to new and existing customers**
  - Overall: 93%
  - Small Companies (n=19): 90%
  - Medium Companies (n=14): 93%
  - Large Companies (n=10): 74%

- **Salespeople that sell only to new customers**
  - Overall: 37%
  - Small Companies (n=19): 30%
  - Medium Companies (n=14): 21%
  - Large Companies (n=10): 21%

- **Salespeople that sell only to existing customers**
  - Overall: 30%
  - Small Companies (n=19): 20%
  - Medium Companies (n=14): 42%
  - Large Companies (n=10): 53%
What Inside Sales roles are in place at your organization?
(Respondents were allowed to select multiple options)

Inside Sales Responsibilities by Fee Structure

- Salespeople that sell both to new and existing customers: 64% (Subscription and other fee structure only), 86% (License fee structure)
- Salespeople that sell only to new customers: 50% (Subscription and other fee structure only), 24% (License fee structure)
- Salespeople that sell only to existing customers: 45% (Subscription and other fee structure only), 14% (License fee structure)

Overall:
- 74% Subscription and other fee structure only
- 37% License fee structure
- 30%
How are Inside Sales reps that share account responsibility with Field Sales compensated?

(Respondents were allowed to select multiple options)

How are Inside Sales reps that share account responsibility with Field Sales compensated?

- Combination of individual and team performance: 44%
- Individual performance: 44%
- Team performance: 38%
- Others: 0%

For the Inside Sales team that partners with Field Sales, does the Field get paid on what Inside sells?

(n=16)

- Yes: 69%
- No: 19%
- It depends: 13%

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For the Inside Sales team that partners with field sales, do you map Inside Sales territories to Field Sales territories?

Mapping Inside Sales Territories with Field Sales Territories

<table>
<thead>
<tr>
<th>% of Respondents</th>
<th>(n=16)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>81%</td>
</tr>
<tr>
<td>No</td>
<td>19%</td>
</tr>
</tbody>
</table>
What is the exemption status of the Inside Sales roles?

Exemption Status by Company Size

- **Large Companies (n=10)**
  - Exempt: 50%
  - Non Exempt: 50%

- **Medium Companies (n=14)**
  - Exempt: 36%
  - Non Exempt: 64%

- **Small Companies (n=19)**
  - Exempt: 95%
  - Non Exempt: 5%
What was the total turnover rate for Inside Sales roles at your company during the most recently completed fiscal year?

Inside Sales Role Turnover Rate
(n = 43)

Voluntary and Involuntary turnover

<table>
<thead>
<tr>
<th># of respondents</th>
<th>0 – 10%</th>
<th>11 – 20%</th>
<th>21 – 30%</th>
<th>31 – 40%</th>
<th>40%+</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>16</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

Median: 15%
Mean: 19%
What incentive compensation structure components are included in the sales incentive plans? *(Respondents were allowed to select multiple options)*

### Compensation Components by Company Size

- **Commission**
  - Small Companies (n=19): 60%
  - Medium Companies (n=14): 79%
  - Large Companies (n=10): 79%
  - Overall: 95%

- **Quota-based**
  - Small Companies (n=19): 71%
  - Medium Companies (n=14): 79%
  - Large Companies (n=10): 90%
  - Overall: 81%

- **MBOs**
  - Small Companies (n=19): 29%
  - Medium Companies (n=14): 40%
  - Large Companies (n=10): 19%
  - Overall: 19%

- **Relative-based**
  - Small Companies (n=19): 7%
  - Medium Companies (n=14): 9%
  - Large Companies (n=10): 2%
  - Overall: 9%

- **Other**
  - Small Companies (n=19): 0%
  - Medium Companies (n=14): 0%
  - Large Companies (n=10): 2%
  - Overall: 2%

*Other includes “Margin etc.”*
How much incentive pay did you plan as payout for top performing Inside Sales representatives in your most recently completed fiscal year?

