



CANADIAN  
PROFESSIONAL  
SALES  
ASSOCIATION

# THE SALES COMPENSATION GUIDE

One of a sales leader's trickiest tasks is implementing the correct sales compensation plan. Even the most talented sales leader can struggle to find the right commission structure to fit the needs of their team and their business. Selecting the right plan can successfully motivate your salespeople and give them the drive they need to achieve incredible results. The wrong plan can leave your team confused or indifferent while putting your profitability at risk. You want to act wisely.

Each manager, leader, or business owner will have to take a considerable number of factors into account before deciding on the sales compensation plan that is right for their employees. There are a lot of moving parts—industry, company size,

and sales cycle all play an important role. The right compensation plan can also act as an alignment or communication tool: It lets your salespeople know what's expected, what's valued, and what's rewarded. Such clarity will help incentivize your workforce and allow them to focus their energy on activities that will optimize their performance. Why? At the end of the day they know their hard work will be rewarded in a way that makes sense to them.

A well-designed compensation plan can take your team to the next level, but there's a lot to consider. We've compiled all the necessary information about different types of plans, so you can know the pros and cons of each while you're making your decision.





THE MORE COMPLEX  
THE PLAN, THE MORE  
ROOM THERE IS FOR  
MISUNDERSTANDING

# STRAIGHT SALARY

## TYPE OF PLAN

A straight salary isn't the most common compensation plan option, but it still might make sense for certain organizations. This structure is simple: it entails that you pay your employees a fixed (but competitive) salary. There are no additional bonuses, commissions, or sales incentives.

## WHO BENEFITS

A straight salary might work in an industry that prohibits direct sales, for salespeople who work as a part of a small group or team with equal contributions, or for salespeople who are expected to spend the majority of their time on responsibilities other than selling.

## PROS

The more complex the plan, the more room there is for misunderstanding, manipulation, or indifference. Luckily, this is an extremely simple plan to comprehend and execute. It's important to establish crystal clear guidelines on how reps will be rewarded for their sales efforts under the rubrics of other compensation plans, but a straight salary is completely self-explanatory.

## CONS

A straight salary does not tend to motivate sales people to take on new challenges or push the limits of their capabilities. It's hard to inspire a performance that goes above and beyond when there are no additional incentives. Reps receive the same fixed salary no matter what.

# SALARY + COMMISSION

## TYPE OF PLAN

On the opposite end of the spectrum, salary plus commission is likely the most common compensation plan used today. When you think of salespeople, you usually imagine them working on commission. The structure of this plan requires that sales reps receive a lower base salary along with commission pay from sales.

## WHO BENEFITS

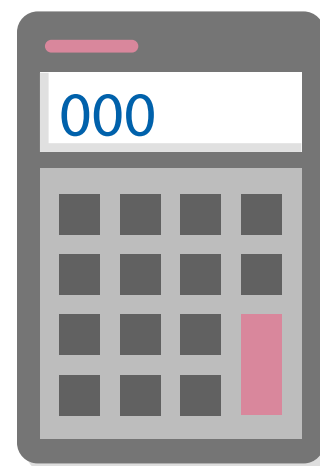
If it's financially viable to pay all employees this way, organizations with proper processes, procedures, and systems in place to track metrics will most benefit from a salary plus commission compensation plan. Since the majority of a sales rep's salary will be comprised of commission pay, you want to ensure that you track the sales performance of each employee accurately and collect data with precision.

## PROS

There is more incentive to be a higher performer with a salary plus commission compensation plan, compared to straight salary alone. Productivity tends to be higher with the added motivation. It also provides some stability, as salespeople will receive some kind of pay even during dry spells.

## CONS

Unlike a straight salary, there are more complications when it comes to implementing this type of sales compensation. Factors to consider include the type of sales that count towards commission, the length of the sales cycle, and other general requirements from your reps. Review and edit the plan, roll it out to your reps in a comprehensive and straightforward way, and try to anticipate any questions they might have so that you can develop consistent answers.




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**PRODUCTIVITY  
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WITH THE ADDED  
MOTIVATION**

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# COMMISSION ONLY

## TYPE OF PLAN

Another plan that is pretty self-explanatory. A commission-only sales compensation plan is an option that does not provide a guaranteed base income. Your reps are only paid for the sales that they make.

## WHO BENEFITS

A business or organization that wants to attract top-performing, hardworking sales superstars and does not mind aggressive competition will most likely benefit from this type of compensation plan.

## PROS

A commission only sales plan is easier to administer than salary plus commission, and is a more cost-effective option. A business will never lose money with this option because salaries are purely results-based.

## CONS

With very little income security, a commission only compensation plan will attract fewer candidates. The salespeople who you do recruit are likely very competitive and often burn



# PROFIT MARGIN

## TYPE OF PLAN

A profit margin sales plan compensates salespeople based on how well your business or your organization is performing as a whole.

## WHO BENEFITS

Startups and small businesses that lack liquidity often benefit from using a profit margin sales compensation plan.

## PROS

It's a viable option for a business that cannot feasibly implement other compensation plans due to lack of available funds. It also puts the success of your business as a whole front and centre, which can promote a positive, interconnected work environment.

