

# Structuring Incentives FOR Customer Success



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FOR

# Customer Success



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## INTRODUCTION

# Do incentive plans work?

To run a successful business, a solid strategic plan is job one. But executing to plan is a whole other story. In fact, studies have found that 66-75 percent of large organizations struggle to implement their strategies.

In his book, *Excellence in Execution: How to Implement Your Strategy*, Robin Speculand provides four key steps for achieving excellence in the execution of strategic plans:

1. Engage in constant communication
2. (Re)allocate resources
3. Establish effective measures
4. Hold employees, especially managers, accountable

But, in addition to having the right strategic plan, measures, people and technologies in place, what else can you do to achieve success? One extremely effective method is to deploy a well-thought-out incentive structure for your internal teams. And when it's relevant, for your customers.

Why? Because incentives work.

A properly built incentive plan helps focus employee attention and drives performance. And incentive programs, when done properly, have a direct impact on employee engagement, which in turn directly impacts your bottom line. **This is a big deal because companies with highly engaged employees have 2x the net income of companies who lag behind in engagement.**

For customers, providing incentives to hit key milestones, such as onboarding completion, gets them to value from your product faster, which results in quantifiable success for both your customer and your company.

**Incentives can drive a**  
**30%**  
**increase in productivity.**

LOCKE ET AL



STRUCTURING INCENTIVES  
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# Create More Engaged Internal Teams

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# For best results make it personal, keep it simple...

Research shows that it takes very little pay at risk to drive a performance improvement—in some cases as little as 5% is enough to focus employee attention. This makes incentives a powerful tool in getting your teams to perform to goal.

When setting up an incentive plan for your internal teams, **the majority of incentives should be based on individual achievement.** Team rewards are great for recognition and can reduce turnover, but they can lead to a loss of motivational impact on individual behavior. **Incentives should be:**

1. **Tied to your strategic objectives.**
2. **Aligned with key accountabilities of the role.**
3. **Measured at the level at which results are generated (individual, small team, division, etc.).**
4. **Trackable based on existing systems.**
5. **Three or fewer in number.**

Why the Rule of 3? Research by Xactly has shown that once you exceed three measures, overall performance against all measures starts to drop. This is in sync with research on multitasking or distracted driving—when we put too many inputs into our brains, our overall performance suffers.

One more thing: **it's critical to figure out what results you're trying to achieve and plan your incentive budget accordingly** (versus coming up with a top-down budget and shoehorning your incentive program into it).

## CREATE MORE ENGAGED INTERNAL TEAMS

# ...and make incentives achievable and clear.

Once you have your objectives in mind, create measures that your Sales, Customer Onboarding, and Customer Success teams can truly impact, such as:

- Capturing of key data that is required, or can be leveraged, along the customer journey, such as: champion and back-up champion information, timelines, customer definition of success, goals, future plans and expectations, etc.
- Hitting milestones on or ahead of schedule.
- Adherence to optimum time frames or quantities of communications.
- Overall scores, such as a Customer Onboarding Score, Customer Health Score, Net Promoter Score (NPS), or Customer Lifetime Value (CLTV).

As you are looking at these measures:

1. Make sure you know which line items in a transaction reflect the appropriate renewal and/or up-sell revenue the team member will own.
2. Don't assign quotas/goals based on measures they do not directly control. This is often referred to as "Line of Sight" and refers to when the team member can "see" the payout for their actions.
3. Determine what periods you should track. For example, if all of your renewals are at year-end, a monthly quota doesn't make sense. Try annual quotas instead.
4. Close up areas for abuse. For example, if a team member can change milestones after the fact, fix it so they can't.

With your measures in place, it's time to structure specific financial incentives for your internal teams.

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“...variable pay programs should be used only to reward tangible results. That's what performance metrics are based on. JOHN RUBINO, Rubino Consulting Services

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# Encourage your sales teams to think out of their box.

The mentality of Sales teams is often that their contribution begins and ends with the sale. When in fact, they should be on the lookout during and after the sales process for ways to ensure a customer is successfully onboarded and set up for the best chance of success in the years to come.

So, **the trick for your Sales team is to structure incentives so they feel vested in a customer's success beyond closed/won** and rewarded for not abandoning the customer as soon as the deal is done—financial incentives (on top of their regular compensation) must tie their variable compensation to targets outside of the initial sale.

