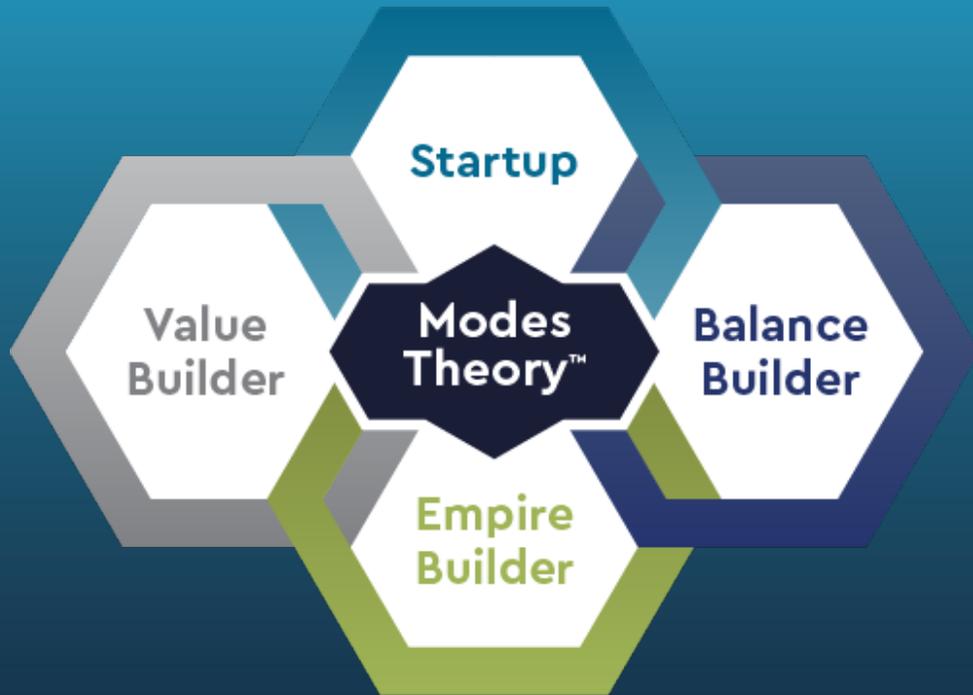


Journey to 8 Figures: The Math(s) of Sales & Compensation Models

Sales Growth Kit: From Start up to Balance & Value Builder



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Modes Theory

Complete Your Assessment

connectwise.com/modes



The Basics – Income Statement

 Startup - Balance

 Balance - Value

 Value

Revenue					
	Service		\$ 2,000,000		
	Product		\$ 500,000		
Total Revenue					\$ 2,500,000
COGS					
	Service		\$ 1,000,000		
	Product		\$ 375,000		
Total COGS					\$ 1,375,000
Gross Margin					\$1,125,000
Sales and Marketing					
	Sales		\$ 225,000		
	Marketing		\$ 56,200		
Total Sales and Marketing					\$ 281,200
General					\$ 495,000
Admin					\$ 146,250
Total Expenses					\$ 922,450
Net Income (EBITDA)					\$ 202,550

The Basics – How Much Can You Afford

Sales Department Salary Expense - 10.4 % of GM is BIC
 Sales Department Salary Expense - 4.3 % of Rev is BIC

Revenue	GM\$	4.3% Revenue	10.4 % GM	Owner 50% of 100K	Staff
\$ 1,000,000	\$ 500,000	\$ 43,000	\$ 52,000	\$ 50,000	\$ 2,000
\$ 2,000,000	\$ 1,000,000	\$ 86,000	\$ 104,000	\$ 50,000	\$ 54,000
\$ 3,000,000	\$ 1,500,000	\$ 129,000	\$ 156,000	\$ 50,000	\$ 106,000
\$ 4,000,000	\$ 2,000,000	\$ 172,000	\$ 208,000	\$ 50,000	\$ 158,000
\$ 5,000,000	\$ 2,500,000	\$ 215,000	\$ 260,000	\$ 50,000	\$ 210,000
\$ 6,000,000	\$ 3,000,000	\$ 258,000	\$ 312,000	\$ 50,000	\$ 262,000
\$ 7,000,000	\$ 3,500,000	\$ 301,000	\$ 364,000	\$ 50,000	\$ 314,000
\$ 8,000,000	\$ 4,000,000	\$ 344,000	\$ 416,000	\$ 50,000	\$ 366,000
\$ 9,000,000	\$ 4,500,000	\$ 387,000	\$ 468,000	\$ 50,000	\$ 418,000
\$ 10,000,000	\$ 5,000,000	\$ 430,000	\$ 520,000	\$ 50,000	\$ 470,000

