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Adjusting Your Sales Incentive Plan to Keep Up With a Changing Market

By Radford EMEA

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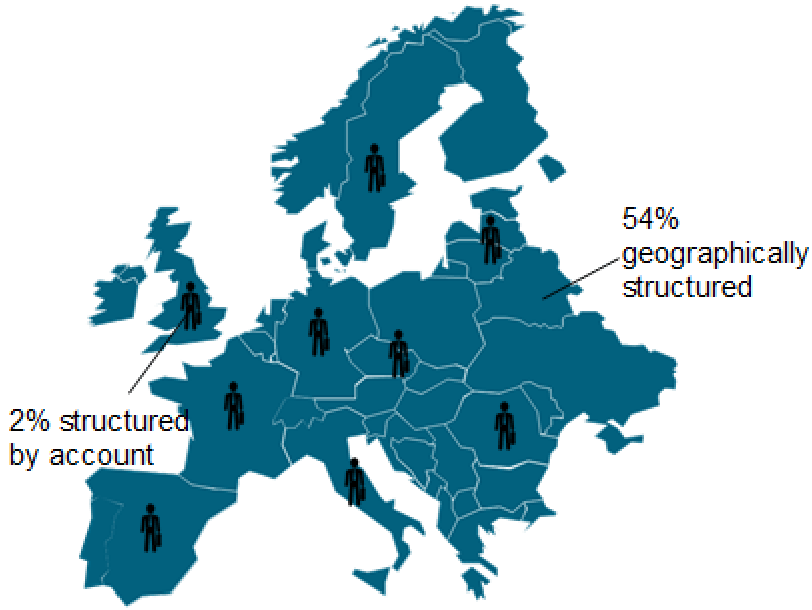
The past three years were not kind to traditional sales business models at life sciences companies. In every corner of the market, the pressure is on. Government bodies, regulators, payers, patient groups and physicians have all impacted the sales environment in new ways, resulting in increased competition. In particular, the general acceptance and usage of generic drugs has dramatically changed the sales playing field, requiring sales compensation professionals to adapt like never before.

Pharmaceutical companies, which in the past sold their products and services with minimal competition, now frequently need to differentiate their products in the marketplace. Sales and marketing teams are adjusting by looking for ways to offer added value to consumers. In turn, this is driving a trend for companies to evolve toward fully integrated health care providers with a customer solution focus.

As part of this upheaval, the structure of sales organisations is changing. Companies in the life sciences sector historically structured their teams by geographic region, focusing on North America, EMEA and APAC. Today, 54% of companies are still operating according to that model. However, more life sciences companies are starting to shape their operations around both regions and key accounts. This change is characterised by the creation of new teams that focus on specialty products or a grouping of services around a single critical business area. This type of structure allows companies to interact with stakeholders with a consistent team and message from the early phases of product development through commercialisation.

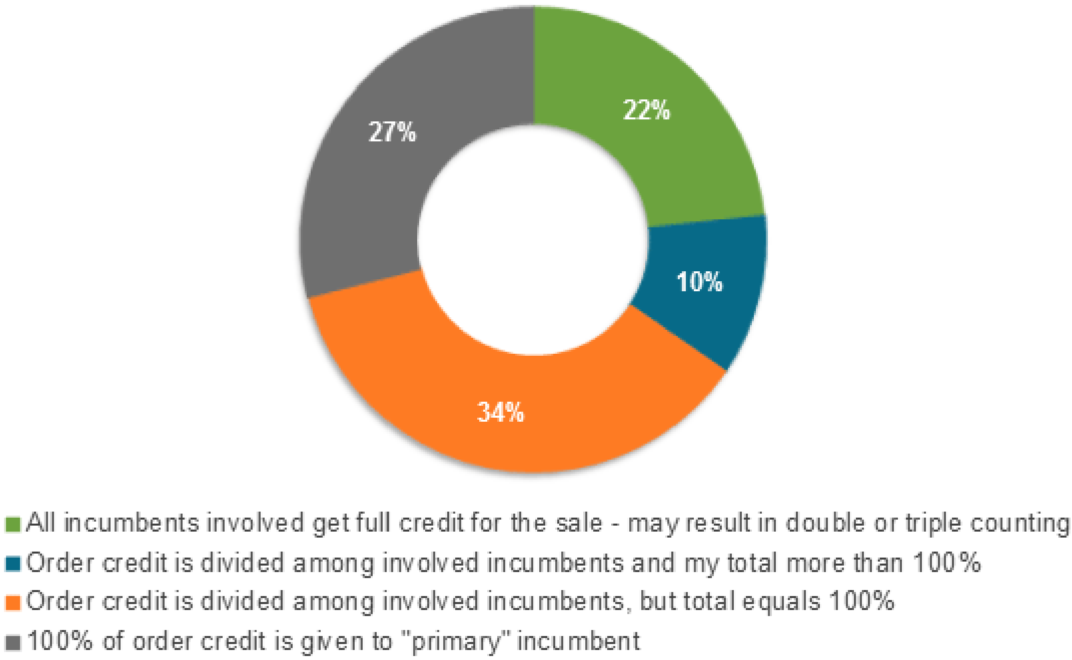


43% structured by both geographical region and account

When companies restructure their sales operations around a global and/or product focus, they quickly turn to incentive programs to drive globally consistent behaviours. Nearly one in two companies now apply a globally consistent sales incentive plan, in which sales quotas are tracked annually or by quarter. Still adjustments for local markets can be made. Twenty-three percent of companies with a global plan make adjustments to reflect differences in regional plan provisions and 30% tailor some elements of their global plans to reflect specific country practices/requirements.

Collapsing geographies are only one input impacting the design of sales incentive plans in the life sciences sector. As teams organize around specific products or services, the mechanics of sales plans must change as well to reward team selling. When companies go to market with an integrated approach, it typically necessitates the use of multidisciplinary teams where direct and indirect sales methods are applied by various team members acting under a key account manager.

Currently, 27% of companies report granting sales credit to only one incumbent per sale, even if the sales was realized through efforts of a larger team. However, a majority of companies now consider the contributions of all or most sales team members, and distribute or allocate credit to all involved.



As companies accomplish more sales through account management teams, we expect to see a greater shift toward a mix of individual and team goals, along with increased distribution or allocation of sales credit.

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