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If All Your Sales Reps Hit Their Quota, You're Doing it Wrong

By Matt Haller

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We've been trained since we were children to believe that 100% is the goal.

Got a 100% on that math exam? High five!

Sold 100% of your Girl Scout Cookies? Gold star for you!

Even as adults, we strive for 100%. Who wants to buy shampoo that claims 80% of its ingredients are organic vs. 100% organic?

As a sales leader, you want your sales reps to be the best they can be. However, if 100% of your sales reps are hitting their quota every single quarter, it may not be cause for celebration. **Instead, it may be time for you to re-examine your compensation plan and understand how to implement stretch targets that push your reps beyond their usual capabilities.** In some cases, this leads to turnover. However, if implemented effectively, it should lead to sales reps feeling motivated and empowered to make even more money for themselves and for the company.

You Should Strive for 60% of Reps Hitting Quota

How do you know whether you are setting appropriate stretch goals for your reps? A healthy sales organization should aim for about 60% of reps hitting their quota. Balance is critical because if too many reps fail to meet quota, not only does the cost of sales increase due to fixed costs, but reps increasingly mistrust management and become demotivated. However, if too many reps achieve quota, the cost of sales increases as more reps earn acceleration in the comp plan and increasingly become entitled to their payouts.

To the right is an example of a company where approximately 75% of reps are reaching 100% plan attainment. As the leader of this sales organization, I would keep an eye on whether the frequency of 100% plan attainment increases or decreases in the next quarter. If it shoots up to 80 to 85%, I would likely decide that it's time to re-evaluate quotas. If the frequency of 100% plan attainment slides back down to around 60 to 65%, I would likely leave the quota as is.
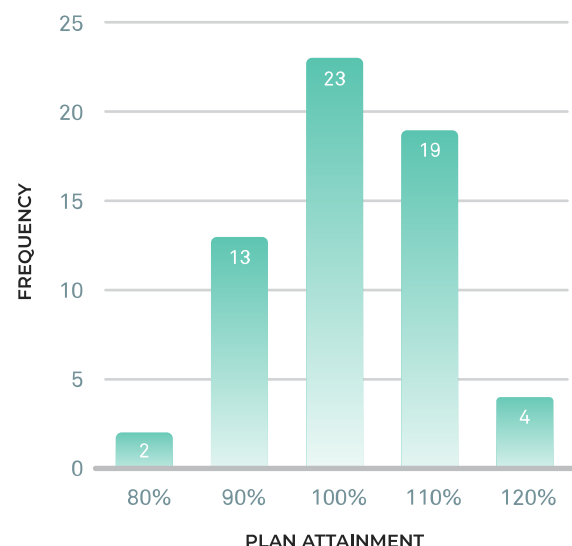
Key Principles When Designing Your Quota

When setting quotas, we recommend implementing the following principles to ensure that your plan achieves the following:

1. Equitably distributes the company's revenue goals
2. Encourages reps to maximize productivity and earnings

Key Principles

1. **Align with Strategy:** Quotas should be calculated and determined in a way that aligns with high level corporate objectives. For example, are there new products or features that are being launched and is the quota designed to reflect that?

2. **Consider Sales Motions:** Be sure to account for the coverage model to mitigate channel conflict.

3. **Uniform Execution:** Follow the same process for all incumbents in like roles.

4. **Simple:** Ensure that quotas can be easily followed and explained.

5. **Equitable:** Set quotas that are achievable (albeit stretch) targets to ensure confidence in the quota system.

6. **Comp Model Alignment:** Leverage quotas to help differentiate high and low performers (and their earned commissions).

7. **Deploy Entire Quota:** Ensure quota deployed adds up to the entire sales plan (although companies may over-allocate).

8. **Deliver On Time:** Communicate quotas to reps within two weeks of performance period to utilize sales momentum.

9. **Clearly Inform Recipients:** Create a communication process whereby managers explain how quotas were set and helps reps strategize to overachieve.

