

# Driving Rep Productivity in '23: How Market Leaders Create Incentive Plans That Inspire

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## Agenda

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Research Recap: The War For Talent

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# 01 Research Recap

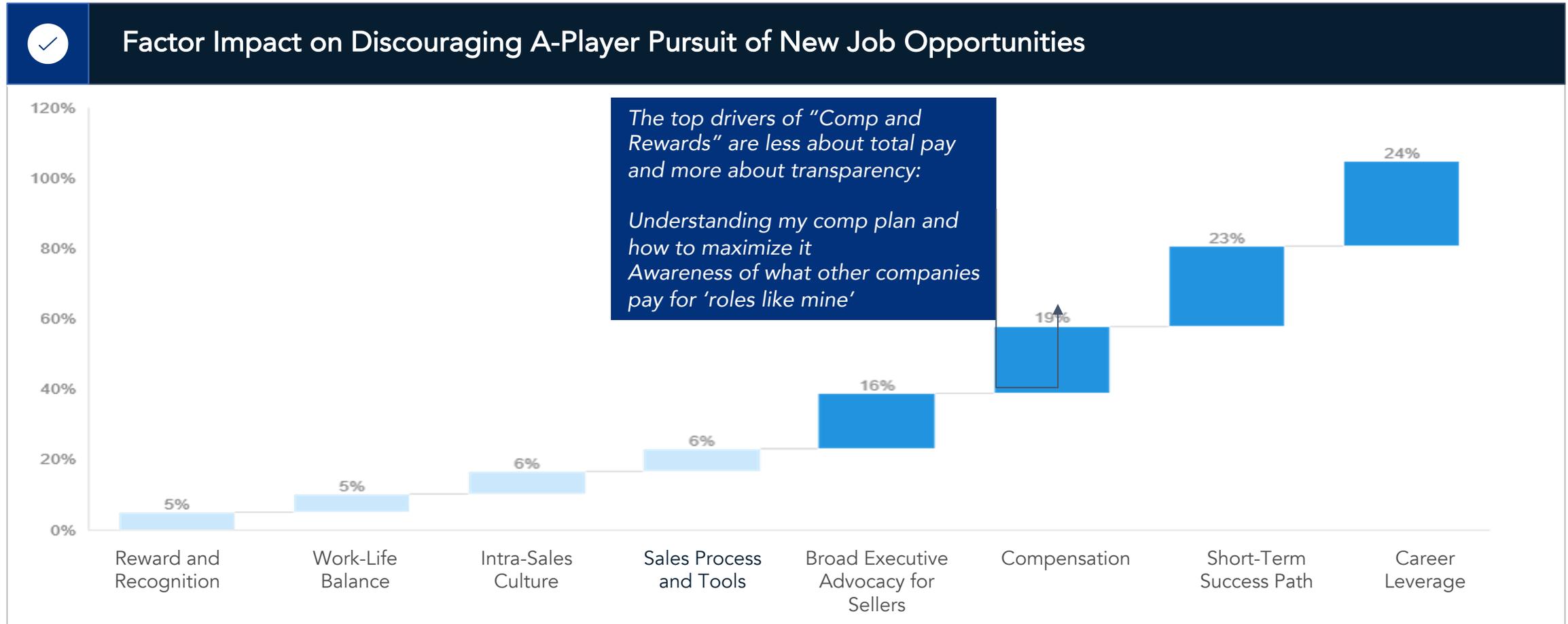
## The War For Talent

# Compensation Isn't the Only Path to Success



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# Comp Matters More to A-Players, but Less Than Overall Career Potential



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# 02 Annual Revenue Planning Methodology

# Focus on 5 key Go-to-Market preparation steps during fiscal year planning



## STEP 1: Segment Your Accounts

Segmentation is a foundational data set comprised of two primary components: Account Potential and an Account Score

Which Accounts Should be Prioritized?

