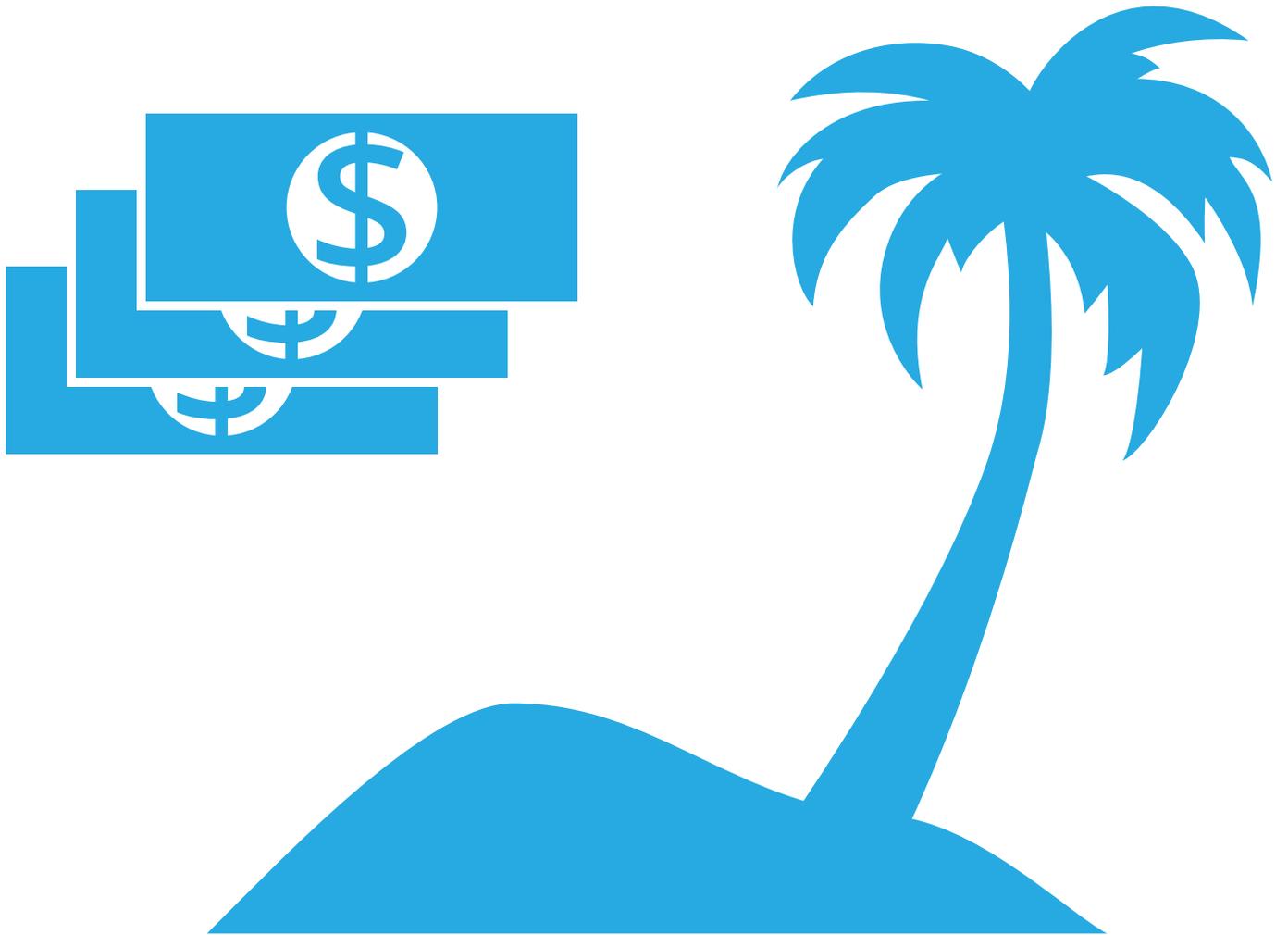


Optimal Sales Incentives Research



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ABOUT THE RESEARCH TEAM

LEAD ROLES

James W. Phillips, Lead Researcher

James W. Phillips joined InsideSales.com in April 2013 as a Business Intelligence Analyst. In this role he is responsible for conducting research on company and industry level questions in order to promote InsideSales.com's position of innovation and leadership. Prior to InsideSales.com, James was a PhD student at Rice University where he conducted and published his own original research. Prior to his doctoral studies, he received his MS at Brigham Young University where he taught research methods undergraduate coursework and received several student awards as well as grant fundings.

David Elkington, CEO and Co-Founder of InsideSales.com

David Elkington has a rich background in technology, venture capital and corporate development. As CEO and Chairman, he has led InsideSales.com to consecutive 50-100% year-over-year growth rates, starting with the company's inception in 2004. David has been active in the evolution and definition of the inside sales industry and speaks regularly. He is co-author of the groundbreaking Lead Response Management industry study, done in conjunction with James Oldroyd, PhD (visiting Research Fellow at M.I.T.). David has co-authored articles that have appeared in *Harvard Business Review*, *Kellogg School of Management*, *Forbes*, and other academic and industry publications. He is recognized both locally and nationally as a leader and entrepreneur in the cloud computing and inside sales/remote selling spaces.

Prior to InsideSales.com, David co-founded Integr8ted Technology Solutions, LLC, a leading e-business consulting and application development firm. Before Integr8ted, he co-founded and served as Director of Business Development for Everfill, Inc., an e-Health distribution company, until the sale of the company. Prior to his entrepreneur years, David worked as a financial analyst for the investment bank firm of Deutsche Bank Alex Brown, in their Baltimore, MD, office. David has also held positions with Merrill Lynch and MiraQuest Capital (a healthcare technology venture capital firm).

