REWARD STRATEGY AND PRACTICE

Expanding the Size of the Pie: How Do You Pay Your Sales Team to Cross-Sell?

*Michael V. Vaccaro**

If a company has ever thought about ways to increase its sales growth, or build deeper relationships with customers, or even to become more efficient in its sales channel, chances are that the topic of cross-selling has come up.

"Cross-selling" is having a sales team sell both the products /services they are typically assigned to, as well as other products/services the company provides. For example, a loan officer in a bank branch might be able to help connect customers with investment products as well.

It seems like a very logical "win-win" proposition: give the sales team more things for their bag to present to their customers and prospects, so they can earn more incentive pay; gain efficiency and productivity and therefore a lower cost of sale for the company at the same time.

However, misaligned incentive pay is one of the reasons that cross-selling efforts frequently do not meet the high expectations the idea generates. As one sales leader said:

> *"We have tried lump sum bonuses, different reward rates by product, reward pools . . . no pay plan has been overwhelmingly successful."*

Often, this is because the right cross-selling incentive to use is going to be different for each organization. Companies should ask themselves four questions that assess their cross-selling approach from the "outside in"—i.e., working from overall strategic objectives down to tactical objectives—to help guide incentive design decisions:

1. What other strategic investments has the company put in place to support cross-selling efforts?
2. What type of sales team (or sales role) will be asked to cross-sell?
3. What selling behavior actually needs to be motivated by pay?
4. How much incentive pay can actually be dedicated to cross-selling?

MICHAEL V. VACCARO is the Northeast Leader for Hay Group's Enterprise Sales Effectiveness practice and is based in the New York Metro office. He can be reached at Michael.Vaccaro@haygroup.com.

QUESTION 1—OTHER STRATEGIC INVESTMENTS?

Different market conditions and competitive strategies will imply a greater or lesser priority to be placed on cross-selling. Not every company needs to achieve a world-class cross-selling skillset to have a successful market strategy. For example, the product/service lines may be very distinct and disconnected, making synergies less applicable; or, perhaps the market is in a high growth phase, making the need to focus on the assigned product more important and the need to cross-sell less critical.

Also, any strategic investments must be targeted towards solving typical cross-selling obstacles at three distinct levels:

- At the individual sales team member level—their personal skills and perspectives must be addressed;
- At the sales organization level—consistent governance and support must be created;
- And at the customer level—their internal decision-making and sensitivity to blatant cross-selling attempts must be considered.

See Figure 1 for more detail on each level.

Figure 1: Key cross-selling areas to invest

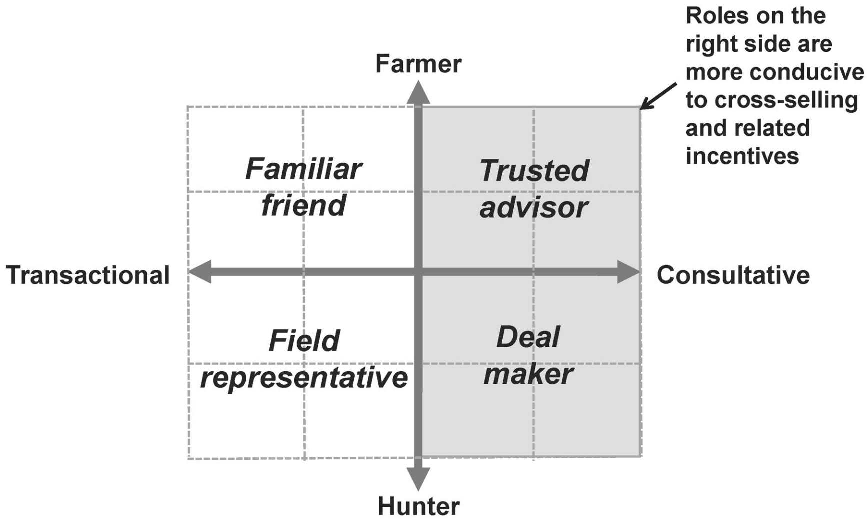
Individual Sales Team Members	The Sales Organization	Customers
• Are they focused on "short-term", transactional outcomes or growing a "long-term" relationship? • Do they understand other products and other divisions sufficiently to present them? • Are they willing to give up complete control of "their" customers for a different sale? • Are they willing to spend the time and effort to coordinate with another division? • Is there a sufficient reward for cross-selling?	• Is there proper governance for setting priorities between the home and sister division – especially when there are potential conflicts of interest? • Do sister divisions have incentives to cross-sell that line up well? • How hard is it to navigate internal leads and networks so the right person to help cross-sell is found? • Do we need to create new selling roles to help support these initiatives?	• Are customers complaining that cross-selling is undermining the spirit of partnership? • Do you understand the customer well enough to tell if an integrated / deeper set of products and services make sense for their (or your) business? • Do you have the right contacts in their organization?

