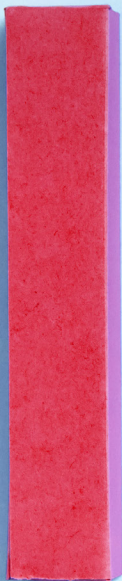
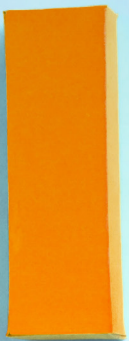


HOW TO BUILD AND RETAIN SALES REPS TO DRIVE TOP PERFORMANCE

A Guide to Supporting Reps at Each Stage of Tenure

EXECUTIVE GUIDE





OVERVIEW

If there was a window into optimal sales rep performance, based on tenure, what would that time frame be?

Xactly has discovered that peak sales rep performance in a company is three to five years. During this stage, it is imperative for an organization to empower and support consistent top performing reps to reach the third year, and not leave the organization before their most productive time. And after reaching the five-year mark, what happens next?

The focus of this piece is on the development of top performers, including what to look for and how to support those reps on their journey. A top performer is typically someone considered in the top 20% of the sales organization. However, it is crucial to not overlook the core performers, or those sales reps that show promise but have yet to fully move the needle. According to the Harvard Business Review, this group is most likely to create a shift in an organization when correctly supported and incentivized.

This executive brief will further explore these themes. The conclusions are based on data points extracted from the Xactly Insights application, a powerful solution which leverages 13+ years of proprietary, pay and performance data to drive intelligence.

THE SCENARIO

Consider the following scenario. Sarah starts working as a sales rep for ABC company. During her first year, she is fully in learning mode; she is learning the products, the industry, and the competitors, and leveraging resources to build her pipeline and hit her quota. She is on a ramped quota, possibly receiving a draw payment. In her second year, Sarah's ideal path should show a continued increase in pipeline and greater quota attainment than her first year. By the time she hits year three, she has entered her "sweet spot" and is consistently exceeding expectations. She is a shining star, an A-level, and will continue to shine between years three to five.

How does ABC Company support and keep Sarah, and other shining stars, motivated to stay with the company and perform at a high level?



YEAR 1: BUILDING A STRONG, SUPPORTED SALES TEAM

In the first year, new reps are typically hungry and anxious to do well. To harness this ambition, managers must support steady learning and growth in a sales function, even if full quotas are not immediately attained. As a sales manager, the main goal is to create fair and balanced territories and competitive comp plans to drive rep behaviors in their first year, focusing on pipeline growth and ramp up to start closing deals. The following data-driven approach to sales performance management in year one can be used to drive appropriate behaviors:

- 1. Benchmark against industry peers.** From the outset, a well-built comp plan should be fair and competitive to attract and retain top talent. Benchmarking incentive plans, with the right mix of variable and base pay with competitors in the same industry, can attract and retain the top reps while driving behaviors to attain quota and build pipeline in year one. Using Xactly's Benchmarking for example, companies can view side-by-side compensation data, including sales rep pay and performance in different industries, to show the probability your reps will hit peak performance, and more. Companies can also use Xactly Insights to view sales performance indicators such as quota vs pay attainment across teams and across companies to evaluate performance in year one.
- 2. Groom your top performers.** Provide clear territory assignments, continuous product education and the necessary sales coaching and enablement to keep reps feeling supported and knowledgeable. Enlist the support of other organizations, including marketing, product, and executive leadership. In addition to your top performers, make sure the next tier of sales reps are also receiving the same level of attention and support.
- 3. Don't act with haste.** Even if reps in your top performing groups have not hit their quota, the first year is not the time to start cutting reps who are showing steady improvements in pipeline as well as quota attainment. Considering the average cost to replace a rep is \$115,000, it might be wise to wait until the second year to see if there is a spike in performance. The best performing reps will be motivated and driven to continue achieving.
- 4. Understand hiring mistakes are sometimes made.** Even with the best intentions, sometimes certain sales reps don't make the cut. It's important to acknowledge the difference between the reps that have shown ability to learn, apply, and close sales versus those who simply don't. Management must be realistic in recognizing the difference and quick to move on from poor performing reps.



YEARS 2-3: SUPPORT YOUR TOP PERFORMERS, BE AWARE OF EXTERNAL FACTORS.

Our data during these years suggests top, and near-top, performers will gradually increase performance during this time. While the first year may have been a time to observe, support, and learn, your key performers will clearly emerge now. What can managers do to keep them motivated and performing?

