

FORGET ABOUT THE **80/20** RULE

Paying Attention To Your Entire Sales Force Gets Results

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80/20 RULE

Many of today's large corporations are still designing their incentive programs around the outdated 80/20 notion: that 80 percent of their overall sales are generated from the top 20 percent of their sales force.

In the early 1900s, Italian economist Vilfredo Pareto asserted that **80 percent** of societal wealth was controlled by the top **20 percent** of the population. Somehow, this specific theory (and its exact **80/20** ratio) was mistakenly adopted by the creators of sales incentive programs. As a result, many companies are still cutting the bottom **80 percent** of their salespeople out of any real chance to earn rewards and out of any legitimate incentive to increase sales results.

In 2010, BI WORLDWIDE conducted a study using sales results gathered during non-incentive periods from 150 U.S. companies and more than 50,000 salespeople. The study found:

- Only one instance of a true 80/20 distribution of sales — making the “rule” nonexistent.
- 80 percent of sales actually come from the top 46 percent of sales people.
- More net lift is available from the bottom 80 percent than the top 20.
- Any incentive program aimed at the top 20 percent eliminates more than half of the top producers.

Based on these results, we've proven it makes better sense to design incentive programs that are much more inclusive than the outdated “top dog” approach. It pays to engage performance levels from top to bottom and create lift from every sector of the performance bell curve. However, that can rarely be done with an exact set of rules applying to both your top sales reps and your new hires.

Fortunately, BI WORLDWIDE's unique GoalQuest® incentive structure addresses this dilemma by employing two key techniques: audience segmentation and baseline-related goals.

1 Audience Segmentation:

By segmenting an audience into groups of participants with similar sales results, GoalQuest creates program goals that make motivational sense for all participants within the grouping. Three to five sales segments are created in any typical analysis, though the number of segments depends on the variation between sales reps' performance.

2 Baseline-related Goals:

Even after segmentation, sales results may still vary between participants within the segments to the degree that some inequities or dis-incentives still remain. These differences are addressed by using individual baseline-defined goals. Ideally, any participant's program baseline (personal run rate) represents the results he or she would achieve during the upcoming incentive period if there were no incentive program in place.

Since this is an estimation of a future period, there is no exact measure available. By using the most similar historical period actual results, adjusted up or down

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to account for market changes and trends, the group's goals can be applied to each participant's personal baseline.

Over 750 GoalQuest programs have validated the effectiveness of this individualized incentive structure. Here are the impressive sales results these companies experienced:

- **Widespread motivation.** More than 56 percent of participants to date (that's more than 960,000 people) improved results over their baseline expectation.
- **Engagement reaches the bottom tiers of performers.** More than 26 percent of a sales lift is produced by the lowest 20 percent of the audience – and almost 44 percent by the lowest 40 percent!



In a study of 8 GoalQuest incentive programs we found that only **35%** of the lift came from the highest-baseline sellers in quintile 5.

- **Participants are engaged enough to act.** More than 96 percent of eligible direct sales people visited the program website and selected an individual goal for the program.
- **Participants will stretch.** More than 42 percent of goal-selectors chose the highest goal offered – and all goals are set above an individual's baseline.
- **Incentive dollars are well-spent across the board.** Absolute dollar sales lift produced by the bottom 20 percent averaged 95 percent of the dollar lift produced by the top 20 percent.

When designing your next sales incentive program, don't rely on the 80/20 rule by only focusing on your top performers. Instead, engage your entire sales force with relevant, self-selected goals that encourage improvement at all levels.

To learn more about BI **WORLDWIDE**'s patented sales incentive program structure, GoalQuest, visit: BIWORLDWIDE.com/goalquest or email us at info@BIWORLDWIDE.com.