David serves on the board of ProvoTechX, on the advisory board of the American Association of Inside Sales Professionals (AA-ISP), and on the BYU CVLC advisory council. He has a background in computer science and holds a Bachelor of Arts degree in Philosophy from Brigham Young University, with minors in Business, Japanese, and Hebrew.

Ken Krogue, President and Co-Founder of InsideSales.com

Kenneth Krogue co-founded InsideSales.com in November 2004, where he currently leads the marketing, business development, consulting, education, implementation, and support departments. In this role, he is responsible for working with the Chairman and Chief Executive Officer to set the vision and strategy for the company, as well as overseeing all day-to-day sales and marketing operations. Ken brings more than 24 years of experience in sales, development, and marketing in both domestic and international markets.

Prior to joining InsideSales.com, Ken was one of the original founders of UCN, now inContact (NASDAQ:SAAS), where he held a number of positions including Chief Operating Officer. Prior to inContact, he built and directed the inside sales division at FranklinCovey (NYSE:FC), a leading provider of time and life management training systems. Ken has received many industry awards including being recognized among the Top 25 Most Influential Inside Sales Professionals in 2010 and 2012 by the American Association of Inside Sales Professionals (AA-ISP).

Ken is a weekly contributor to Forbes.com and an active thought leader in the inside sales industry. His personal blog is the top ranked blog in the world on the topic of inside sales. Ken speaks to audiences about twenty times a year around the country. He founded and served from 2010 to 2011 as the President of the Salt Lake City Chapter of AA-ISP. Ken attended the United States Naval Academy in Annapolis, MD, and earned a BS in Psychology from the University of Utah.

SUPPORTING ROLES

William Krohn, Business Intelligence Manager
James Siebach, PhD, Senior Research Fellow
Ben Warner, Business Intelligence Analyst
Scott Humphries, Graphic Designer

OPTIMAL SALES INCENTIVES RESEARCH

RESEARCH OVERVIEW

Many organizations incentivize their professional sales representatives to perform their best, using compensation, perks, bonuses, prizes, and other rewards for their work. Often, companies offer a “club” incentive for their elite sales professionals, which often involves a special vacation destination. Companies ascribe the names of “Summit Club” or “President’s Club” to these special vacation destinations. In this research we analyze the preference, motivational effects, and job satisfaction patterns related to the sales club incentive.

BACKGROUND

The sales club incentive is important to a successful sales team experience. It is appropriate to reward success that comes with the rare blend of perseverance, empathy, ambition, and adaptability amidst a high stress business setting. As a salesperson displays a track record of optimal achievement for an extended period of time, a vacation destination incentive is fitting.

Like many workplace incentives, executives often strive toward optimal practices. The club incentive is nuanced in terms of the requirements to get in, the destinations that people prefer, whether it truly motivates the sales rep or not, the degree that the incentive presents job satisfaction, and the degree that the incentive is associated with job performance. In this report, we investigate each of these topics in depth and offer recommendations to management.

This research also displays several interesting findings on how various title levels perceive the club incentive, and concludes with correlational findings between motivation, preference, and performance which offers an encouraging note for business leaders who are considering implementing the club incentive.

METHODOLOGY

DATA

The data for this research comes from a survey of 118 sales professionals who comprise about a third each of the professional, managerial, and executive title levels. These respondents were not incentivized for providing their responses, aside from a copy of these results upon completion of the study.

ANALYSIS

The analysis of this research primarily consists of reporting the aggregate respondent results for each of the questions. For the sections involving title-level and company size groupings, a cross-tabulation approach is used to display the trends of specific subgroups of company size and title level.

Additionally, a t-test of significant mean difference and a Pearson's correlation coefficient are used to compare the differences among motivation, job performance perception, and job satisfaction perceptions of the club incentive. These analyses are explained in more detail within the subsequent research sections.