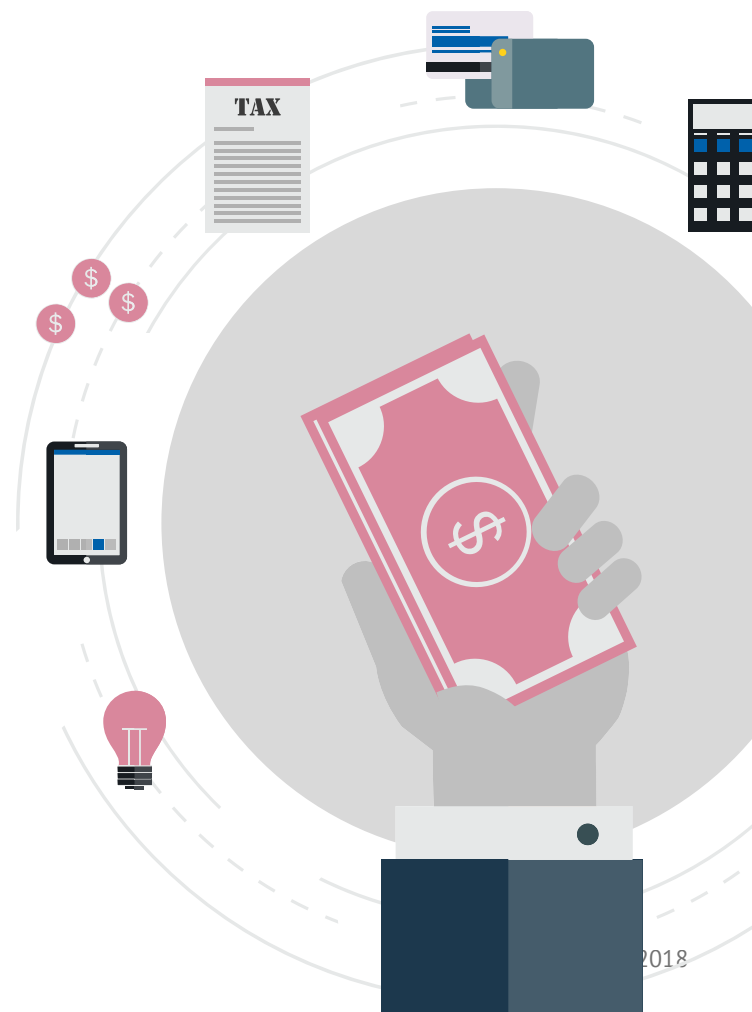
## CONS

You must ensure you have employees who can support themselves through lean periods. To attract and retain sales reps, you might have to incorporate long-term incentives, job benefits, and work perks to make profit margin sales compensation work for the long run.

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# TERRITORY VOLUME

## TYPE OF PLAN

This is a sales compensation plan that works through the calculation of territory volume at the end of a compensation period, with the total sales for the territory then split equally among team members who worked that territory.

## WHO BENEFITS

If you work in a corporate culture with a strong emphasis on teamwork, this might be the plan for you. Salespeople work as a unit and share results equally.

## PROS

Depending on your location, certain territories are wealthy enough to support very competitive wages—which can be a big draw for talented salespeople. The emphasis on teamwork leads to a less aggressive work environment.

## CONS

Again, it depends on the location of your business. Your particular location might not be sustainable enough to provide your team with a realistic salary. You will also run into trouble if your sales territories aren't clearly outlined, or if your sales team does not work effectively together.

## BOTTOM LINE

If you want to remain competitive when it comes to recruitment, retention, profitability, and growth, you must consider all your options when it comes to compensation. Consider enlisting the help of a professional sales organization to provide further guidance.

# ABOUT CPSA

For sales professionals, team leaders and organizations across the country, Canadian Professional Sales Association (CPSA) is your partner in building knowledge and skills to improve sales performance.

As the advocate for excellence in sales, we invest resources in programming and curriculum development to help individuals and companies become more successful through more effective sales.

Our 20,000+ members benefit from learning resources, community building events and exclusive benefits.

Professional sales training and Canada's authoritative sales certification program provide the development and recognition opportunities employees desire and employers demand at every career stage.

We connect employers with employees, business with academia and the private sector with government to advance the sales profession and improve Canadian competitiveness.

**CPSA: Advancing Sales. Accelerating Performance.**



**OUR 20,000+ MEMBERS INCLUDE SENIOR EXECUTIVES, ENTREPRENEURS, SALES MANAGERS, SALES REPRESENTATIVES AND SALE AGENTS**







## CONTACT US

You may reach us between Monday and Friday  
from 9am to 5pm EST **by phone** at:

**Toll-Free: 1-888-267-CPSA (2772)**

**Local: 416-408-2685**

### **In Writing**

General & Membership Inquiries: [MemberServices@cpsa.com](mailto:MemberServices@cpsa.com)

or **by mail** at:

**Canadian Professional Sales Association**

**2 Bloor St E, Suite 1920**

**Toronto, Ontario M4W 1A8**

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