Introduction

ZS Associates and The Hospitality Sales & Marketing Association International (HSMAI) Foundation are pleased to present this summary of the inaugural edition of the Sales Incentives Practice Research for the hotel industry. This is the first data-validated compensation design survey for the hotel industry.

Our goal in undertaking this project is to provide information to hotel leaders interested in understanding common practices in incentive plan design and levels of satisfaction from users. We hope this study will help provide guidance for your 2016 compensation planning.

If you have any questions or comments, please contact Tony Yeung <tony.yeung@zsassociates.com> or Juli Jones <jjones@hsmai.org>.

Best Regards,
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Methodology

Invitations to participate in the survey were sent to selected sales contacts in the hotel industry in the HSMAI members database in the US and Canada. Hotel executives and general managers were also contacted and asked to forward invitations to the appropriate sales resources for participation. These efforts drew participants from a wide range of hotel sizes, market classes, and geographies.

From August to October 2014, the participants completed the online survey. They supplied detailed incentive plan information for their own role (typically DOSM/DOS) as well as for each type of sales role on their sales team (e.g., Group Sales, Conference and Catering).

The survey was divided into the following sections:

I. General respondent and property information

II. Incentive plan structure

III. Plan administration and sales and crediting

IV: Satisfaction and turnover

Note: n-sizes throughout the survey represent the number of valid responses for a particular question, unless otherwise stated. Low sample size designation: n-sizes less than 15 are designated with a hyphen (-) (data is not displayed); n-sizes from 15-29 are designated with an asterisks (*) (data is displayed, but use with caution).
Results are compiled with inputs from 200 experienced managers describing their own incentive plans as well as the plans of their sales teams

<table>
<thead>
<tr>
<th>Respondent Job Title</th>
<th>Description</th>
<th>Sample Size</th>
<th>Current Position</th>
<th>Current Hotel</th>
<th>Overall Hotel Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director of Sales and Marketing</td>
<td>Oversees sales and marketing functions</td>
<td>85</td>
<td>5.4</td>
<td>6.7</td>
<td>21.4</td>
</tr>
<tr>
<td>Director of Sales</td>
<td>Oversees sales function</td>
<td>34</td>
<td>3.9</td>
<td>5.8</td>
<td>17.8</td>
</tr>
<tr>
<td>Sales Manager</td>
<td>Primary responsibility is direct selling, often with other managerial duties</td>
<td>42</td>
<td>3.9</td>
<td>5.0</td>
<td>17.0</td>
</tr>
<tr>
<td>General Manager</td>
<td>Oversees all aspects of hotel operations</td>
<td>12</td>
<td>5.4</td>
<td>6.5</td>
<td>23.7</td>
</tr>
<tr>
<td>Other*</td>
<td>Job title other than those described above</td>
<td>27</td>
<td>5.3</td>
<td>7.6</td>
<td>22.5</td>
</tr>
<tr>
<td>Total Respondents</td>
<td></td>
<td>200</td>
<td>4.8</td>
<td>6.3</td>
<td>20.2</td>
</tr>
</tbody>
</table>

Values in years

Q1. Please enter your approximate years of professional experience.
Q2. What is your current job title?
Respondents were categorized into sales roles based on primary responsibilities; 723 unique incentive plan descriptions were collected.

Sales Segment Descriptions and Sample Size

<table>
<thead>
<tr>
<th>Sales Roles</th>
<th>Description</th>
<th># of Incentive Plans Described</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOSM</td>
<td>Oversees sales and marketing functions</td>
<td>75</td>
</tr>
<tr>
<td>DOS</td>
<td>Oversees sales function</td>
<td>26</td>
</tr>
<tr>
<td>Sales Management (No Direct Reports)</td>
<td>DOSM or DOS title with no direct reports</td>
<td>16</td>
</tr>
<tr>
<td>Sales Manager</td>
<td>Primary responsibility is direct selling, often with other managerial duties</td>
<td>38</td>
</tr>
<tr>
<td>Large Group Sales*</td>
<td>Focuses on groups that book large blocks of rooms for one or more nights (no catering sales)</td>
<td>105</td>
</tr>
<tr>
<td>Small Group Sales / Executive Meeting Managers*</td>
<td>Focuses on groups that book blocks of rooms generally for a single day event (e.g., wedding, prom, etc.) and may include catering sales</td>
<td>101</td>
</tr>
<tr>
<td>General Group Sales*</td>
<td>Focused on any group, regardless of the size of booking, and could include catering sales</td>
<td>76</td>
</tr>
<tr>
<td>Transient Sales</td>
<td>Focused on selling rack, corporate, corporate negotiated, package, permanent guests, government, leisure, or foreign traveler rates</td>
<td>105</td>
</tr>
<tr>
<td>Hybrid Sales</td>
<td>Focused on selling rooms to both group and transient customers</td>
<td>27</td>
</tr>
<tr>
<td>Conference &amp; Catering</td>
<td>Focused primarily on selling conference space and/or catering services</td>
<td>115</td>
</tr>
<tr>
<td>General Sales</td>
<td>Sells every service provided by the hotel with no specialization</td>
<td>39</td>
</tr>
</tbody>
</table>

