

# Easy Does It

## How to Implement a Really Simple Sales Plan



### At a Glance

Warning: Anyone looking for an in-depth review of organizational science or motivational theory, please stop reading and hit the Harvard Business Review for more. Those who believe that the very best managed services sales people are coin-operated machines, driven by cash, bling, a.k.a. “serious cheese”, stay tuned to explore a Really Simple Sales Plan (RSSP) that works.

In our experience, we have always found that the most effective commission plans err on the side of very simple. To co-opt the contemporary phrase, the plan should be clear enough for a fifth grader to grasp. No algorithms, statistics, or complex math of any kind. We want our sales team focused on selling our solutions and making customers happy, not doing linear regressions on an HP-12C. Addition and multiplication with dollar signs attached are the only mathematics inside an RSSP.

So let's start with the basics. What types of behavior should an RSSP drive? We want to incent behavior that drives the valuation of my MSP business through the roof—behaviors that build the financial multiples that bankers and buyers use as yardsticks to determine purchase price.

- **Revenue generation:** The most obvious. We want our sales pros to fuel recurring revenue growth by closing new logo business on long-term annuity type MSP contracts.
- **Stickiness:** We want our sales pros looking for upsells into their install base—while NOT losing the hunger for new customer conquests.

- **Profit generation:** We want our sales pros to drive profit by selling the service types with the highest gross profit margins on board.

- **Strategy alignment:** We want our sales pros aggressively selling new services that are solidly aligned with our product direction.

- **Satisfaction:** We want our sales pros acting with integrity—doing what's right—to help create a delighted customer experience.

Sounds hard. Complicated. But it doesn't need to be.

Following is a template for an RSSP that is 100% in sync with our MSP business objectives.

### FY 2015 Managed Services Sales Plan

**Sales executive:** John Smith

**Territory:** Western region

**Salary:** \$50,000 per year

**1. New customer contracts:** You will be paid a commission equal to 5% of the Total Contract Value (TCV).

**Monthly Recurring Revenue (MRR):** \$3,000

**Contract term:** 24 Months

**TCV:** 24 months X \$3,000 = \$72,000

**Commission calculation:** X 5% = \$3,600

**2. Existing customer renewals:** You will be paid a commission equal to 2.5% of the TCV.

**Monthly Recurring Revenue (MRR):** \$5,000

**Contract term:** 24 Months

**TCV:** 24 months X \$5,000 = \$120,000

**Commission calculation:** \$120,000 X 2.5% = \$3,000

**3. New cloud services kicker:** Your commission percentage will be increased by 1% on any contract that includes monitoring and management of one or more Windows or Linux machine cloud instance(s).

#### Rules of the road:

- You will be paid any commissions due to you in the pay period following the close of the contract.
- If you negotiate a contract that allows “termination for convenience” your commission will be calculated as a three-month contract.

- You must have recorded and maintained the opportunity in the company's sales force automation platform to be eligible for commission payment.
- If you separate from the company, commissions due as of the date of separation will be paid in your final paycheck.
- The company can change any/all elements of this plan based on our business requirements.

That's it. If the lawyers and HR department stay out of it, the entire plan sits well on one page. Of course "your mileage may vary". You might use higher or lower commission multipliers based on base salary levels, market OTE (on-target earnings), average deal size, average sales cycle, and profit targets. You can implement different commission variables and still keep the elegance in place.

OK, it's a really simple model, but does it accomplish the business goals? Let's give our RSSP a quick run through:

- **Revenue generation:** CHECK. The core commission calculation and termination for convenience clause drives locked in Total Contract Value. Just what the bankers like the most.

- **Stickiness and satisfaction:** CHECK. It's short sighted not to pay reps on renewals. We want reps listening for new opportunities and being a sounding board for customer concerns. Plus, nothing aggravates an MSP buyer more than having their rep drop off the face of the earth after the ink dries. On the other hand, using a lower percentage multiplier for renewals is a completely reasonable way to make sure that reps stay hungry "hunters" rather than passive "farmers".

- **Profit generation and strategy alignment:** CHECK. Deal "kickers" are a great way to drive sales of higher margin services. And a great way to introduce new offerings. Pay the kicker on the entire TCV and you'll see reps get higher margin products in the funnel much faster.

Is your sales plan directly linked to the valuation of the business? Is it simple enough that your reps stay focused on the customer and trust that the commission plan just works? If you can't answer yes to both, build your own version of the RSSP and see motivated sales reps bring home more business and keep customers happier than ever.

## About This Document: Developed by the CA Service Provider Center of Excellence

This document has been written by the CA Service Provider Center of Excellence team and is intended to provide our service provider partners with the guidance they need to address some of their most pressing challenges. Our team has rich expertise in service provider businesses, strategic consulting, technical deployments, sales and marketing. Our documents are informed by the Center of Excellence team's extensive experience over the past ten years in helping build successful service provider businesses and by interviews with some of our most successful service provider partners. This document is provided for informational purposes only and on an as-is basis. The guidance and results described herein are based on the unique experiences of our staff and partners, and may not be applicable to all organizations.

For more information, please visit [ca.com/serviceprovider](https://ca.com/serviceprovider)

The CA Service Provider Center of Excellence delivers an extensive range of enablement services, helping to ensure that you get the targeted assistance and resources you need, when you need them. The Center of Excellence team can help you more fully leverage your technologies and investments, optimize your operations, enhance your go-to-market capabilities and scale intelligently—so you can more effectively accelerate your services and your business.

CA Technologies (NASDAQ: CA) creates software that fuels transformation for companies and enables them to seize the opportunities of the application economy. Software is at the heart of every business, in every industry. From planning to development to management and security, CA is working with companies worldwide to change the way we live, transact and communicate – across mobile, private and public cloud, distributed and mainframe environments. Learn more at [ca.com](https://ca.com).