- 1. Be proactive if you see a problem.** Sales leaders can avoid surprises by leveraging data-driven intelligence, early and often. If managers are tapped into leading indicators, visually displayed in digestible and actionable formats, they are immediately more in tune with the true health of their organizations. Xactly’s Insights application uses dashboards to deliver this crucial intelligence, and identify pay and performance gaps, quota attainment and related in order to internally benchmark their teams. When armed with the right resources, a manager can be more proactive in driving a high performing team.
- 2. Use data to help lower attrition.** Losing a top performer is an undeniable hit to a sales organization. How does a manager know if a top rep is at risk of leaving? With the rights and access to our proprietary data set, Xactly can use AI and Machine Learning to glean pivotal data. For example, with the Sales Rep Attrition algorithm a manager can identify potential attrition as sales reps are clearly flagged by risk level. Visible through Xactly Insights, a sales leader can proactively address the situation.
- 3. Beware of outside factors!** The two-year itch is real. A top rep might be crushing quota but could also be ready for a change. Or she may be unmotivated. Or a thriving job market in your city could also make it easy to peruse other job postings, spiking the desire to leave. While the specific factors affecting a company or industry are different, sales leadership needs to not only be aware of external factors, but take the necessary steps in order to keep their top performers supported and content. This could be a promotion or a change in compensation.

TENURE BY REGION

Average Tenure of an Account Executive:



California
44 months



New York
27 months

NEARLY 2X LONGER IN CALIFORNIA

Months in an Account Executive Role:



California
39 months



New York
13 months

3X LONGER IN CALIFORNIA

Account Executives in California have nearly 2x the tenure than those in New York. Even if not initially not in the role, those who became Account Executives in California stayed 3x longer than those in New York.



Based on Xactly’s data, research found that top sales reps by quota attainment have a 200% higher chance of promotion, and can potentially increase team performance by 20%. However, for the top half of reps selling the entire catalog of services, 40% have the chance of being promoted to manager, but increase overall team performance by 40%.

Likewise, companies paying competitively at the 75th percentile or higher have 50% less sales turnover.

HITTING THE 3 YEAR MARK: WHAT IT MEANS.

The longer a top performer continues with a company, the more impressive the results. Our data continues to find a correlation between higher quota attainment for top level and next-to-top level performers. More so, and across a variety of industries, the sweet spot for quota attainment fell in the three to five year tenure mark.

In the graphic below, the following industries all show the same pattern of top and near top performers demonstrating their quota attainment.

A Performers = 75th percentile | B Performers = 50th percentile

BUSINESS SERVICES

	50th Percentile	75th Percentile
Less Than 1 Year	27%	44%
1-3 Years	31%	51%
3-5 Years	35%	56%
5+ Years	33%	50%

SAAS AND CLOUD

	50th Percentile	75th Percentile
Less Than 1 Year	18%	29%
1-3 Years	21%	34%
3-5 Years	22%	36%
5+ Years	23%	36%

CONSUMER GOODS

	50th Percentile	75th Percentile
Less Than 1 Year	34%	37%
1-3 Years	35%	39%
3-5 Years	32%	45%
5+ Years	30%	41%

SOFTWARE

	50th Percentile	75th Percentile
Less Than 1 Year	16%	27%
1-3 Years	20%	31%
3-5 Years	20%	32%
5+ Years	20%	30%

HIGH TECH MANUFACTURING

	50th Percentile	75th Percentile
Less Than 1 Year	23%	32%
1-3 Years	27%	39%
3-5 Years	24%	29%
5+ Years	27%	36%

FINANCIAL SERVICES

	50th Percentile	75th Percentile
Less Than 1 Year	27%	41%
1-3 Years	26%	42%
3-5 Years	29%	46%
5+ Years	29%	54%



THE 5 YEAR MARK

If a sales rep has not only stayed, but continued to perform at exceptional levels, this may be the time for a promotion or to increase their pay significantly for their performance. But it also might be time to let those performers decide the next best step in their career. Whether it is a continued stay with the organization, or perhaps a good opportunity to move to the next, empower those top performers with the support to choose their next chapter.

If there is a solid group of second level performers, this is an excellent time to promote them, or focus on starting the cycle over and cultivating a new set of A-level reps.

IN CONCLUSION

Tenure tells a lot about an organization and the corresponding performance of sales reps across teams across companies in the same industry. A data-driven approach using Xactly Insights and Xactly Benchmarking empowers sales organizations to look at the right set of indicators to drive sales behaviors and tenure to reach their optimal period, i.e. years three to five, to achieve top performance.

Learn more about [Xactly Insights and Xactly Benchmarking](#).

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ABOUT XACTLY

Xactly delivers a scalable, cloud-based enterprise platform for planning and incenting sales organizations, including sales quota and territory planning, incentive compensation management, and predictive analytics. Using this powerful sales performance management (SPM) portfolio, customers mitigate risk, accelerate sales performance, and increase business agility.

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