Since sales incentive design needs to reflect the strategic objectives of the business, the cross-selling incentive to use should have more or less emphasis within the overall set of incentives to drive the right sales behaviors.

QUESTION 2—SALES ROLE TYPE?

Different sales models will lend themselves to cross-selling to different degrees. If we think of sales roles along two continua—1) the nature of client interaction, defined from transactional to consultative; and 2) the degree to which the role is servicing vs. initiating demand (familiarly defined as "farmer" and "hunter" roles)—the intersection of these two continua creates four basic sales roles: 1) familiar friend 2) field representative 3) trusted advisor 4) deal maker. See Figure 2.

Figure 2: Hay Group Sales Value Matrix



In addition to traditional sales roles, companies are constantly defining and developing new selling and sales support roles within these four overall quadrants in order to improve effectiveness and productivity. Many of these new roles have required new sales incentive approaches as well.

Generally speaking, sales roles on the right side of the matrix will be more conducive to cross-selling. "Trusted advisor" roles will naturally consider cross-selling to be part of building a strong relationship, and "Deal Maker" roles will work across business lines to create prospective customized solutions. Therefore, these roles will take advantage of their incentives more readily, though their respective incentive plan designs tend to look different to drive their respective key behaviors.

QUESTION 3—WHAT BEHAVIOR IS NEEDED?

Cross-selling can be executed to different degrees, and require different depths of behavior from the sales team. For example, does the team need to:

- Identify and pass on referrals—i.e., pass leads along to a sales team member in a different product / service line? Opportunities then need only be identified; this is a simple behavior to motivate.
- Sell and close cross-sales—i.e., be able to present the product/ service sufficiently well to close sales? This goes beyond just behavioral change, since it requires active training and skill development.
- Collaborate as an integrated team—i.e., be able to work collaboratively with another sales team member and close cross-sales together? This may be an entire cultural change, and therefore potentially the hardest to motivate.

The incentive to use should be in a form that can target and reward the intended behavior. A different measurable outcome (number of referrals, level of closed sales, etc.) needs to be tracked to assess success and drive rewards for each behavior.

QUESTION 4—HOW MUCH PAY?

The company's existing incentive design and compensation philosophy also come into play. Sales incentive plans across companies have widely varying pay mixes (i.e., the ratio between incentive pay and base pay)—creating different pools of incentive dollars to use to drive behavior. If the current plan does not provide a high level of incentive pay, there may simply not be enough dollars available to create effective motivation to cross-sell.

An effective incentive needs to represent a big enough opportunity to capture the attention of the sales team, and stand out as a priority. A classic rule of thumb is at least 15% of the total incentive opportunity must be at stake. Perhaps a creative solution will be required to concentrate dollars against success.

THE ARRAY OF CROSS-SELLING INCENTIVES

Generally speaking, cross-selling incentives have been increasing in prevalence in the marketplace. Companies are incorporating incentive plan metrics that drive a "common fate" across their sales organization. Our most recent survey data suggests as many as one-third of companies are promoting teamwork and cross-selling at some level:

Figure 3: Prevalence of cross-selling incentives.