**Median Ratio**

- **Large Companies (n=10)**: 1.65
- **Medium Companies (n=14)**: 1.75
- **Small Companies (n=19)**: 2.00
In your most recent fiscal year, what capping mechanisms, if any, did you use to limit the amount of incentive pay earned for the year? (Respondents were allowed to select multiple options)

Capping Mechanism by Company Size

- **No cap and no “decelerator”**
  - Overall: 84%
  - Small Companies (n=19): 67%
  - Medium Companies (n=14): 14%
  - Large Companies (n=10): 12%

- **“Per deal” cap applied to each sale separately**
  - Overall: 40%
  - Small Companies (n=19): 11%
  - Medium Companies (n=14): 14%
  - Large Companies (n=10): 20%

- **“Decelerator” that slows earning increases**
  - Overall: 21%
  - Small Companies (n=19): 20%
  - Medium Companies (n=14): 21%
  - Large Companies (n=10): 12%

- **Absolute cap on incentive earnings**
  - Overall: 21%
  - Small Companies (n=19): 20%
  - Medium Companies (n=14): 21%
  - Large Companies (n=10): 12%

- **Other**
  - Overall: 5%
  - Small Companies (n=19): 0%
  - Medium Companies (n=14): 0%
  - Large Companies (n=10): 10%
For your most populous Inside Sales role, do you have separate product and services targets/quotas as part of your incentive plan?

- 10% of respondents
- 57% of respondents
- 37% of respondents
- 40% of respondents
- 36% of respondents
- 32% of respondents
- 50% of respondents
- 7% of respondents
- 32% of respondents
- 5% of respondents

We only sell one of the two
No, we combine services with products

- Large (n=10): 10% Yes, 40% We only sell one of the two, 50% No, we combine services with products
- Medium (n=14): 7% Yes, 57% We only sell one of the two, 36% No, we combine services with products
- Small (n=19): 32% Yes, 37% We only sell one of the two, 32% No, we combine services with products
What is the average annual revenue quota for your most populous Inside Sales role?

**Annual Inside Sales Quota by Company Size**

- **Max** - **Median** - **Min**
  - **Large Companies (n=10)**: 6.0 - 2.1 - 1.0
  - **Medium Companies (n=14)**: 2.8 - 1.0 - 0.3
  - **Small Companies (n=19)**: 1.5 - 0.7 - 0.2

**Avg. annual quota for all companies with license fee structure (n=21): $1.8M**

**Avg. annual quota for all companies with subscription and other fee structure only (n=22): $0.775M**
For the most populous Inside Sales role, do you have a maximum deal value that they are allowed to handle?

If Inside Sales closes a deal that is over the maximum deal value, how are they compensated?

Other includes: “Full Metric 1 Credit (higher commission rate) up to the $100K “cap” plus a smaller Metric 2 credit (lower commission rate) for the full order value”
In addition to the incentive plan, what other reward vehicles has your company used in your most recent fiscal year for Inside Sales roles?

**Additional Reward Vehicles by Company Size**

- **Contests/SPIFFs**
  - Small Companies (n=19): 79%
  - Medium Companies (n=14): 93%
  - Large Companies (n=10): 90%

- **Recognition plans**
  - Small Companies (n=19): 53%
  - Medium Companies (n=14): 86%
  - Large Companies (n=10): 90%

- **Long-term incentives**
  - Small Companies (n=19): 42%
  - Medium Companies (n=14): 50%
  - Large Companies (n=10): 50%

- **Profit-sharing / gain-sharing / company-wide plans**
  - Small Companies (n=19): 5%
  - Medium Companies (n=14): 7%
  - Large Companies (n=10): 0%

- **Other**
  - Small Companies (n=19): 5%
  - Medium Companies (n=14): 14%
  - Large Companies (n=10): 10%

Other includes “quarterly bonus above and beyond OTE, rewards program, performance based salary increases”
Sales Development
What activities does your Sales Development role conduct?

### By Company Size
(Based on Revenue)

- **Large Companies** (n=11):
  - Mostly outbound: 82%
  - Mostly inbound: 18%
- **Medium Companies** (n=14):
  - Mostly outbound: 71%
  - Mostly inbound: 21%
- **Small Companies** (n=22):
  - Mostly outbound: 55%
  - Mostly inbound: 14%
  - Both inbound and outbound: 32%

### Overall
(n=47)

- Mostly outbound: 26%
- Mostly inbound: 9%
- Both inbound and outbound: 66%
How are Sales Development roles organized/structured?