*For reporting purposes, Large Group Sales, Sales Group Sales / Executive Meeting Managers, and General Group Sales have been grouped together as “Group Sales”

Note: Each respondent was able to report the incentive plan details separately for each sales segment present in their hotel; the sales segment responses are equally weighted; that is, each response for a sales segment counts as one response, regardless of the actual number of sales people or size of a particular property; this prevents distortion towards large teams and properties.

Q2: Job Title; Q3: Which of the following statements best describe the respondent’s position?
Executive Summary
The Hotel Incentives Practices Study suggests some important opportunities for sales leaders

Key Findings

The Hotel Incentives Practices Study provides a clear picture of:
- Incentive plan design
- Plan administration practices
- Perceived issues and opportunities

Many common practices exist across the hotel industry, particularly overall plan structure and performance metrics

The industry is faced with low overall satisfaction with current incentive plan practices, most notably driven by:
- Dissatisfaction with overall pay levels
- Low payout upside and overall pay for performance
- Stretch sales goals
- Limited performance reporting and plan administration enablement

Opportunities for the Hotel Industry

1. Continued requirement to ensure that overall compensation levels are competitive, both within the industry and outside

2. Increased pay-for-performance, to better reward top performers
   - Higher plan upside and downside risk, with greater focus on metrics within an individual salesperson’s control

3. Improved performance reporting, to increase plan motivational impact
   - More frequent and readily available performance tracking tools for individual sellers

4. More accurate sales goals, to better reflect performance expectations
Sales plans are typically goal-based, with both minimum performance thresholds and absolute payout caps

- **Plan Structure**
  - Goal-based incentive plans dominate the hotel industry, and are typically determined by 3 or fewer metrics
  - Revenue (either Rooms or Total Hotel Revenue) is the most common performance metric across all sales roles, although:
    - Sales leaders' (DOSMs, DOSs) plans often contain a hotel profit component
    - Catering and Conference Services salespeople’s plans often contain F&B component
  - Incentive plans almost always include minimum performance thresholds
  - More than half of sales managers and team members report an absolute cap on their incentive payout
  - Sales team high performers only earn ~1.5x higher incentive pay than average performers, whereas other industries typically pay a difference of 3x or more

- **Plan Administration**
  - ~2/3 of respondents manage incentive administration processes on-property, while others are managed at the brand / corporate level
  - Payouts are typically made ~6 weeks after the end of the performance period
  - Performance reporting is generally poor; a majority of respondents stated that they manually monitor their performance relative to the incentive plan
Overall satisfaction with incentive plans is low, but key opportunities have been identified to improve satisfaction

### Plan Satisfaction

- **Overall satisfaction with current incentive plans is low**
  - Average Net Promoter Score* was -26.5%, which indicates that most respondents are unlikely to recommend their current plan to others

- **The respondents find several aspects as important for plan satisfaction, but largely find their companies’ effectiveness of each aspect to be low**

- **However, key opportunity areas have been identified for aspects that significantly drive incentive plan satisfaction but are rated as low on companies’ current level of effectiveness:**
  - **Widen differential-earning:** Set payout levels for highly motivating and equitable incentive plans whereby the true stars consistently earn more than the lower performers
  - **Set effective goals:** Ensure that quotas are set to be realistic, accurate and achievable for most of the sales team
  - **Set competitive pay levels:** Regularly benchmark pay levels of the competition and align base and incentive pay accordingly

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*Net Promoter Score is calculated by [\% of total Promoters - \% of total Detractors]*

Q34. Pretend that you are giving a recommendation to a friend of a colleague who is managing a hotel similar to your own, how likely are you to recommend that your company’s incentive plan be used at their property? Assume there are no competitive considerations. (0 = Not at all likely, 10 = Extremely likely)
Plan structures are overall very similar, only subtle differences were observed between the common structures and metrics of each group.