Table assumes all services and managed to 50% Service Gross Margin

The Basics – How Much Do They Need to Sell

Sales Multiple of Wages – BIC 9.6

<u>Remuneration</u>	<u>GM\$ at 4X</u>	<u>Revenue at 4X</u>	<u>GM\$ at 9.6X</u>	<u>Revenue at 9.6X</u>
\$ 50,000	\$ 200,000	\$ 400,000	\$ 480,000	\$ 960,000
\$ 60,000	\$ 240,000	\$ 480,000	\$ 576,000	\$ 1,152,000
\$ 70,000	\$ 280,000	\$ 560,000	\$ 672,000	\$ 1,344,000
\$ 80,000	\$ 320,000	\$ 640,000	\$ 768,000	\$ 1,536,000
\$ 90,000	\$ 360,000	\$ 720,000	\$ 864,000	\$ 1,728,000
\$ 100,000	\$ 400,000	\$ 800,000	\$ 960,000	\$ 1,920,000
\$ 110,000	\$ 440,000	\$ 880,000	\$ 1,056,000	\$ 2,112,000
\$ 120,000	\$ 480,000	\$ 960,000	\$ 1,152,000	\$ 2,304,000
\$ 130,000	\$ 520,000	\$ 1,040,000	\$ 1,248,000	\$ 2,496,000
\$ 140,000	\$ 560,000	\$ 1,120,000	\$ 1,344,000	\$ 2,688,000
\$ 150,000	\$ 600,000	\$ 1,200,000	\$ 1,440,000	\$ 2,880,000

The table assumes all services and managed to 50% Service Gross Margin



Journey to 8 Figures: Sales Compensation Models

Sales Growth Kit: From Start up to Balance & Value Builder



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What Makes a Good Comp Plan



Simple to Explain,
Calculate & Track



Aligned with Business
Revenue Targets



Ability to adjust
Annually



Fair & Reasonable
Goals



Eliminates Behavioral
Conflict of Interest



Tracked Monthly,
Measured Quarterly
& Annually

Start Up to Balance Builder - Compensation

Inside Sales Compensation Considerations:

- Target Gross Margin Attainment
- Bonus on Completion of 90%+ (or 100%) Quarterly Reviews
- Bonus on overall GM attainment & Product GM over 20%

Outside Sales Compensation Considerations:

- Net New Client Goal is likely a guestimate
- Bonus on Key Behaviors – Setting Prospect Meetings
- Signing Bonus for Net New Clients
- Potentially pay commission if they are also expected to drive projects

Balance to Value Builder - Compensation

Inside Sales Compensation Considerations:

- Target Pro Services Revenue Goal based on MRR being Managed
- Bonus on hitting revenue targets & GM on Product of 20%+
- Bonus on Completion of 90%+ (or 100%) Quarterly Reviews

Outside Sales Compensation Considerations:

- Net New Client Goal is Established Quantity & Total MRR
- Bonus on Key Behaviors – Setting Prospect Meetings
- Signing Bonus for Net New Clients
- Potentially pay commission if they are also expected to drive projects

Onboarding Comp Tips by Role

Inside Sales:

- First Quarter – Guarantee the Bonus
- Second Quarter – Paid based on Completing Onboarding Goals in Q1
- Third Quarter – Paid based on achieving revenue goals in comp plan in Q2

Outside Sales:

- First Quarter – Guarantee a delta above base
- Second Quarter – Earn guarantee above base for Activity Goals from Q1
- Third Quarter – No more guarantee on full comp plan

Key Performance Indicators for Inside Sales



100% QBR Attainment EVERY Quarter



% Project Services Pull through of the MRR they manage



20%+ Gross Margin on Product Revenue*



Completion of their Quarterly Plan



Sample:

Inside Sales Compensation Plan



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Key Performance Indicators for Outside Sales



Annual New Client & MRR Attainment*



20%+ Gross Margin on Product Revenue



Set 1 – 2 First Meetings Per Week



Attend 2 Networking Events Per Week



Sample:
Outside Sales Compensation Plan



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Onboarding Comp Tips for Sales Manager



First Quarter – Guarantee the Quarterly Bonus



Second Quarter – Bonus earned based on completing onboarding goals in Q1



Third Quarter – Bonus earned based on completing goals in Q2, such as MS 900 and/or AZ 900, or other goals



Fourth Quarter – Bonus earned based on achieving revenue & budget goals outlined in comp plan in Q3

Sample:
Sales Manager Compensation Plan



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Key Performance Indicators for Sales Manager



Achievement of MRR Revenue Attainment to Budget* – P&L Measurement



Achievement of Professional Services Revenue Targets* – Won Opportunity Measurement



Attainment of Product Gross Margin of 20%+ - P&L Measurement



Achievement of Sales Cost as a % of Revenue to Budget* – P&L Measurement



Call To Action!

Access the Journey to 8 Figures
Sales Growth Kit here:

Hub.ConnectWise.com/GrowthKit

Videos of Delivery
Resources in a zipped file

Steve & Nate are Launching a
Sales YouTube Channel

Subscribe to [@MSPGrowthKit](https://www.youtube.com/@MSPGrowthKit)
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Don't forget to fill out your

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+ Open for Questions!

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