Quota Setting and Quota Deployment

There are two parts to successfully implementing a quota. First, there is **quota setting**, which entails the calculation of the sales plan/company goal. The starting point for any company's compensation and quota plan should begin with a process through which the total quota budget is calculated. This formula is usually derived from the company's revenue, bookings or sales targets, which are then uplifted to account for profit margin, customer retention rates, partner margin, etc.

Second, there is quota deployment, which is the distribution of rep-level goals. The aim of quota deployment is to ensure that we are maximizing rep efficiency and coverage.

QUOTA SETTING	
TARGET SETTING	Usually driven by finance, target setting begins with a top-down analysis of previous company performance to set a baseline for growth; from there, sales attributes are added to ensure the business can deliver on profit measures.
CAPACITY PLANNING	Once the top-line target is set, sales and finance must work together to define the go-to-market plan and ensure enough sales capacity to achieve the sales targets.

QUOTA DEPLOYMENT	
DEPLOY QUOTA	Break down the agreed-upon sales plan into rep-level targets using an appropriate methodology that leverages field/account intelligence to maximize rep efficiency and coverage.
DELIVER QUOTA	Communicate the compensation plan in a way that motivates and incentivizes reps to overachieve and highlights a path to success.

Methodology for Quota Deployment

Once the company has aligned on the sales target, quotas must be deployed across multiple segments and verticals to give reps their sales targets. Depending on how your organization is set up, or the nature of your product or service, it may be suitable to choose a single quota deployment methodology from the list that we will present here. However, there is no need to adhere to a single methodology within a company. Companies may (and should) adjust methodology by:

- Customer segment
- Sales motion complexity
- Account complexity
- Appetite for field input
- Customer intelligence available