Plan Components – Performance level	Prevalence
Individual	83%
Business Unit / Division	37%
District / Region	23%
Country	6%
Corporate / Global	23%
Team	18%
Other	13%

"Common-fate" measures to encourage collaboration

The right way to incorporate metrics like these depend on the way the four considerations outlined above come together. Figure 4 presents a summary of the most frequently used incentives, and how they might best align against the four considerations:

Figure 4: Aligning cross-selling incentives appropriately

Consideration	Alternatives		
1. Strategic Investment?	Ancillary / Low Investment	⟷	Primary / High Investment
2. Sales Role Type?	Transactional Selling	⟷	Consultative Selling
3. Behavior Needed?	Referring ←	Selling	→ Teaming
4. Pay Level?	Less Incentive Available	⟷	More Incentive Available

Cross-selling Incentive Tools:	↑	↑	↑	↑
	Communication (None)	*Quota Target / Bonus*	*Split Credit*	*Team Goals*
	Bounties / Special Promotions	*Multipliers*	*Shared Credit*	*Integrated Incentive Plans*

In other words, cross-selling incentive approaches can be seen to fall along a continuum with a few specific illustrations following:

- Simple approaches (bounties, special promotions, non-cash rewards or communications)—Bounties often look like flat dollar payments for completion of a given activity, such as making a referral to another business division. They can be easily grafted onto an existing sales incentive plan or handled through a special promotion program. There may also be situations where a sufficient level of cross-selling behavior can be motivated with something other than cash—perhaps public recognition. One sales leader noted his company "ensures cross-selling success through management and messaging . . . we have stated that the first person to sell only their 'old' portfolio will be called out publicly."

- Intermediate, individualistic approaches (quota bonuses, multipliers)—These incentive designs usually require modification to existing programs. A quota bonus usually requires a separate target to be set for cross-sales made, with a separate amount of incentive dollars dedicated to that target. A multiplier approach applies extra value to cross-sales closed as opposed to standard sales. For example, perhaps the revenue dollars from cross-sales can be counted as worth 2 times the dollars for standard sales, as a means to both signal their relative difficulty and their importance.

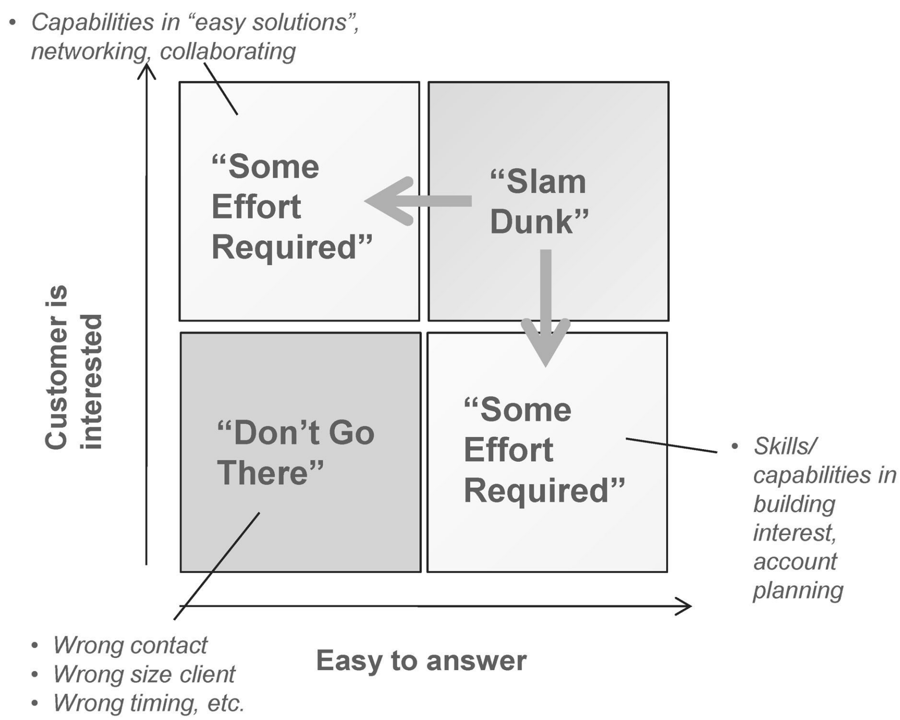
- More complex, collaborative approaches (split credit, shared credit)—These incentive approaches begin to reward sales team members for working together, but still recognize their individual responsibilities as well, by allocating the credit for sales dollars across individuals. Split credit allocates percentages of the cross-sold dollars to each individual, to recognize their specific efforts in making the cross-sale happen. Often, preset split percentages (e.g., 50%/50%, 75%/25%) are established to make administration of these sales efficient. Shared credit approaches may actually reward more than 100% credit for a given cross-sale across the individuals involved, in order to lessen any perceived need to get higher split percentages to meet their own sales targets.