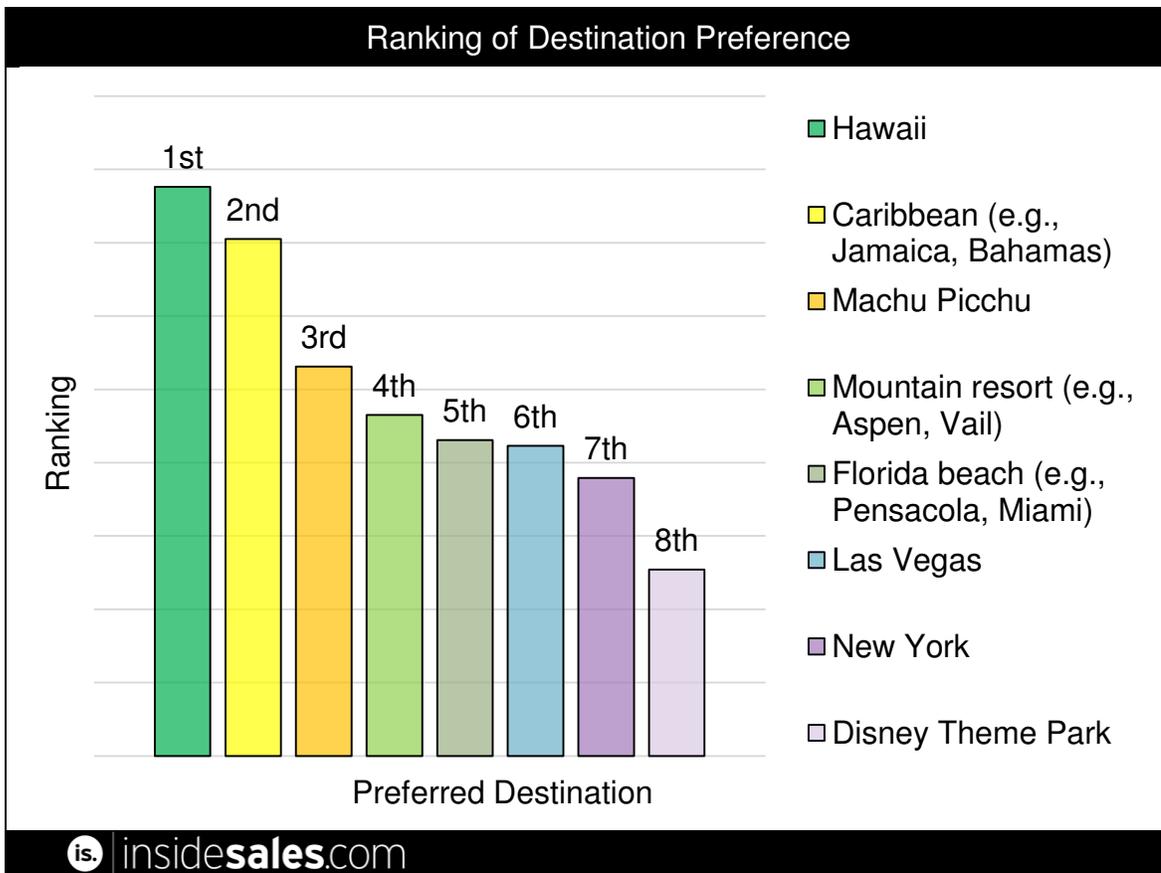
OPTIMAL SALES INCENTIVES

In the following sections we outline the research findings that are most important to understanding the best practices surrounding the club incentive for salesperson performance.

PREFERRED DESTINATIONS

For many organizations, management chooses a variety of destinations to reward their elite sales persons. We asked the managers and salespersons alike which destinations were most preferred, and we found that Hawaii is the top-preferred destination.

Additionally, the following graph is depicted using a weighted scoring preference, which means that the degree of preference is portrayed in the distance between each of the destinations. For example, the 2nd and 3rd place destinations show a wide disparity in preference, while the 5th and 6th place destinations are much closer in preference.

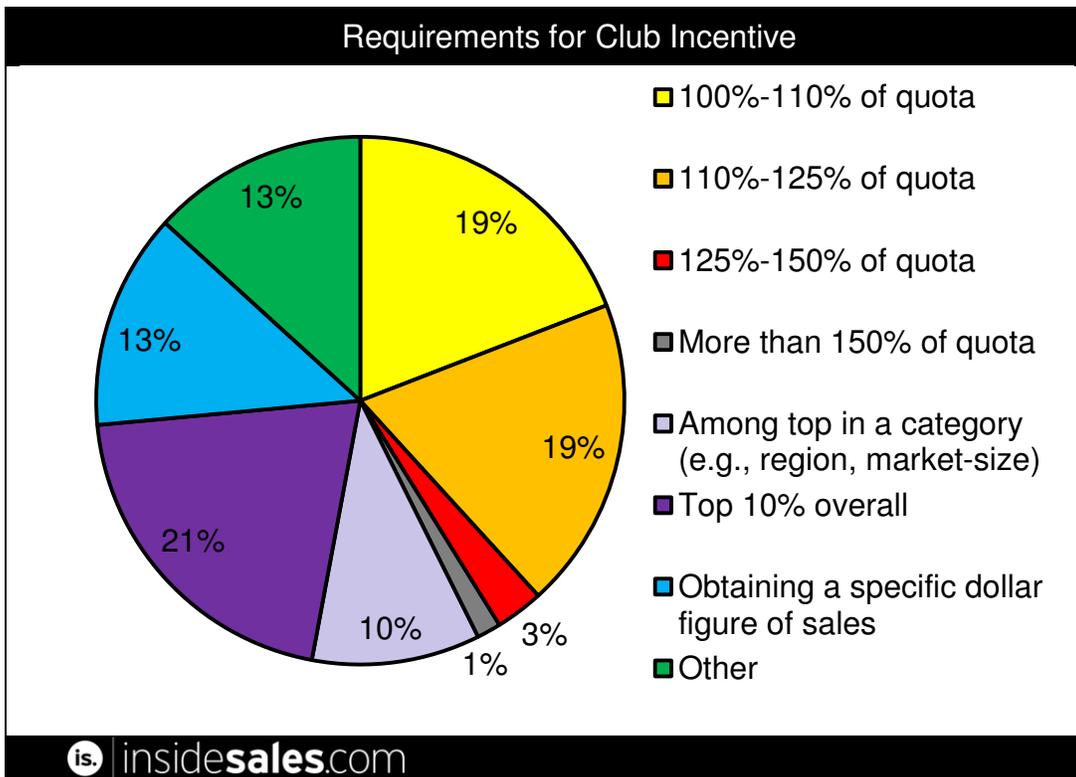


ENTRANCE REQUIREMENTS

Many companies offer the club incentive for their sales professionals; however, the requirements to receive the incentive vary widely from one organization to the next.

We found that the most common requirements was to be in the top 10% of overall quota attainment among all sales persons, followed by a tie between achieving 100-110% of quota and 110-125% of quota. These entrance requirements comprise about 59% of all of the requirements, which offers two meaningful interpretations.

First, sales professionals who have met the club incentive requirements are either in the 100-125% or the top 10% overall of quota attainment. Second, companies who are considering the incentive would do best to consider these thresholds, which may be considered as industry standards. According to our research, these cut-off points are used by 59% of companies.