We'll dive into the pros and cons of each of the following methodologies.
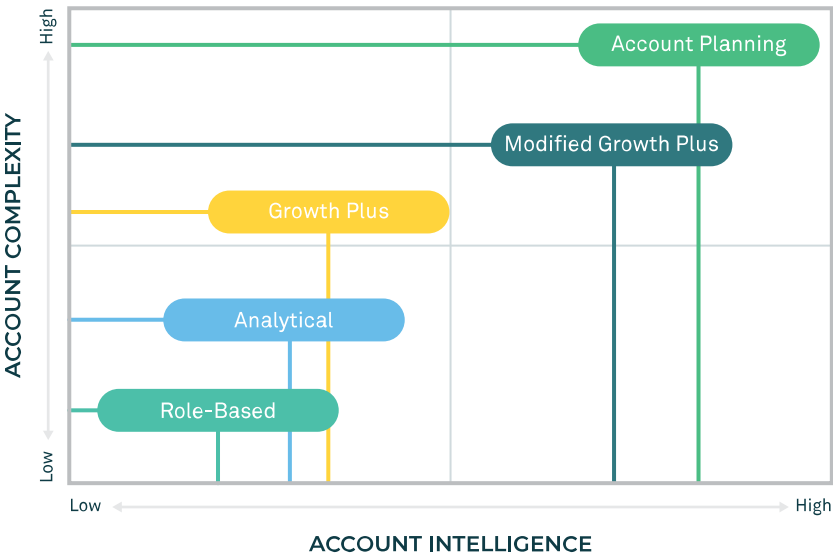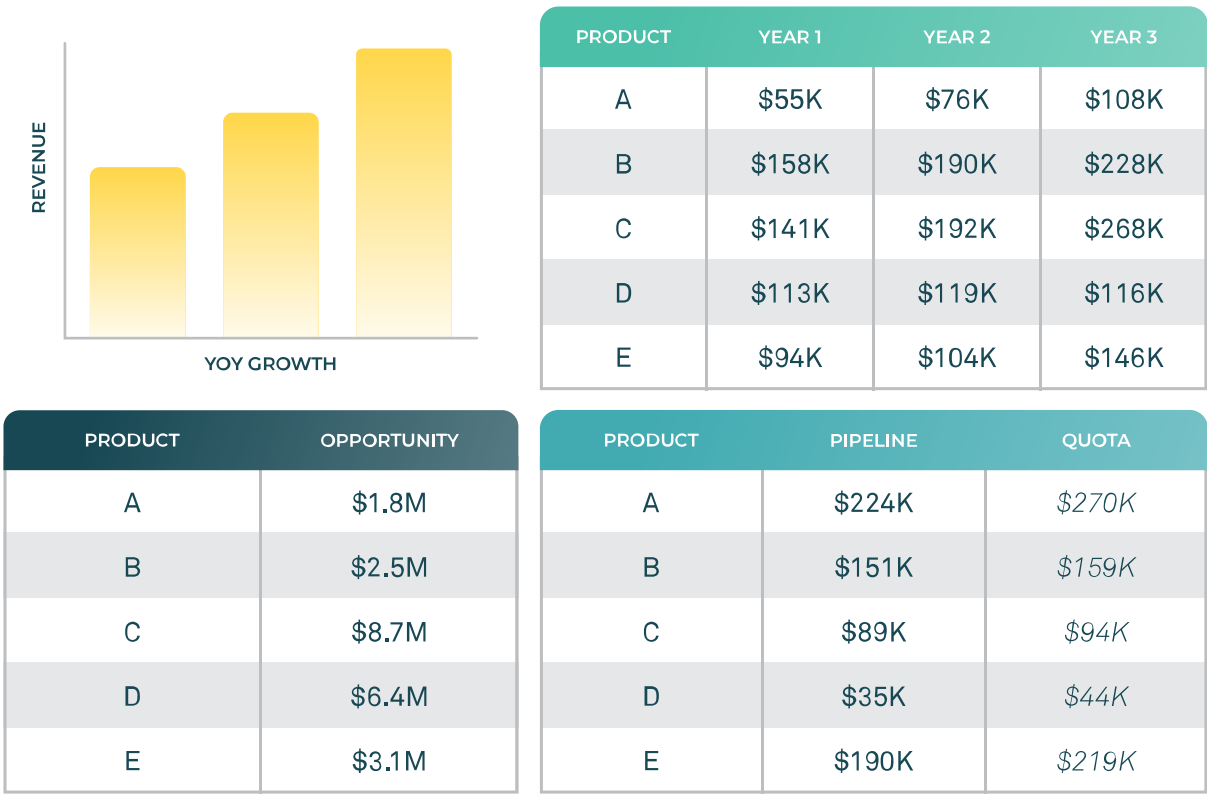
When to Use Account Planning Methodology

The Account Planning methodology leverages field inputs and a cross functional team to scrutinize each account and assign a mutually agreed upon quota between sales and ops.

Ideal For: Large, complex accounts with multiple buying centers that require integrated solutions and coordination across sales teams.

Pros: An extremely detailed quota deployment methodology that cultivates trust between sales and management because they are involved in the deployment process.

Cons: Although detailed, this methodology requires significant field coordination and cannot scale with a large sales team or more than a handful of accounts.

Example Scenario:

PRODUCT	YEAR 1	YEAR 2	YEAR 3
A	$55K	$76K	$108K
B	$158K	$190K	$228K
C	$141K	$192K	$268K
D	$113K	$119K	$116K
E	$94K	$104K	$146K