- Fully integrated approaches (team goals, integrated pay plans)—These incentive approaches can look very different from traditional incentive approaches. They may tie all individuals to specific team goals that bridge traditional organizational lines, or include team-based and individual-based incentives to encourage the right balance between behaviors. These approaches usually require some level of consistency in the incentive designs used across business lines.

THE CUSTOMER PERSPECTIVE

Companies should also recognize that there are situations where cross-selling just should not be expected to happen. If the customer is not interested, or if integration of products/services is relatively difficult, cross-selling is probably not a good approach. In Figure 5, the intersections of customer interests and company capabilities are the proper strategic targets:

Figure 5: Cross-selling investment and interest



One sales leader described three areas where creating potential success for cross-selling needs to happen:

- "Good rapport building, generating trust from the client that they are being "advised" and "offered choices" rather than being "sold" something. Without it, the client mistrusts the process they find themselves being channeled down;

- A genuine interest in the world of the client, their existing issues/problems and the likely issues/problems they may face in the future. Without that, you cannot hope to consistently help them see the benefits of the multi-dimensional solution you are offering;

- A crystal clear understanding of how the additional products or services you offer weave together to provide a total solution. Without it, the salesperson will most likely miss the opportunity, but even if they don't, their explanation will lack the conviction of a genuine convincing solution.

If the salesperson fails to meet a single element of the above, then the cross-selling opportunity is unlikely to succeed. Most salespeople can tell us when they feel that a cross-selling opportunity is beyond them".

TWO ILLUSTRATIONS

Here are two experiences that companies have had where the right sort of cross-selling incentive has been developed based upon the four considerations.

Example 1—Broadening the product line.

One case comes from a relatively young, quickly growing consumer goods company that had had substantial success with its initial product offering. To grow, it initially asked its sales force to drive awareness and distribution, and rewarded volume as its primary objective. To continue its growth, it began to establish new products in the marketplace; but found it needed to use its established distribution footprint more effectively this time. The sales team was asked to cross-sell the new product lines while it held on to the strong share position of its first product.

The company chose to have two incentive targets side-by-side, carving out dollars to reward sales of the new product target in assigned territories from the original pool of incentive dollars. This approach matched up well with the more rounded responsibilities the sales team needed to take on.

Example 2—Integrating an acquired company.

A different example comes from a mature company in the commodities sector. It had taken advantage of the recent recession by acquiring a number of competitors, and now needed to consolidate territories, adopt some product line extensions its competitors had brought, and above all establish a common culture for the larger company.

It chose to move towards an integrated cross-selling model, involving three different incentive tools: a full sales team bonus to reward company success, balanced against individual sales metrics; shared sales credit for sales made across old company boundaries; and specific quotas for certain finished products that moved the strategy forward from the commodities-only sector. The company also made the goal to be "one company" explicit in their internal and external communications.

4 OTHER TIPS (BESIDES GETTING THE RIGHT INCENTIVES)

Lastly, here are some suggested investment ideas that, working along with cross-selling incentives, can widen companies' scope of potential cross-selling opportunities:

1. Focus on identifying and developing 2-3 easy cross-selling target "solutions" that everyone in the sales team can remember and understand.

2. Appoint or hire some go-to cross-selling specialists, or invest a sales manager's time into assisting the sales team or making connections between the right team members.

3. Schedule purposeful internal networking events, to help build trusted relationships across sales teams.

4. Provide support tools, like longer-term account plan-

ning or skills coaching, that can encourage the sales team's interest in going beyond their traditional comfort areas.

WRAP UP

Cross-selling is not exactly found money, as many companies may hope—though they may find that some level of cross-selling just "happens" through serendipity. Rather, strong results will come from a mindful consistency between strategy, non-compensation investments, and a cross-selling compensation approach selected to fit with both elements.