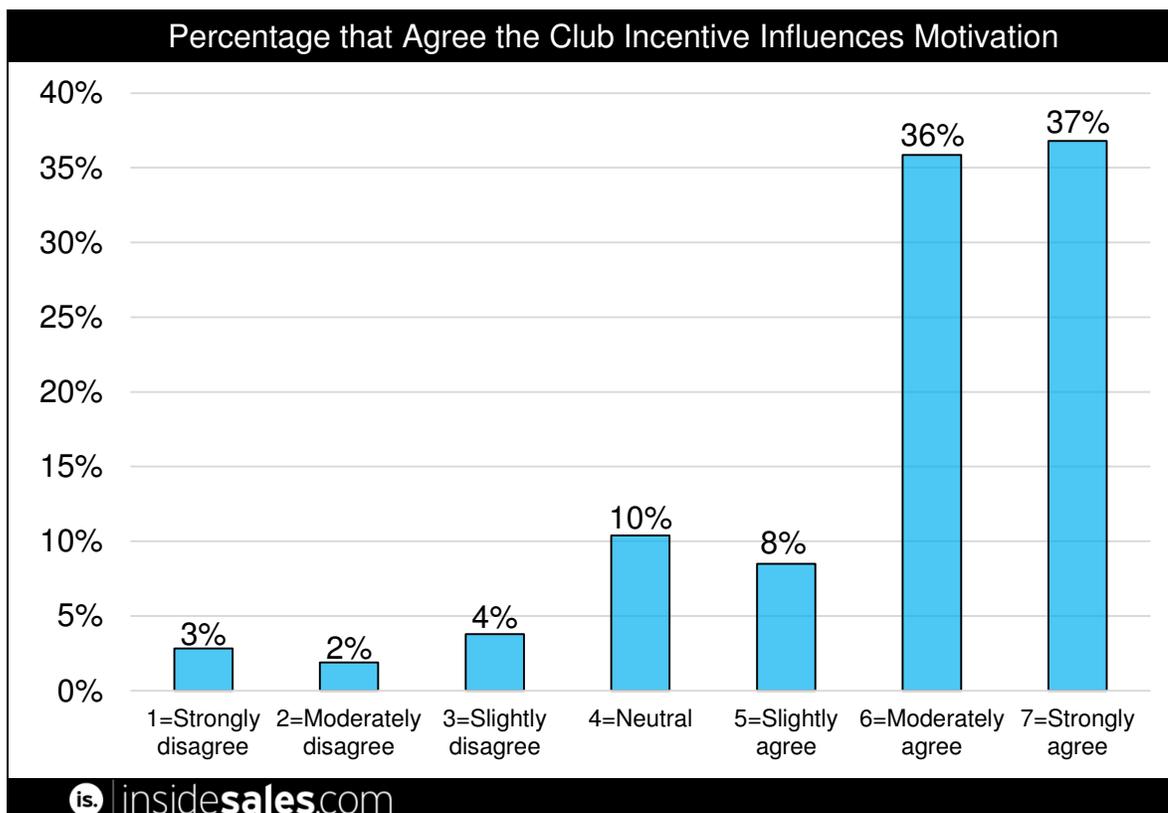
MOTIVATION

One of the key questions that management and executives have is whether employees perceive the club incentive to influence their motivation to work hard.

In the following chart, we present the responses to the question, “Would you agree that the President’s Club incentive influences your motivation to work hard?” Each of the responses corresponds to a number between 1 “Strongly Disagree” to 7 “Strongly Agree.”

The most common response was strongly agree, while the average response we received was 5.7, which means that the typical response of whether the club incentive influences motivation to work hard is close to “moderately agree.”

These results mean that sales professionals generally agree that the club incentive influences their motivation to work hard. Managers who are interested in ways to motivate their sales staff would should notice the overwhelming agreement—from the sales professionals and management alike—that the club incentive is motivating the sales staff.