**1 Account Potential**  
Assesses: How much could an account spend?  
Most Used For: Coverage & Territory Design  
Most Valuable

**2 Account Score**  
Assesses: Which accounts do we typically win?  
Most Used For: Tactics, day-to-day prioritization

### Description:

- › Understand how much your customer and prospect universe can spend with you
- › Determine how likely they are to spend future dollars with you
- › Prioritize accounts based on current and future spend



## STEP 2: Deploy Coverage Model

Build 2 - 3 Organizational Design and Coverage Model options with pros and cons to evaluate and make final decision

Making a Final Decision

Partner Coverage  
Opportunity Coverage  
Customer Coverage

SBI to cover access models

Final Decision

### Description:

- › Determine what resources are needed to capture the identified market opportunity
- › Create the optimal organizational model
- › Conduct bottoms-up and tops-down modeling to quantify headcount needed by role



## STEP 3: Set Equitable Territories

Tools Should be Evaluated to Help Enhancing Building and Communicating Final Assignments Through Visuals

Heat Mapping  
Software: mapline

Geographic Boundaries  
Software: Xactly

Potential Spend Clustering  
Software: Tableau

### Description:

- › Understand company growth goals
- › Calculate how much a rep can produce
- › Establish territory design principles
- › Review territories for balance among like sellers



## STEP 4: Assign Competitive & Accurate Quotas

There are four common approaches to developing individual rep level targets

QUOTA SETTING APPROACHES

Equal Allocation  
Last Year Plus  
Opportunity Adjustment  
Bottoms-Up Market Potential

### Description:

- › Select quota setting methodology
- › Conduct quota setting analysis
- › Determine level of over-assign
- › Stress test individual quotas with Leadership



## STEP 5: Incentivize Desired Behaviors Through Compensation

Hybrid Hunter Farmer

Component	Weighting	Threshold	Leverage	Cap	Maximum
1) Incremental AACV Bookings	70%	None	3.5x	Denominator	PCR w/ ODR
2) Service Bookings	15%	None	1.5x	Denominator	PCR
3) Renewal Billings	15%	\$1M	1.5x	Cap	Drop-Down

Incremental AACV Bookings (70%)

% Quota Attainment	Commission Rate
0-100%	0.80 x BCR
50 - 100%	1.00 x BCR
250%	1.50 x BCR

Service Bookings (15%)

% Quota Attainment	Commission Rate
0% - 100%	1.0 x BCR
100%	1.0 x BCR

Renewal Billings (15%)

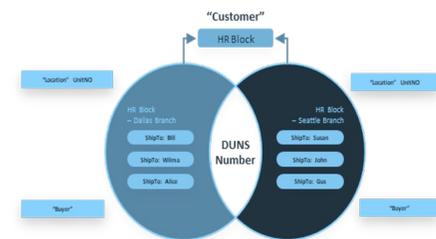
% Quota Attainment	Bonus Payout
0%	0%
91%	20%
92%	40%
93%	60%
94%	80%
95%	100%
96%	110%
97%	120%
98%	130%
99%	140%
100%	150%

### Description:

- › Establish design principles for plan design
- › Assess current plans against design principles
- › Develop "straw models" for future plans
- › Conduct financial testing
- › Prepare for rollout

# Account Segmentation quantifies the future potential spend and likelihood of accounts spending future dollars with you

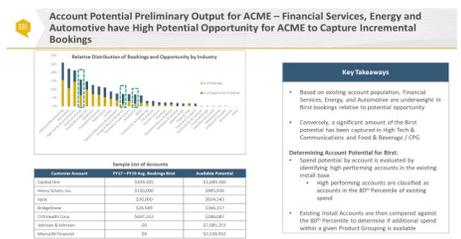
**STEP 1:**  
Data Collection and Management



**Description:**

- › Pull together all critical data points required to complete the exercise effectively

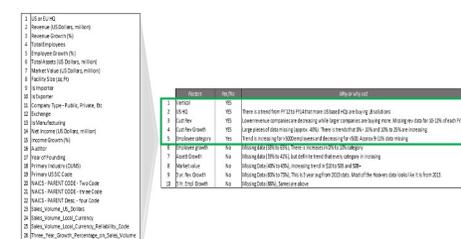
**STEP 2:**  
Analyze Current State



**Description:**

- › Conduct descriptive analysis and baseline current state to understand where revenue concentration is

**STEP 3:**  
Define Account Score



**Description:**

- › Identify 4-6 firmographic factors that make up the Account Score

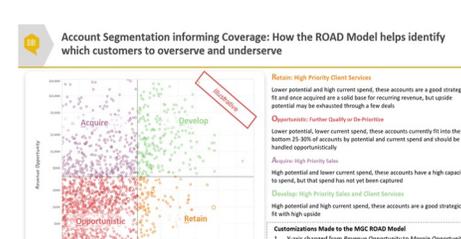
**STEP 4:**  
Calculate Potential Spend



**Description:**

- › Determine the frontier potential and apply to customers and prospects, to use as company's potential spend