Some measures to consider for your Sales team:

- Capturing the key pieces of data required for successful customer onboarding and success.
- On-time or ahead-of-schedule onboarding completion (the faster customer is onboarded, the greater the incentive payout).
- Final Customer Onboarding score above a certain number.
- Customer Health score above a certain number for a certain period of time.
- Customer Lifetime Value (CLTV). For example, set a projected CLTV one year from initial sale and reward accordingly.

# 90%

**of top-performing companies use recognition and rewards to inspire their sales employees and/or channel partners** INCENTIVE RESEARCH FOUNDATION



# Go beyond your sales teams.

While incentive pay is common across executive and sales roles, the addition of other teams to a company's variable compensation strategy has been slower to catch on, which makes it an area of opportunity for companies looking to up their game in today's competitive economy. **Providing financial incentives for team members beyond your sales teams will not only go a long way towards securing revenue and meeting business goals,** it can also play a huge role in attracting and retaining the rockstars you need on your Customer Onboarding and Customer Success teams. Some measures to consider:

### CUSTOMER ONBOARDING

- Capturing, verifying and/or updating the key pieces of data needed for continued success beyond onboarding.
- Hitting desired outcome, usage and adoption targets.
- Achieving communication goals.
- On time or ahead-of-schedule onboarding completion (the faster customer is onboarded, the greater the incentive payout).
- Final Customer Onboarding score above a certain number.
- Identifying expansion opportunities that result in a closed deal.

### CUSTOMER SUCCESS

- Capturing, verifying and/or updating the key pieces of data needed for ongoing success.
- Achieving communication goals.
- Maintaining a Customer Health score above a certain number for a certain period of time.
- Identifying expansion opportunities that result in a closed deal.
- Recruiting existing customers to be advocates for your brand/product.





STRUCTURING INCENTIVES  
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# Get Customers Invested in Their Success

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# Customer incentives will soon be table stakes.

Time-to-Value is the new metric by which B2B and B2C consumers in today's subscription economy will live or die. While companies are beginning to understand this seismic shift and realign their goals, resources, teams, and incentives, customers have yet to realize they have a similar role to play.

All this is to say that in order to be successful, companies need their customers to prioritize spending time and money on onboarding, training, adoption, and curation of their product or service. This makes **the most beneficial customer incentives found in giving them a clear stake in getting up and running and hitting their stated goals**, as this not only rewards them, it also moves them through the journey more quickly.

When meeting your strategic goals (and not getting caught on the back foot by your competitors) depends on a customer being actively involved in the process, the key is to structure incentives that encourage your customer to actively engage in their own success. Some measures to consider:

- Timely meetings, sign-offs, etc.
- Hitting onboarding milestones or adoption targets.
- Expanding initial use case.
- Get creative and set up customer incentives based on the model of revenue sharing/cost saving deal structures. For example, try an "Accountability Bet": Do an ROI calculation with your customer and determine how your product or service will impact their company revenue, including a dollar amount and a date. If they hit that number and date, you pay out the incentive.

# 75%

**of consumers like discounts and offers**

MERKLE / HELLO WORLD





STRUCTURING INCENTIVES  
FOR CUSTOMER SUCCESS

**Show me  
the money?**

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## SHOW ME THE MONEY?

# Cash isn't always the answer for internal teams.

When setting up your internal incentive plan, it's critical to think about what will motivate your team members.

Studies have found that non-cash incentives are preferred by top performers because employees can view cash, even when provided as part of an incentive program, as part of their overall salary and compensation, rather than as a reward in and of itself. That's because cash incentives can get sucked up into paying for groceries or other practical items.

However, when incentivised with something tangible (or even intangible, like recognition), the incentive itself can be more motivating and the effect more lasting. Non-cash rewards can also create an ongoing positive association with your company.

**65% of employees strongly agree that travel and merchandise are remembered longer than cash payments.**

You could also consider a blend of cash and non-cash incentives or giving your team members a choice, e.g., take the headphones or their cash value. (For lower-paid employees, cash incentives over a certain dollar amount may be more motivating.)

## IDEAS FOR NON-CASH INCENTIVES

- Membership in a President's Club or similar. (A great add-on as long as your Customer Onboarding and Customer Success team members will be made welcome by your Sales team.)
- Weekend escapes. (These can be especially motivating for younger members of your team.)
- Electronics such as noise-canceling headphones, Apple watches, bluetooth speakers, etc.
- Branded swag. (Make it name brand and high end.)
- Gift cards, event tickets, or credit at a local coffee shop or restaurant. (These can be extremely effective at driving short-term actions, i.e., goals that can be measured during a single day or week.)