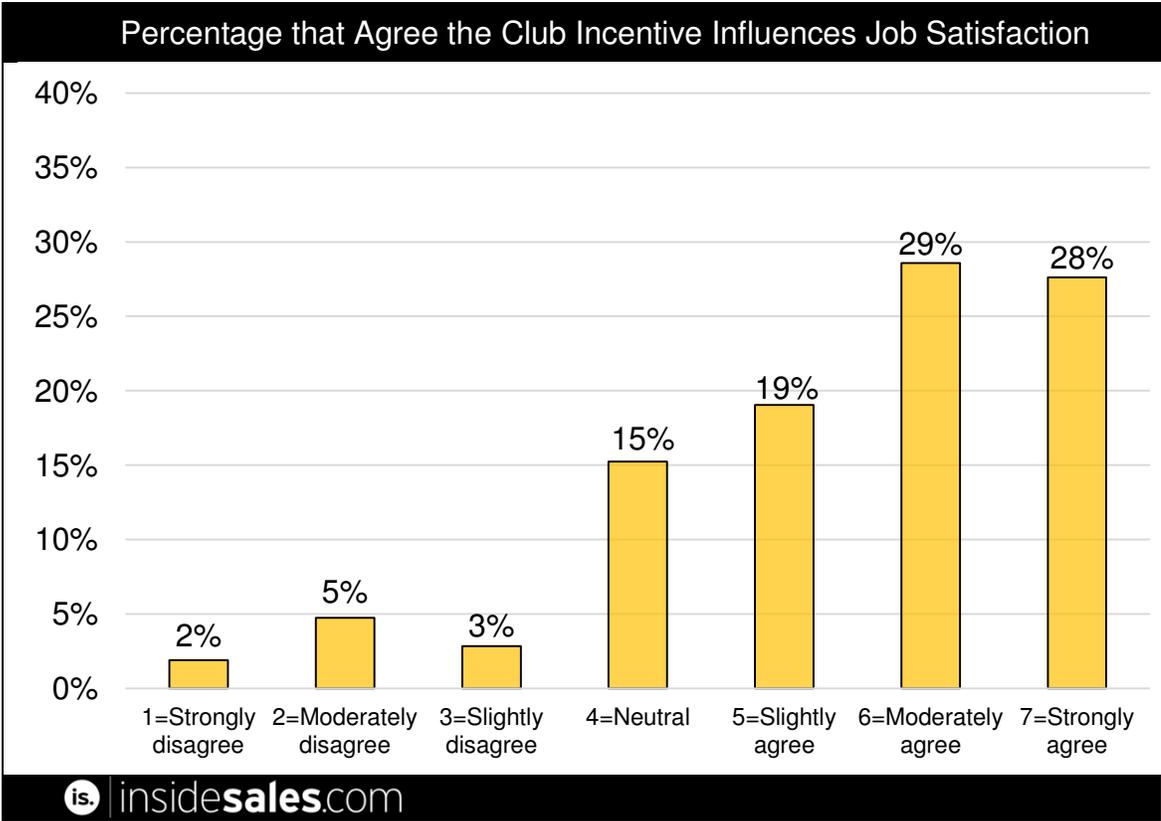


JOB SATISFACTION

Another key question regarding the club incentive that sales professionals might consider is whether people perceive an effect on job satisfaction.

In the following chart, we present the responses to the question, “Would you agree that the President’s Club incentive influences your overall job satisfaction?” Each of the responses corresponds to a number between 1 “Strongly Disagree” to 7 “Strongly Agree.”

The most common response was moderately agree, while the average response we received was 5.4, which means that the typical response of whether the club incentive influences job satisfaction is close to “slightly agree.” The general consensus from this research is that most sales staff and management agree that the club incentive has a strong association with job satisfaction.

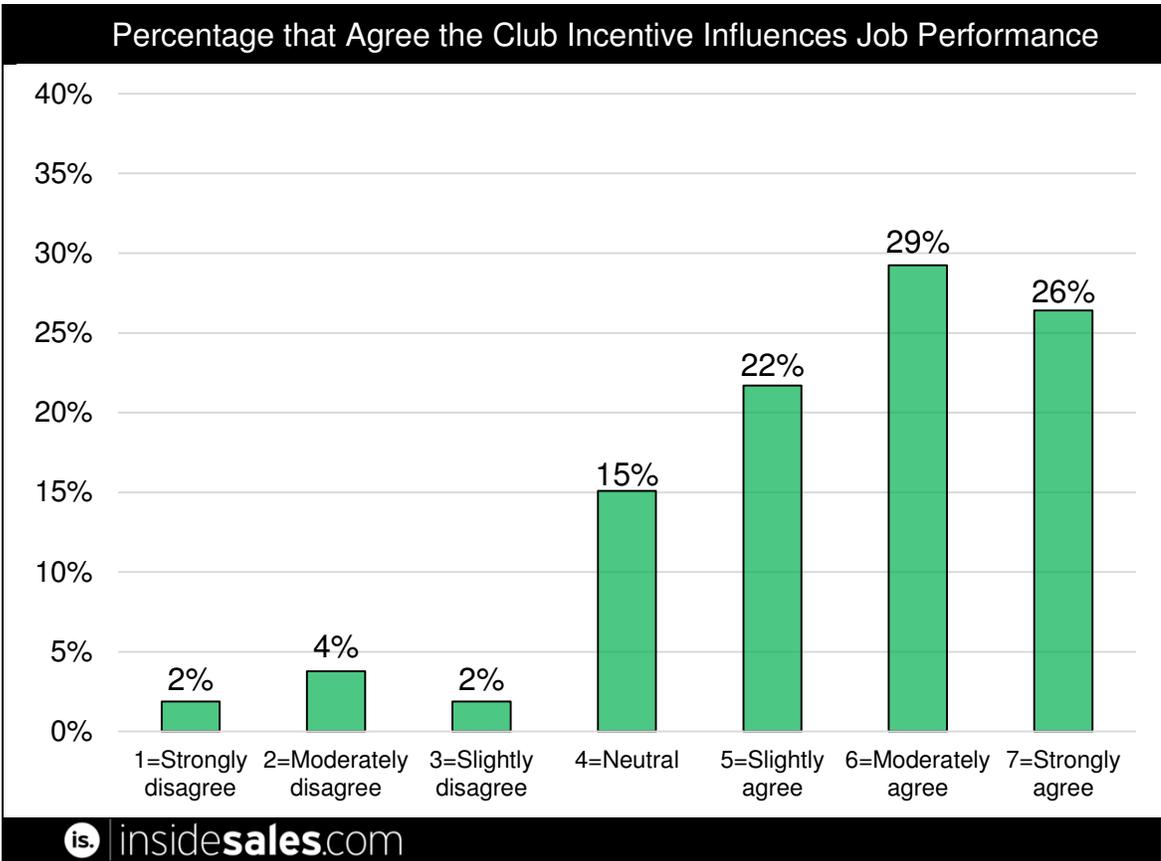


JOB PERFORMANCE

Oftentimes, business managers examine whether the club incentive has an effect on sales performance for their team of sales professionals. Understanding the link between the club incentive and sales performance is important in knowing the best practices for successful sales teams.