**STEP 5:**  
Prioritize Accounts



**Description:**

- › Stack rank accounts based on both the Account score and Potential spend figures and begin driving into team



# Territory Design Requires More Time in the Design Phase Before Ultimately Building & Rolling Out the Final Assignments

## STEP 1: Workload Capacity

**Building a Rep Productivity Capacity Model will help determine if you have the right number of reps and what the ideal rep capacity is for your organization**

- Description:**
- Understand Hours Required to Serve Customers and Acquire Prospects Through Survey
  - Review Account Potential and Historical Revenue Contribution & Quota Attainment by Rep
  - Executive and "A" Player Interviews
  - Model Future Time Requirements per Rep

## STEP 2: Financial Requirements

- Description:**
- Understand Growth Goals and Requirements of Forecasted Financial Targets
  - Model Granular Targets by Segment, Geography, Vertical, Product Group, etc.
  - Finalize Tops Down Targets at Role Level Rolling Up to Overall Financial Targets

## STEP 3: Territory Balancing & Analysis

**Proper Territory Design Ensures That You Have Top Talent Assigned to Covering Top Customers and Prospects**

- Description:**
- Determine Gap Between Bottoms Up Capacity Model and Tops Down Financial Model
  - Calculate Impact of Key Metrics (ASP, Win Rate, Sales Cycle, etc.)
  - Model Time Allocation to Top Tier Accounts & Prospects
  - Product Final Territory Plan Based on Headcount Constraints and Growth Requirements

## STEP 4: Implementation & Rollout

**SBI has an agile approach to Change Management that was applied and co-developed with Veriforce throughout the engagement**

- Description:**
- Develop communication scripts needed to inform sales reps of their new territories
  - Decide on deal stage cut off and final date for account transition for customers or partners with reps switching
  - Share enablement tools with reps to kickstart new customer and channel assignments



# There are four common approaches to developing individual rep level targets

## QUOTA SETTING APPROACHES



### Equal Allocation

The overall company's target is divided by the number of reps (e.g. all reps receive the same number)



- › Simple process
- › Company-centric



- › Creates a free ride for reps in high-potential territories



### Last Year Plus

An overall growth is defined for the business and is applied to the rep's prior year performance to establish target



- › Simple process
- › Puts greatest revenue responsibility in top reps



- › Penalizes top performing reps
- › Rewards average reps
- › Can create boom/bust



### Opportunity Adjustments

An average quota is established for a given role and adjusted up/down based on the territory's potential and/or other factors



- › Creates equitable objectives
- › Easy to administer



- › More complex; requires accurate market data



### Bottoms-Up Market Potential

An individual's quota reflects territory potential; additional adjustments are made to ensure the overall number is met



- › Creates balanced earnings opportunity
- › Drives most effective model



- › Most complex; requires accurate market data
- › Time-consuming

Greater Simplicity  
Less Accurate

More Complex  
More Accurate



Step 1: Segment Your Accounts

Step 2: Deploy Coverage Model

Step 3: Set Equitable Territories

Step 4: Assign Aggressive & Accurate Quotas

Step 5: Incentivize Behavior Through Compensation

# Follow a four-step process in assessing, designing and rolling out compensation plans



Overall objective is to develop sales compensation plans that align to the business objectives and sales strategy, are competitive with industry and best-practice, are simple and easy to understand and administer, and deliver financial results

# 03 Compensation Best Practices & SBI Recommendations

As a best practice, firms should select three or fewer performance measures, with each measure representing at least 20% of incentive weighting to drive greater focus

## Performance Measure Guidelines

Criteria	Description
Specific	Clear and unambiguous telling exactly what is expected of the reps
Measurable	Concrete criteria for measuring progress towards goal attainment; should be quantified by the company and understood by all individuals
Attainable	Measures should be challenging but realistic. The measures should be influenced by the individual salesperson with more than 50% achieving
Relevant	Measures should be aligned to the overall corporate objectives, directly linked to the sales strategy and be financial in nature where possible
Timely	Reps should be able to influence the measures in the defined performance period (e.g. Annual, Discrete, YTD)

