# What's the Difference?

### Bonus



A fixed incentive amount for achieving a specific objective

## Commission



A variable payment on a particular action

# The Payment Structure

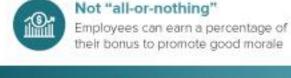
#### Based on a fixed amount



A percentage of base salary



A set dollar amount



### Based on individual performance



Reps earn percentage commission rates based on individual sales performance

# What Determines Compensation?

Quota the goal sales reps aim for in order to receive compensation, although it might not determine the exact amount they will earn





individual and the company - determine the payment structure



The company's overall success determines bonus attainment for all departments

Based on overall business performance



their potential earnings, but ultimately they are compensated on their individual performance

Quotas lead sales reps towards

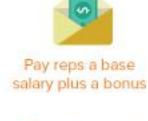
# How to Choose the Best Compensation Structure Ask yourself these 4 questions:

## What do we expect from sales teams in terms of performance (i.e., quota, revenue)?



Will we be paying sales reps a base salary in addition to compensation? Will we be offering sales reps additional non-financial compensation? How can we motivate reps to achieve all of our goals within budget?

# Bonus plans







rep's market value

## Commission plans



or without base pay Most companies offer base pay

Typically used for businesses that are:

· Launching new products

Can be offered with

#### More mature businesses Complex selling organization

Typically used for business that are:

- Account management roles
- When should I...

#### In earlier stages of business Introducing new business roles

When you have a more established business and want to focus on the idea of compensating sales reps at market value

Use a bonus?



## When you know the fixed

Use a commission?

amount of the money your business can reasonably afford to pay sales reps to sell your products/services

Commissions motivate sales teams, but company-wide bonuses can incentivize employees outside of the sales team

Regardless of role, compensation motivates behavior

Commission