PRODUCT	OPPORTUNITY
A	$1.8M
B	$2.5M
C	$8.7M
D	$6.4M
E	$3.1M

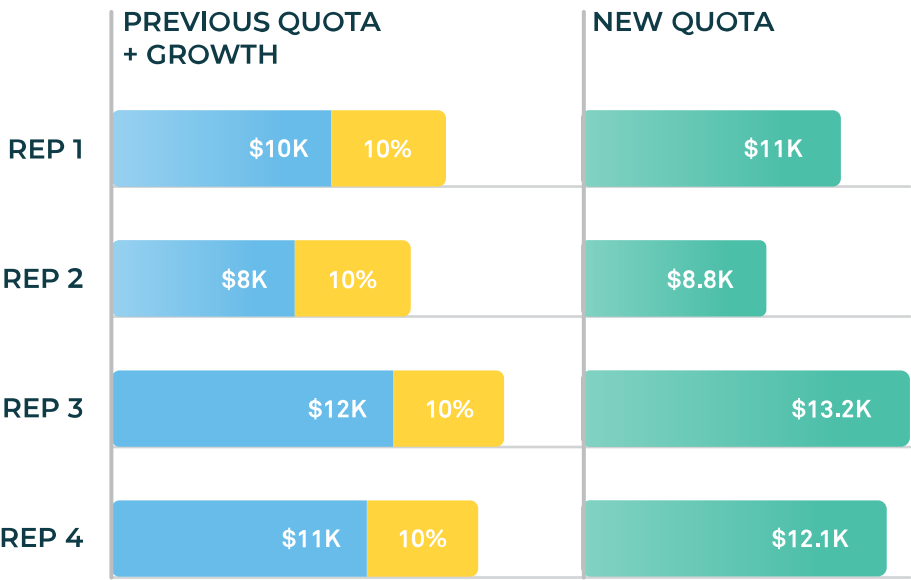| PRODUCT	PIPELINE	QUOTA
A	$224K	*$270K*
B	$151K	*$159K*
C	$89K	*$94K*
D	$35K	*$44K*
E	$190K	*$219K*

When to Use Growth Plus Methodology

The Growth Plus methodology tacks on the company growth projection to the previous year's quota to quickly deploy individual rep quota.

Ideal For: For large, complex accounts with multiple buying centers that require integrated solutions and coordination across sales teams.

Pros: An extremely detailed quota deployment methodology that cultivates trust between sales and management because they are involved in the deployment process.

Cons: Although detailed, this methodology requires significant field coordination and cannot scale with a large sales team or more than a handful of accounts.

Example Scenario:

	PREVIOUS QUOTA + GROWTH		NEW QUOTA
REP 1	$10K	10%	$11K
REP 2	$8K	10%	$8.8K
REP 3	$12K	10%	$13.2K
REP 4	$11K	10%	$12.1K

When to Use Modified Growth Plus Methodology

The Modified Growth Plus methodology aims to apply the company growth figure equitably distributing the growth rate based on territory/rep characteristics.

Ideal For: When reps carry a territory of more than a handful of accounts, yet are still able to provide visibility across the opportunity in the territory.

Pros: Relatively simple quota deployment process that still allows for field input, albeit in a more controlled and programmatic manner.

Cons: The algorithm can be difficult to determine as it's unclear which territory characteristics will equitably distribute the growth rate.

Example Scenario:

REP	SHARE OF PREVIOUS SALES	SHARE OF QUOTA (PLUS 10% GROWTH)	MOD. FACTOR	NEW %	NEW QUOTA ($110M TOTAL)
1	33%	36%	+5%	41%	$45.1M
2	18%	19.1%	+10%	29.1%	$32.01M
3	22%	24.2%	-5%	19.2%	$21.1M
4	27%	29.7%	+3%	32.7%	$36M

Note: Quota modification factors can vary and include windfall deals, territory size, territory maturity, rep tenure, etc. Example also is based on $100M deployed quota with a 10% growth applied.

When to Use Analytical Methodology

The Analytical methodology is used to algorithmically assign quota based on a variety of territory specific data points.

Ideal For: To accelerate quota deployment when there are a large number of equitably sized territories and significant data intelligence.

Pros: Ensures quotas are deployed equitably across a variety of territories.

Cons: Model accuracy is limited by the number and quality of data inputs and may require significant calibration to land on the "right" number.