## Performance Measure Principles

Principle	Description
Effort vs. Results	Measure results when practical <b>Exceptions:</b> Extremely long sales cycles
Level of Measurement	Measures are more motivational the closer they are to rep <b>Exception:</b> Team-focused needs
Absolute vs. Quota	Quota direct performance more reflectively <b>Exceptions:</b> Start-ups and/or territories are not equal

## By the Numbers

SBI recommends no more than 3 performance measures;

For roles with lower on-target earnings and conservative pay mix roles, consider fewer measures to driver greater focus

**3  
Measures**

**20%  
Weighting**

Each performance measure should represent at least 20% of the incentive opportunity so that there is meaningful incentive dollars to drive desired behaviors

# A company's compensation philosophy and relative market position is informed by talent availability, sales rep productivity, brand awareness and other factors



Pay levels should be determined via a mix of art (executive judgement) and science (market data) on a role by role basis.



Compensation should align to employee value to the firm based on both role type and long-term performance.



External market factors need to be regularly examined so that employees with in-demand skills aren't lost as other firms adjust their pay levels to recruit top talent.

Criteria	40 <sup>th</sup> Percentile	At-Market	60 <sup>th</sup> Percentile	75 <sup>th</sup> Percentile
Talent Availability	Very High	Average	Low	Very Low
Staffing	Overstaffed	Average	Slightly Lean	Very Lean
Target Performance	Low	Average	High	Very High
Sales Rep Productivity	Low	Average	High	Very High
Industry Stability	Very High	High	Average	Low
Brand Awareness	High	Average	Low	Very Low

# There are several factors that influence the ratio of variable incentive to base salary on a role by role basis

Factors that Influence Pay Mix		
Prominence	Factors	Prominence
High	Market Share	Low
Finite	Market Size	Infinite
High	Customer Acceptance of Product	Low
Repetitive	Sales Message	Tailored
High	Sales Support & Service Responsibility	Low
High	Non-Selling Activities	Low
Frequent	Team Selling	Never
Low	Risk Taking	High
Defined	Customer Profile	Undefined
Farmers	Job Definition	Hunters
Few	Number of Accounts	Many
Indirect	Channel Configuration	Direct
Low	Control Over the Sale	High
Low	Control Over Sales Volume	High
Long	Length of Sales Cycle	Short
High	Close Rate	Low
<b>Conservative</b>		<b>Aggressive</b>

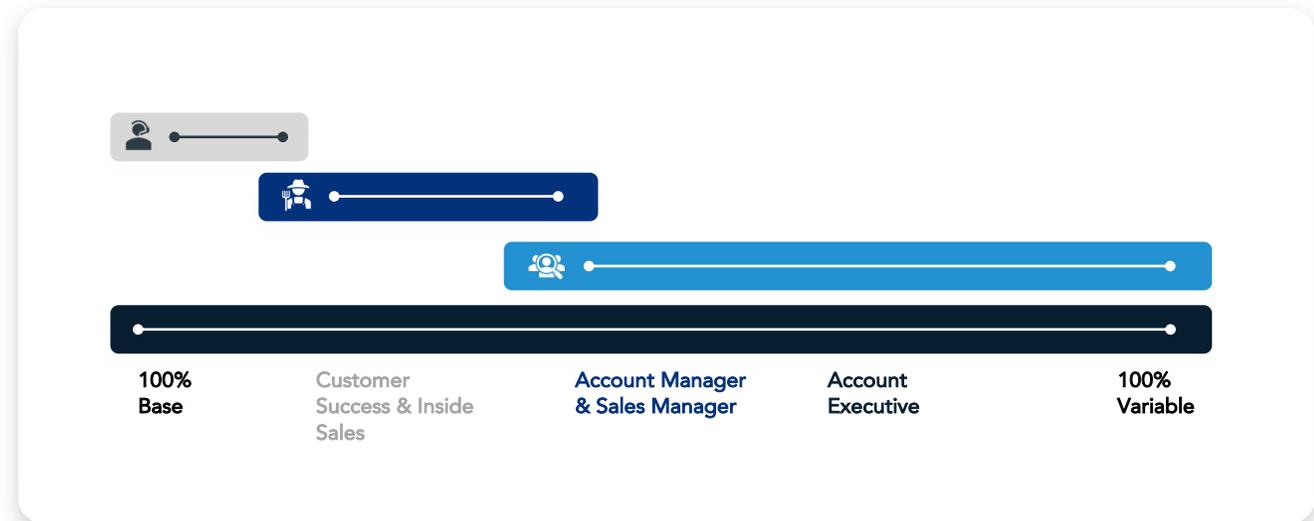
## Pay Mix Guidelines

### More Weight on Base When:

- > Emphasis on relationship management
- > Longer sales cycle
- > Selling is more of a team effort
- > Product complexity is high
- > Product requires minimal sales effort
- > Job includes many non-sales duties