(Respondents were allowed to select multiple options)

By Company Size
(Based on Revenue)

<table>
<thead>
<tr>
<th>Company Size</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Companies</td>
<td>56%</td>
</tr>
<tr>
<td>Medium Companies</td>
<td>90%</td>
</tr>
<tr>
<td>Small Companies</td>
<td>83%</td>
</tr>
</tbody>
</table>

Overall
(n=47)

- 26%: Inbound and outbound activities are separated into different roles
- 74%: Same Sales Development role does inbound and outbound activities
What are the metrics used to evaluate performance of the Sales Development group? *(Respondents were allowed to select multiple options)*

- **Quality of leads/conversion rate**: 57%
- **Number of leads**: 53%
- **Number of appointments set**: 51%
- **Pipeline contribution**: 49%
- **Revenue from lead activity**: 43%
- **Number of activities (calls, connects etc.)**: 36%
- **Other**: 15%

Other includes: “# of opportunities generated, Alignment to sales leader revenue, accounts closed, combined revenue of AE team”
What is the exemption status of the Sales Development role?

Exemption Status by Company Size

<table>
<thead>
<tr>
<th>Company Size</th>
<th>Exempt</th>
<th>Non-Exempt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Companies</td>
<td>36%</td>
<td>64%</td>
</tr>
<tr>
<td>Medium Companies</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Small Companies</td>
<td>18%</td>
<td>82%</td>
</tr>
</tbody>
</table>

% of respondents
What was the total turnover rate for Sales Development roles at your company during the most recently completed fiscal year?

Sales Development Role Turnover Rate
(n = 47)

- Median: 15%
- Mean: 23%

<table>
<thead>
<tr>
<th>Turnover Rate</th>
<th># of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 10%</td>
<td>21</td>
</tr>
<tr>
<td>11 – 20%</td>
<td>7</td>
</tr>
<tr>
<td>21 – 30%</td>
<td>6</td>
</tr>
<tr>
<td>31 – 40%</td>
<td>5</td>
</tr>
<tr>
<td>40%+</td>
<td>8</td>
</tr>
</tbody>
</table>

Voluntary and Involuntary turnover
Incentive Compensation Issues
Which of the following are your company’s most difficult compensation problems for your Inside Sales team?

<table>
<thead>
<tr>
<th>Issue</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quota setting fairness</td>
<td>46%</td>
</tr>
<tr>
<td>Competitiveness of total pay levels with the market</td>
<td>44%</td>
</tr>
<tr>
<td>Sales forecast accuracy</td>
<td>42%</td>
</tr>
<tr>
<td>Adequate upside opportunity to motivate and retain top performers</td>
<td>33%</td>
</tr>
<tr>
<td>Incentive plan complexity and/or rep comprehension of the plan</td>
<td>27%</td>
</tr>
<tr>
<td>Efficient incentive compensation administration</td>
<td>25%</td>
</tr>
<tr>
<td>Data availability to accurately assess performance</td>
<td>25%</td>
</tr>
<tr>
<td>Effective communication of the incentive compensation plan</td>
<td>15%</td>
</tr>
<tr>
<td>Competing with the field or other sales teams for quota credit</td>
<td>12%</td>
</tr>
<tr>
<td>Incentive plan not motivational enough, or motivating incorrectly</td>
<td>12%</td>
</tr>
<tr>
<td>Compensation adjustments to reflect localized differences</td>
<td>10%</td>
</tr>
<tr>
<td>Incentive compensation payouts not aligned to corporate performance</td>
<td>10%</td>
</tr>
<tr>
<td>Reclassifying FLSA status of Inside Sales personnel</td>
<td>6%</td>
</tr>
</tbody>
</table>
About ZS Associates

ZS Associates is a global management consulting firm specializing in sales and marketing strategy, operations and execution.

ZS is the largest sales compensation design consultancy in the world, bringing more than 30 years of experience delivering services and solutions to address complex sales compensation issues. We have served clients in more than 70 countries and delivered over 1000 compensation engagements, managing more than $1.3B in sales compensation payouts annually.

For more information, please visit our website www.zsassociates.com and our blog: The Carrot: ZS Perspectives on Sales Compensation
About Reality Works Group

Reality Works Group is a recognized pioneer in digital/social and inside sales strategy and implementation consulting.

We have helped over 500 companies from start-ups to global enterprises design, launch and measurably improve process-driven and technology-enabled sales teams.

We’d love to hear about you. Call us at (510) 749-9073 or engage with us on email (info@realityworksgroup.com) or your favorite social platform. Visit us on www.realityworksgroup.com.