Inspired Incentives

Sixty's the New Twenty

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In the early 1900s, economist Vilfredo Pareto observed that 80% of Italy's wealth was held by 20% of its population. In business, the Pareto Principle has come to describe how 80% of a company's sales will often be derived from just 20% of its customer base, and how 80% of a company's sales volume will be generated by just 20% of its sales force. As a basic principle, this is all well and good, but when a company starts to put too much stock in its top achievers, it risks losing out on a big portion of incremental sales. In fact, according to Matt Harris at the Incentive Research Foundation, much of a company's incremental sales may not in fact come from the top 20% of their sales structure, but rather from the group that lives in the middle 60%.

What can this mean for an incentive program? It might mean that you're rewarding the same group of winners each and every time, whether your program is based around short-term promotions or an annual incentive trip. It can also mean that your program is failing to entice the bulk of your sales force and channel, or worse, neglecting it altogether. Unfortunately—and perhaps ironically—this middle-of-the-pack group is made up of individuals who, often times, have the highest level of untapped potential, meaning your incentive program is in fact missing an enormous opportunity to optimize your sales structure. Because after all, isn't that what incentives are all about? Opening the door to untapped potential so that it can be released into the marketplace?

Of course, some incentive programs will purposely target the top 20%, and still do perfectly well. But don't forget that a 5% performance gain from the middle 60% of your sales force and channels can yield over 70% more revenue than a 5% shift in the top 20%. Just some food for thought.

Isn't it time for you to tap into the growth potential of your middle-level performers?

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