### More Weight on Incentive When:

- > Emphasis on account acquisition
- > Shorter sales cycle
- > Influence on sales process is high
- > Job requires high level of skill
- > Brand awareness is low/competition is high
- > Product price is high versus competition

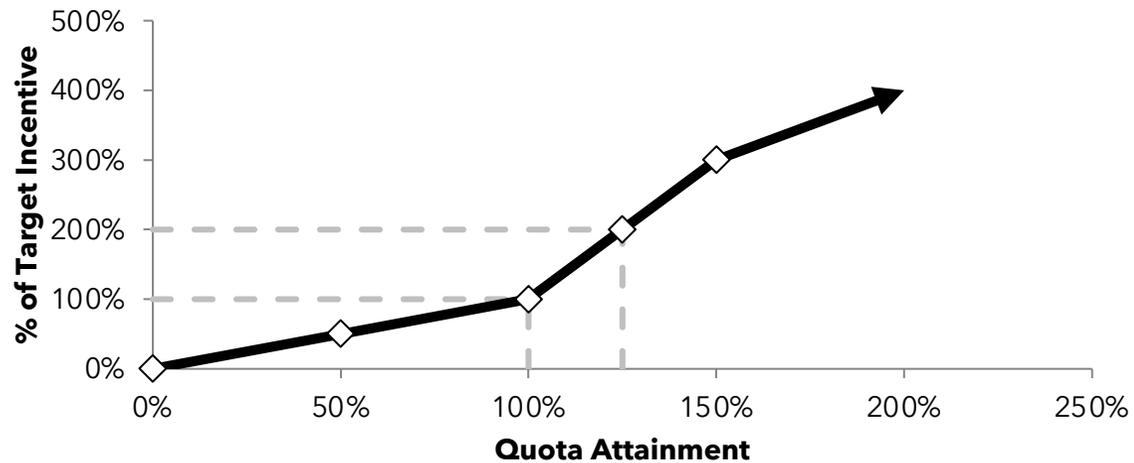


# One Measure



## Measure 1: Total Sales

Quota Attainment		Rate
0%	50%	1x
50%	100%	1x
100%	150%	4x
150%+		2x



## SBI Perspective

### Description:

- Singular metric that is 100% of target incentive weighting

### Pros

- + Simple to understand, easiest to administer
- + Treats a dollar as a dollar

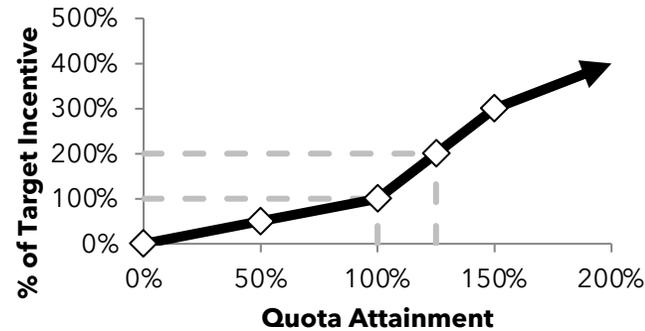
### Cons:

- May not adequately support the evolving company strategy
- May not drive growth in most profitable products

# Separate Measures

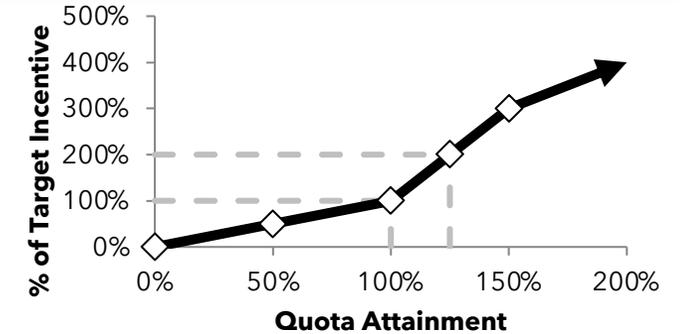
## Measure 1: Subscription

Quota Attainment		Rate
0%	50%	1x
50%	100%	1x
100%	150%	4x
150%+		2x



## Measure 2: Managed Cloud

Quota Attainment		Rate
0%	50%	1x
50%	100%	1x
100%	150%	4x
150%+		2x



SBI Perspective

### Description:

- Primary metric is total or core product sales (e.g. bookings, orders, revenue)
- Use second separate weighted metric to measure and reward performance on one or more product lines (product focus)
- Typically need links or thresholds to ensure employees do not "shop the plan" and sell what is easiest

