ZS

SALES + MARKETING

**CASE STUDY:** SALES COMPENSATION

# How an Airline Aligned Sales Reps' Payouts to Corporate Results

ZS designed a data-driven analytical approach that linked individual sales goals to company performance.

For the airline industry, complex contracts and fluctuating market conditions make sales wins difficult to measure over time. For an airline to improve its performance, all of its departments, not just the sales team, need to have measurable goals. Thus, the CEO of a Fortune 200 airline that was operating under Chapter 11 bankruptcy wanted all of its departments, including its sales force, to be more accountable, performance-oriented and metrics-driven.

The airline's legacy processes and systems led to many unconnected sources of data. This prevented the efficient integration of data, thereby hindering the airline's ability to generate territory and account-level goals for its sales force. The airline also wanted to target sales talent from outside of the airline industry.

Previously, the airline had tried several sales compensation plans based on revenue metrics that proved to be ineffective, largely because of the number and fluctuation of many variables. For example, in the airline industry, a corporation gets a discount in return for doing a certain percentage of its corporate travel business with an airline. Furthermore, corporate purchases can be unpredictable, because the routes that a corporation buys tickets on depend on where its executives need to travel, and airline contracts generally last for two years.

Making this more complicated is the fact that pricing in the airline industry changes over time and by route, and the corporations that the airline is working with could go bankrupt or get acquired. Given this kind of complexity, revenue becomes a far more difficult and less viable performance metric for sales teams. The airline industry as a whole also experienced skepticism about creating meaningful incentives. And historically, the airline industry had garnered little to no impact from sales comp plans. The airline in question had no incentive plan in place.

## The Solution

First, ZS interviewed the airline's sales executives to understand performance drivers, breaking down the role of the salesperson and his potential impact.

Next, we identified key individual performance metrics for the sales force that were driving overall business results. We developed a process to create a consolidated data source, collecting a year's worth of data that then was used to generate individual performance metrics.

ZS developed a metric that the sales force had never used—total share—and indexed it to fair market share (FMS), a commonly used industry benchmark that measures where an airline flies and where its competitors fly. ZS compared the airline's total market share to its FMS, revealing the gap that the sales team had to close, thus creating a goal for the sales team as a whole.

Finally, ZS designed a data-driven analytical approach that linked individual sales goals to company performance, creating and implementing an incentive program management system to drive performance.

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**www.zs.com**

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## The Results

The airline's new performance metrics and incentives were part of a broader transformation effort that collectively helped the airline improve its sales force's performance and achieve a higher market share. ZS also examined the airline's growth strategy, identifying sales opportunities and advising the airline on which customers and products it could generate more business from. ZS's work resulted in:

+ Creating a performance-based culture, with the CEO subsequently asking other department heads and vice presidents to follow the sales department's example by putting a greater focus on metrics and creating performance targets for their employees and holding them accountable to them.
+ The airline achieving revenue and market share objectives, including:
  - 17% growth in corporate portfolio performance
  - 29% growth in agency portfolio performance
  - $200 million in new business development
  - 3% growth in quality of portfolio revenue
+ Positive feedback leading to increased motivation within the sales force
+ Metrics and goals that added clarity to sales roles, creating a culture of accountability
+ The airline's shift from a service-oriented to a sales-oriented culture, driving sales higher overall

This transformation to a metrics-driven, performance-based culture was a key factor in improving the airline's overall performance and driving growth, which was particularly crucial at a time when it was operating under Chapter 11 bankruptcy. By determining how performance should be measured, ZS helped the airline navigate unpredictable market conditions to find a path to growth and an improved standing in the marketplace.