In the following chart, we present the responses to the question, “Would you agree that the President’s Club incentive influences your overall job performance?” Each of the responses corresponds to a number between 1 “Strongly Disagree” to 7 “Strongly Agree.”

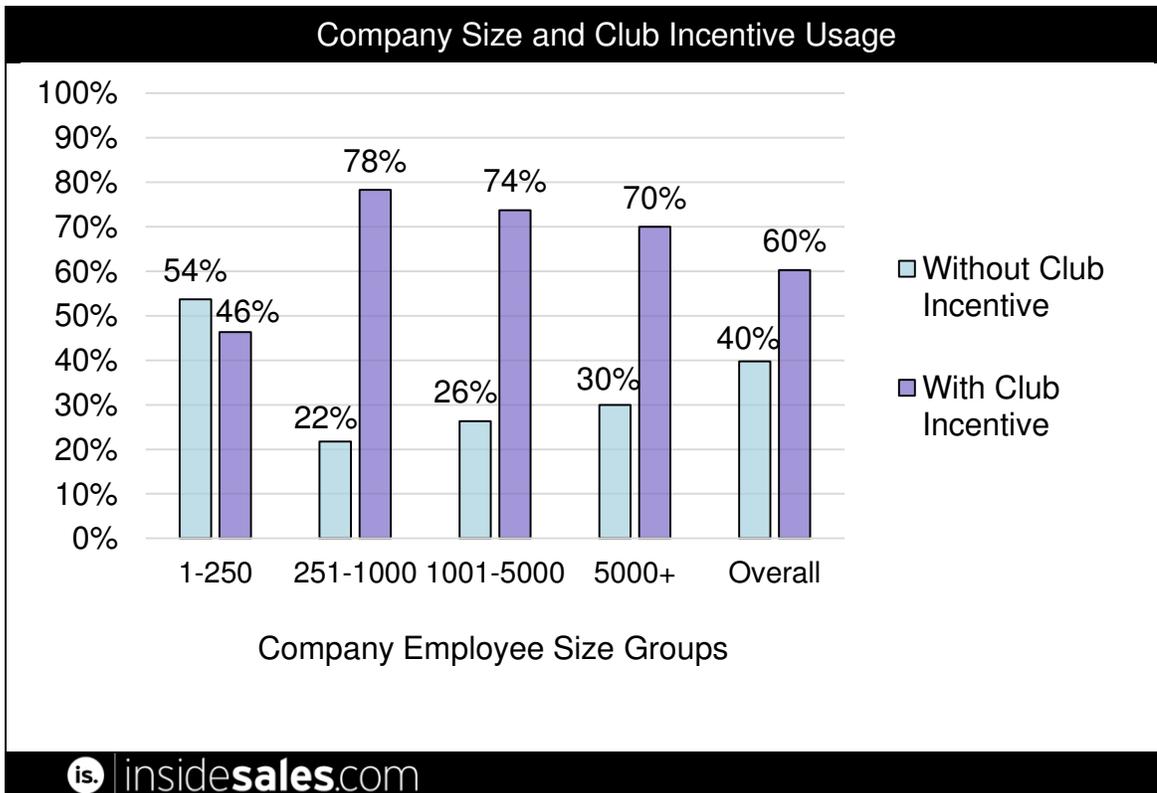
The most common response was moderately agree, while the average response we received was 5.4, which means that the typical response of whether the club incentive influences job performance is close to “slightly agree.” Overall, both managers and sales staff tend to agree that the club incentive is moderately associated with positive job performance.



COMPANY SIZE PRACTICES

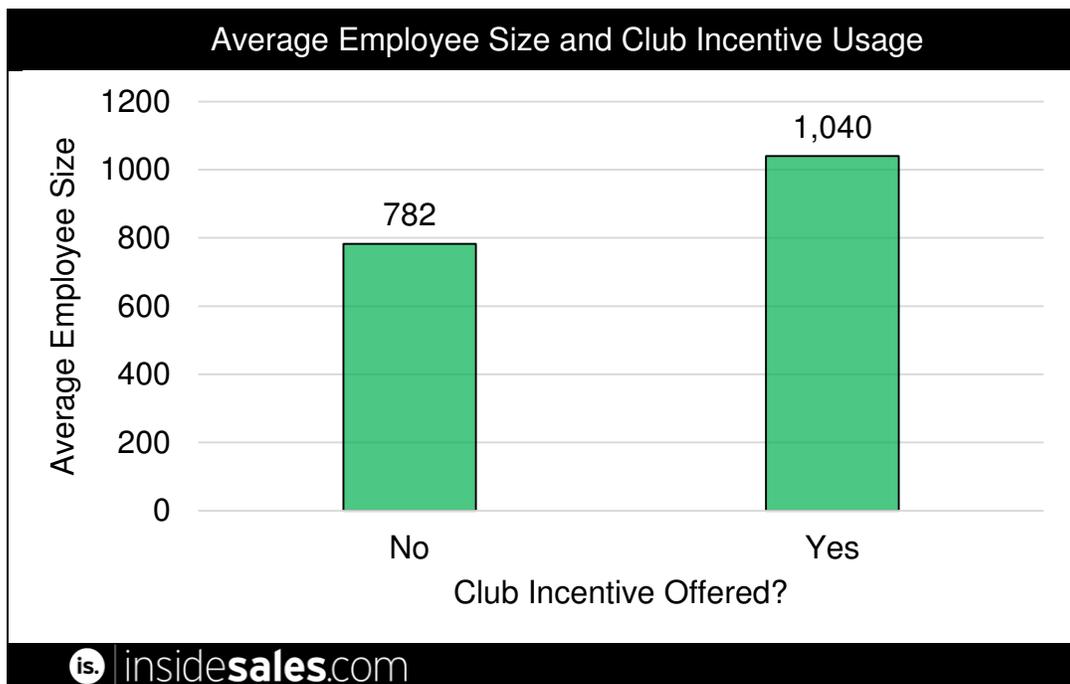
Naturally, the club incentive is used differently across various company sizes. For the smallest company sizes, those who have 1-250 employees we find that the majority (54%) do not have a club incentive program. However, among companies who have 251-1000 employees, about 78% of these companies have a club incentive.