### Pros

- + Simple to understand and easy to administer
- + Provides greater flexibility into evolving sales strategy
- + Strong message on specific product focus goals

### Cons

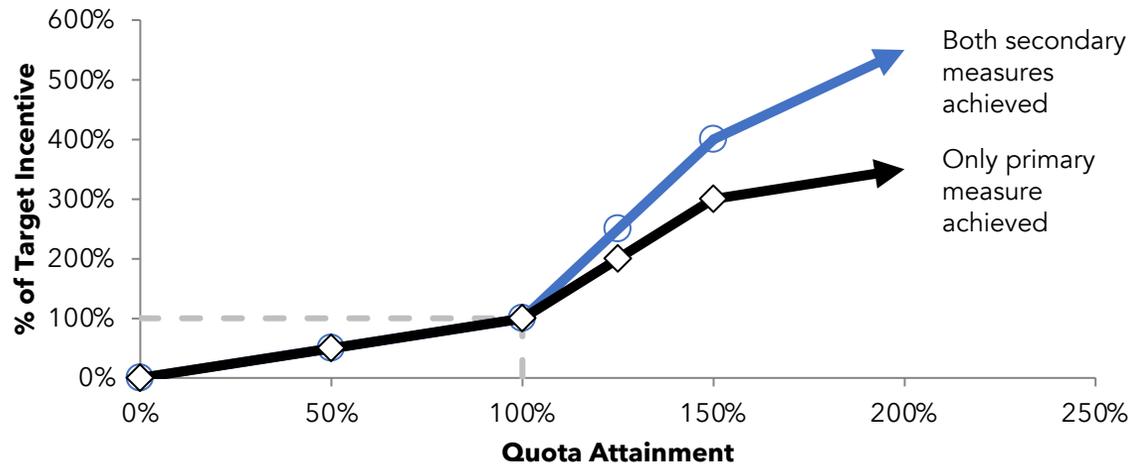
- Requires separate quotas for each product
- Treats all products in the product focus quota equally
- Can drive undesired rep behavior ("shop the plan")

# Accelerator Adjustment



## Measure 1: Total Sales

Quota Attainment		Only Primary	Both Secondary
0%	50%	1x	1x
50%	100%	1x	1x
100%	150%	4x	6x
150%+		2x	3x



## SBI Perspective

### Description:

- Singular metric that is 100% of target incentive weighting
- Rep receives sub-measures for primary metric
- Rep is rewarded additional acceleration for achievement of both metrics

### Considerations:

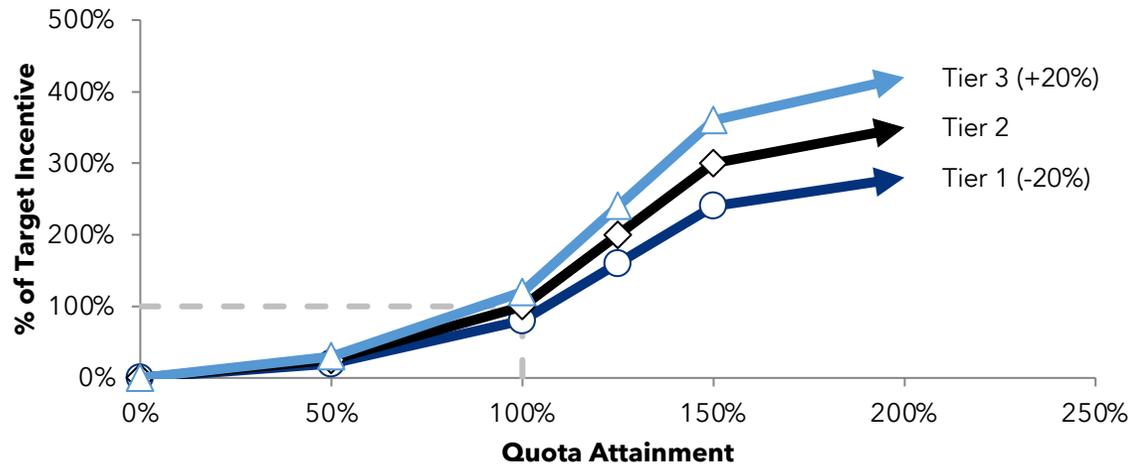
- Select appropriate plan mechanic (e.g. quota or commission)
- Determine appropriateness of hard threshold (e.g. no incentive below certain level of performance) and soft threshold (e.g. decelerated rate below specified performance level)
- Align accelerators above 100% based on role
- Determine appropriateness of incentive caps (e.g. no additional incentive above specified level of performance) and decelerators (e.g. decelerated rate above specified level of performance)