Sales Opportunity ($M) $2.9M ▬▬▬▬▬ $5.8M

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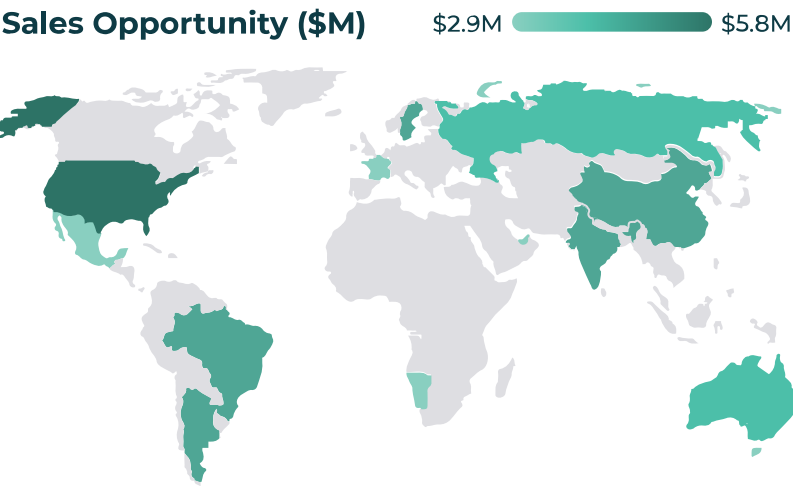
When to Use Role Based Methodology

The Role Based methodology assigns the same quota across similar roles and is generally leveraged in less complex sales organizations.

Ideal For: In the early stages of your sales organization where there is significant white space and a lack of defined territories.

Pros: Simple methodology that applies equitable productivity targets across similar roles.

Cons: Does not account for market dynamics and individual rep performance differences that may affect their ability to perform.

Example Scenario:

ROLE	SEGMENT	PRODUCTIVITY
Enterprise AE	Enterprise	$5M
Commercial AE	Commercial	$1.2M
Partner Manager	Mixed	$4.1M

Communicating Effectively

We have three tips on how to effectively communicate new quotas.

1. **Make compensation planning an ongoing priority for your sales leaders**

   Before making strategic changes to quotas, be sure to include well-respected members of your sales organization. Understand how to leverage their insights in order to design and deploy an effective quota. Your sales leaders' priorities likely already include recruiting, motivating sales reps, and handling clients. Make sure they also prioritize compensation planning. This will increase buy-in from reps and reassure them that any new quota plan is designed to benefit all parties involved.

2. **Create personalized talk-tracks and announce through your sales leaders**

   Although high-level company strategy may best be delivered by the company's CEO, we believe that sales compensation plans are potentially best communicated by sales leaders. Your HR and Finance teams can help your sales leaders successfully deliver the message by doing the following:

   - Pulling together a talk-track and written materials to highlight the key benefits of the plan changes for both the company at-large and individual sales reps
   - Use personalized examples of how sales reps can make more money and be even more successful under the new plan
   - Brainstorm a game plan on how to handle reps that are likely to react poorly or to churn

   Remember that churn is a natural part of a company's growth and although minimizing churn is important, how the company addresses and handles churn can be the more critical determinant of success.

3. **Don't just communicate, help reps understand**

   Be sure to hand out a plan document that explains the measures in the plan, the key crediting rules, and the upside that reps can earn for overachieving. Celebrate previous success and outline what new behaviors the company seeks to incentivize under the new plan. Sales reps want to know that they can:

   - Contribute to the success of the company
   - Achieve individual financial success under the new plan

A Final Note on Quota Philosophy

Remember that 100% attainment is not the goal. A healthy sales organization is one where about 50 to 60% of reps achieve 100% attainment. Ideal quotas should make reps feel challenged and that stretch targets are feasible with intelligent strategy and hard work. The goal is to have 100% buy-in and 100% trust in the system rather than 100% attainment.

About the Author

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Matthew Haller is the Partnerships Manager at CaptivateIQ. CaptivateIQ modernizes how businesses compensate their hardworking sales teams with an automated and flexible commissions solution. We make commissions clear and accurate for leading companies like Intercom, Gong, and Udemy.