Overall, about 60% of companies are using a club incentive for their sales team, which shows a frequent and widespread usage of this tool to reward optimal sales performance. Given the gap in usage between the 1-250, and 251-1000 employee size companies, we can conclude that the club incentive is widely used as soon as company size and resources allow.



Company Size Averages

In continuing the analysis of the sizes of companies who use the club incentive, we find the following aggregate measures. Of all the companies we surveyed who responded “No” to having a club incentive, these companies have an average employee size of 782. Of all the companies we surveyed who responded “Yes” to having a club incentive, these have an average employee size of 1,040.



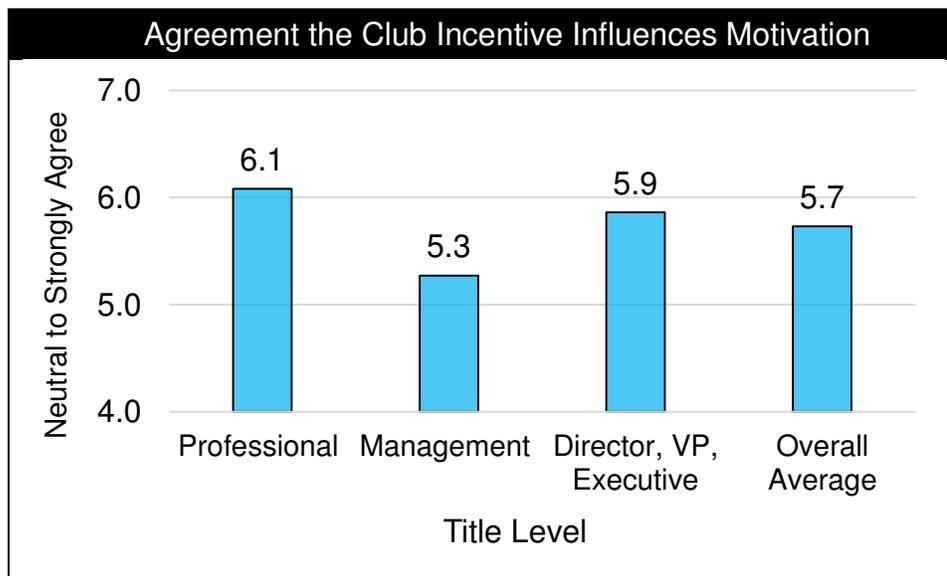
TITLE LEVEL PERCEPTIONS OF MOTIVATION

During analysis an interesting finding arose among the various title levels who each perceive the club incentive differently. In short, depending on the title level of the respondent, some types of employees agree that the club incentive is more motivating to sales representatives compared to others.

The following graph displays the title level comparisons of three employee groups: professionals, managers, and director/VP/executives. As described in the previous sections, the scaling of whether one agrees that the club incentive is motivating to sales motivation ranges from, 1 “Strongly Disagree” to 7 “Strongly Agree.” In the following graph, we present the scaling as follows:

- 4= Neutral
- 5= Slightly Agree
- 6= Moderately Agree
- 7= Strongly Agree

In this graph we find that the managerial title level has the lowest perception level that the club incentive motivates sales professionals.¹



¹ We conducted a t-test to assess whether the management perception of motivation was statistically significantly different from the other title level groups. We did find that the managers' perception was statistically distinct ($p < .05$) when compared to the professional title group's average perception. This means that managers have a uniquely departed perception compared to the professional title level.

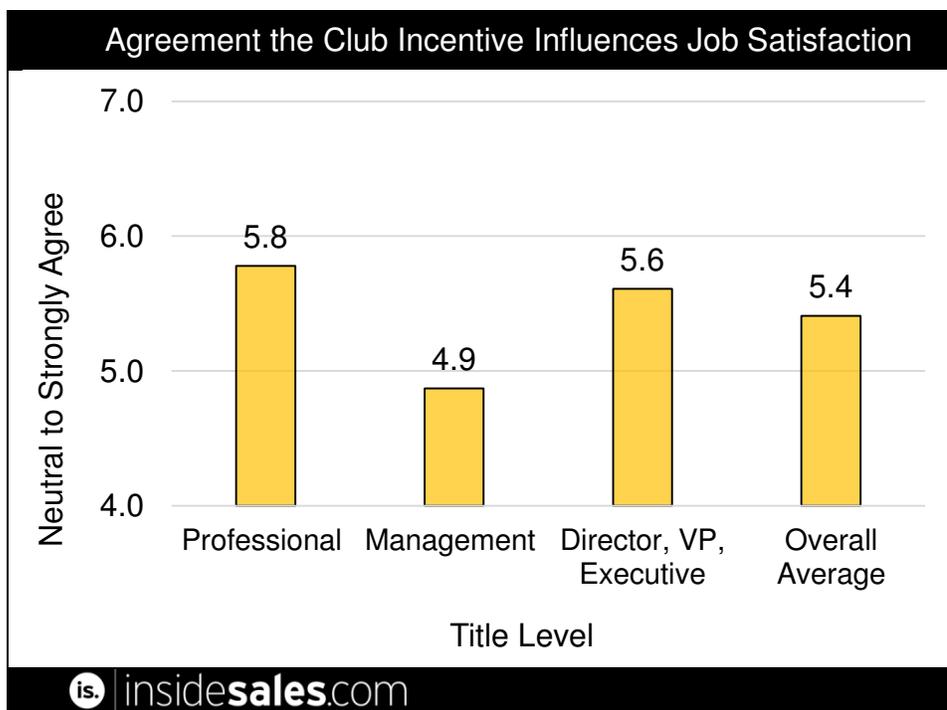


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JOB SATISFACTION

Similar to the previous section, we notice a moderate amount of sub-group variation among various title levels on whether the club incentive influences job satisfaction.