## A WORD ON CONTESTS AND GAMIFICATION

Using gamification, Sales Performance Incentive Funds (SPIFs), and contests can work as long as you make the rewards meaningful and immediate. That said, if you are new to implementing an internal or customer incentive program, we recommend keeping it simple to start.

## SHOW ME THE MONEY?

# But for customers, cash could be the way to go.

Since customer incentives will most likely be going to a company rather than an individual, providing money back (percentage off or lump sum) or something they value, such as early access to discounted training, a discount on additional licenses, more features, etc. will most likely be the way you choose to incentivise customers.

That said, individual incentives can also be effective. Branded swag or a nice in-person dinner (or gift certification) could be just the thing keep your customer engaged and happy. (Known brands tend to be the most desirable, so don't cheap out when it comes to choosing your branded swag.)



*We see our customers as invited guests to a party, and we are the hosts.*

JEFF BEZOS, Amazon

A close-up photograph of two blue darts with gold-colored barrels hitting the bullseye of a target. The target has a black and white checkered pattern. The background is a bright, out-of-focus light source, creating a lens flare effect.

STRUCTURING INCENTIVES  
FOR CUSTOMER SUCCESS

# Building a Program that Gets Results

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# What are you waiting for?

## TOP 5 THINGS TO KEEP IN MIND

When structuring your incentive program:

1. Base incentives on your strategic goals and budget accordingly from the bottom up, not the top down.
2. Ensure that you have the measurement systems in place to objectively and accurately track and report on progress towards goals.
3. The majority of incentives should be based on individual (not team) achievement.
4. Don't overload incentive programs with too many variables (follow the Rule of 3).
5. Make sure the incentive goals are clearly defined and understood by your teams and your customers.

## AN INVESTMENT THAT PAYS OFF

If you are thinking, "All this talk of incentive compensation is great—for my employees and my customers—but how much is it going to cost me?" consider the impact on both staff and customer retention and replacement costs:

- Work Institutes' 2017 Retention Report estimates that it costs as much as 33% of a worker's annual salary to replace them.
- In a study by Price Intelligently, a 1% increase in your acquisition affects your bottom line by about 3.3%. Improving your retention by 1% affects your bottom line by around 7%.

Need we say more?



only  
**14%**  
of organizations  
provide managers  
with the necessary  
tools for rewards and  
recognition

GLOBOFORCE

## CONCLUSION

# You can't afford not to.

If you still need proof of the value of an incentive program for your teams and customers, ask yourself these two questions:

1. What is the cost of attracting and retaining each team member we are considering to incent?
2. What does it cost to keep \$1 of revenue?

The answers to these questions should make it clear that incentives are a low cost way to keep your teams focused and happy and your customers with your company, which in turn will play a large role in your ability to reach your company's strategic and financial goals.

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To learn more about how TaskRay and Xactly can help your company achieve customer success, join us for a [webinar](#) or let us know how we can help at [success@taskray.com](mailto:success@taskray.com) or [info@xactlycorp.com](mailto:info@xactlycorp.com)

## ABOUT TASKRAY

TaskRay is the leading enterprise customer onboarding solution on the Salesforce AppExchange and a proud Salesforce ISV partner. Since 2010, TaskRay has delivered innovative customer onboarding and project management solutions designed to help companies scale their onboarding and implementation processes, drive greater efficiencies, and create unmatched customer experiences—all on Salesforce.

## ABOUT XACTLY

Xactly delivers a scalable, enterprise platform for planning and incenting sales organizations, including sales quota and territory planning, incentive compensation management, and predictive analytics, empowering companies with real-time compensation insights and benchmarking data that maximize the bottom line.

## ABOUT THE AUTHORS



Jamie Cole, TaskRay's VP of Marketing & Product, loves her job because she gets to listen and talk *and* be analytical and creative. Prior to joining TaskRay, Jamie worked in a variety of positions at for-profit and non-profit organizations. In those roles she managed projects across myriad marketing and product disciplines such as branding, campaign management, organizational messaging, product management, digital marketing, content marketing, social media, e-mail and direct mail.



Erik W. Charles is an accomplished professional with over two decades of experience in Marketing, Consulting, and Product Evangelization. As the Vice President, Solutions Evangelist at Xactly, Erik focuses on helping companies drive expansion and growth by better aligning positions, responsibilities, and incentives. He brings a multitude of skills ranging from multinational enterprise firms to small startups, allowing him to craft different models depending on the market, people, and corporate goals.