# Sales Modifier



## Measure 1: Total Sales

Quota Attainment		Rate
0%	50%	0.5x
50%	100%	1.5x
100%	150%	4x
150%+		2x



## SBI Perspective

### Description:

- Singular metric that is 100% of target incentive weighting
- Rep receives secondary measure tied to product and/or sales initiatives
- Rep is rewarded and/or penalized based on secondary measure achievement

### Pros

- + Reduces sales representative's ability to "shop the plan" by linking product sales performance to primary sales metric
- + Can be used both to reward and penalize reps (note: for optics reasons and to avoid clawbacks many organizations provide upside only)

### Cons

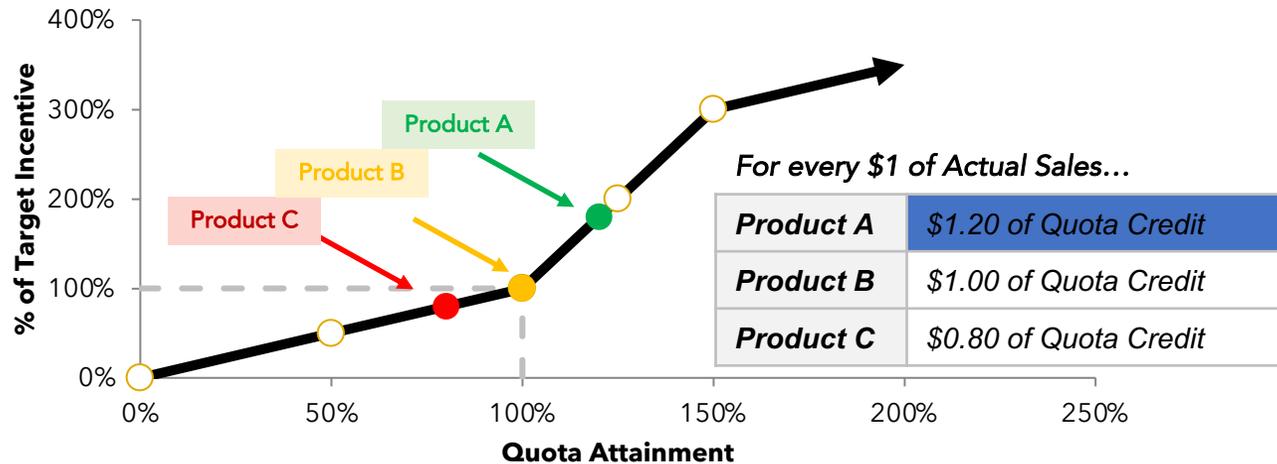
- Can provide > 100% target incentive on < 100% of total sales (assumes right mix)
- More difficult to administer than separate measures

# Value Adjustment



## Measure 1: Total Sales

Quota Attainment		Rate
0%	50%	1x
50%	100%	1x
100%	150%	4x
150%+		2x



## SBI Perspective

### Description:

- Singular metric that is 100% of target incentive weighting
- The sales rep receives a total sales goal consisting of all products
- Quota credit is adjusted up or down based on strategic importance of each product (e.g. treats a dollar differently for each product) (note: for improved optics, many organizations will only adjust the quota credit value up)

### Pros

- + Simple to understand, easy to administer
- + Provide emphasis on specific products, without need for product quotas
- + Enables the rep to sell based on customer need

### Cons

- Plan design complexity of having various credit "values" by product
- Additional complexity in tracking the data
- Can drive undesired rep behavior ("shop the plan")

# Q&A



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Thank You