The professional title level group presents the strongest agreement that the club incentive positively influences job satisfaction. The professional title level is similar to the director/VP/executive title level perception. However, the management group perceives the club incentive to have the least impact on job satisfaction², with an aggregate perception closely aligned to “Slightly Agree.”

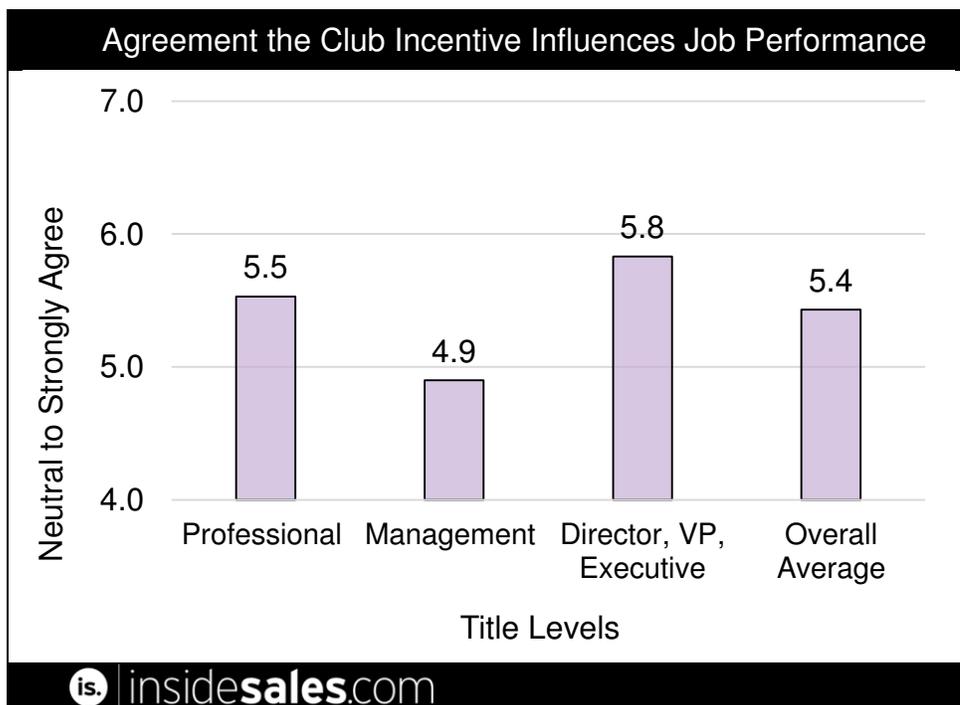


² A t-test of mean difference found that the management title level has a statistically significant difference between the professional title level group ($p < .05$). This means that managers have a unique perception that is distinct from the professional group.

JOB PERFORMANCE

We also examined title-level variation on whether the club incentive influences job performance. Similar to job satisfaction and motivation, the management group perceives the impact of the club incentive less than other groups. However, the difference is not as pronounced here when examining job performance.

The director/VP/executive title level group holds the club incentive in the strongest esteem with regards to its impact on job performance with an aggregate perception close to “Moderately Agree.”



CORRELATION FINDINGS

In a final note of the impact of the club incentive, we found a high degree of correlation among the perceptions of incentive impact on motivation, job performance, and job satisfaction.

By definition, a correlation occurs when two items are dependent on one another or have a mutual connection. Conversely, a correlation is absent when two items are independent and have no meaningful relationship.

A correlation is said to be strong when exhibiting a coefficient above 0.5. In our statistical analyses, we found several closely correlated relationships between motivation, job satisfaction, and job performance.

Motivation correlates with job satisfaction at $\rho=.71$, which means that motivation accounts for 71% of the perception of job satisfaction. Motivation is also correlated with job performance at $\rho=.76$.

Finally, a very strong correlation exists between the perceptions of job satisfaction and job performance, where $\rho=.82$. Those that perceive the club incentive to impact job satisfaction to a specific degree are highly likely to perceive the club incentive to impact job performance to that similar degree.

ABOUT INSIDESALES.COM

The firm conducting this research is a sales acceleration technology company, InsideSales.com. While many companies offer some improvement to some steps of the sales sequence, InsideSales.com aims to streamline and accelerate all processes pertinent to sales by addressing the following:

1. **Communication.** Through software and dialing solutions, InsideSales.com allows reps to communicate most effectively throughout the sales sequence.
2. **Gamification.** Using a fun, interactive system of displaying work metrics, Insidesales.com technology helps address the human needs of the sales reps through a gamified work metric platform.
3. **Prediction.** Through analysis of millions of anonymized sales transactions, InsideSales.com now provides intelligent predictions of sales outcomes. In other words, the next lead is no longer random, rather, it is based on research most associated with successful business.
4. **Data Visualization.** Soon to be released technology will allow real-time data visualization in a user-friendly, 3D visualization which allows reps and managers to measure activity and intensify the sales process.

For more information, please visit InsideSales.com.