<table>
<thead>
<tr>
<th>Dominant Plan Components*</th>
<th>Sales Management</th>
<th>Sales Team</th>
<th>Conf. Services &amp; Catering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal-based (74%)</td>
<td>Goal-based (83%)</td>
<td>Goal-based (82%)</td>
<td></td>
</tr>
<tr>
<td>MBO** (Management by Objectives) (32%)</td>
<td>MBO** (20%)</td>
<td>MBO** (19%)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Primary Performance Metrics*</th>
<th>Room Night Revenue (36%)</th>
<th>Total Hotel Revenue (39%)</th>
<th>Total Hotel Revenue (51%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Room Night Revenue (32%)</td>
<td>Total Hotel Revenue (26%)</td>
<td>Room Night Revenue (32%)</td>
<td></td>
</tr>
<tr>
<td>Total Hotel Revenue (26%)</td>
<td>Gross Operating Profit (20%)</td>
<td>Room Nights (10%)</td>
<td></td>
</tr>
<tr>
<td>Gross Operating Profit (20%)</td>
<td></td>
<td>Room Night Revenue (9%)</td>
<td></td>
</tr>
</tbody>
</table>

| % of plans that use minimum thresholds | 91% | 95% | 96% |
| % of plans that use caps or decelerators | 64% | 62% | 59% |
| Target Incentive (% of Base Pay) | 20% | 22% | 19% |
| Actual Incentive (% of Base Pay) | 16% | 18% | 14% |
| Top-to-average performer incentive pay ratio | 2.9x | 1.5x | 1.4x |
| % of Potential Payout Achieved | 80% | 82% | 74% |

*Note: Some metric values do not sum to 100%; respondents can choose all that apply

** MBO: Management by Objectives (based on qualitative goals that are periodically evaluated for completion)
There is dissatisfaction with current incentive practices, with total compensation levels stated as the biggest driver.

### Net Promoter Score (NPS)*:

-26.5%

**Executive Summary**

- **NPS:** The likelihood that someone would recommend their current plan
  
  - % of total Promoters (19.5%)
  - % of total Detractors (46.0%)
  
  Net Promoter Score (-26.5%)

- Respondents receiving a higher level of compensation are more likely to recommend their plans.

- Compensation issues were identified as the most challenging sales compensation issues:
  - Competitiveness of pay
  - Adequate upside opportunity

- However, several non-compensation issues were also listed as challenges for many properties:
  - Quota-setting fairness
  - Sales forecast accuracy
  - Effective administration

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### Likelihood to Recommend Current Incentive Plan

<table>
<thead>
<tr>
<th>Satisfaction Level</th>
<th>Promoters (9 - 10)</th>
<th>Passives (7 - 8)</th>
<th>Detractors (0 - 6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely likely</td>
<td>19.5%</td>
<td>34.5%</td>
<td>46.0%</td>
</tr>
<tr>
<td>Not at all likely</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

# of respondents (n=200)

*Net Promoter Score is calculated by [\% of total Promoters - \% of total Detractors]*

Q34. Pretend that you are giving a recommendation to a friend of a colleague who is managing a hotel similar to your own, how likely are you to recommend that your company’s incentive plan be used at their property? Assume there are no competitive considerations. (0 = Not at all likely, 10 = Extremely likely)
However, differential earning, competitive pay and effective goals are key opportunity areas to increase plan satisfaction.

Derived Drivers of Satisfaction vs. Improvement Opportunities

- **Differential Earning**
- **Competitive Pay**
- **Effective Goals**
  - Recognition Programs
  - Learning and Development
  - Career Opportunities
- **Work/Life Balance**
- **Communication of Strategy**
- **Executive Leadership Team**
- **Hotel Leadership Position**

**Opportunity for Improvement**

- **High opportunity for improvement**
- **Highly important to satisfaction**
- **Derived Importance**
- **Correlation of Firm Effectiveness to Plan Satisfaction**
- **Less important to satisfaction**
- **Low opportunity for improvement**

* "Low firm effectiveness" denotes responses "Not at all effective" or "Slightly effective" (1/2 on 5-point scale)

**Q34.** Pretend that you are giving a recommendation to a friend of a colleague who is managing a hotel similar to your own, how likely are you to recommend that your company’s incentive plan be used at their property? **Assume there are no competitive considerations.**

**Q39.** Sales force satisfaction: How effective do you believe your company is at doing this?