



**CaptivateIQ**

# How Well is Your Comp Plan Working?

A Guide to Leveraging Sales Compensation Data

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# Why Sales Compensation Matters

How you reward your sales team through their sales comp plan will determine how effective your sales strategy is in closing more deals. We can all agree on that. However, many companies overlook analyzing their sales compensation data to see how effective they are which leads to wasted incentive dollars.

Let's take a look at how to get the most out of your sales function, and how to leverage data to create the most appropriate sales compensation plan for your team.

## The Importance of Data

One of the best things you can do for your business early on is to set up a robust data pipeline and a flexible data dashboard. You generally want to keep track of two types of data:

- 1** Data about your target audience behavior and preferences
- 2** Internal data to help optimize business performance and operational efficiency

Collecting and analyzing data allows businesses to fine tune strategies, find alignment and correlations that otherwise would remain unidentifiable, and notice new opportunities to drive cost-effective growth.

From a sales perspective, robust data will provide you with the ability to:

- Better manage costs
- Assess rep performance
- Benchmark health of the sales team
- Refine sales planning processes

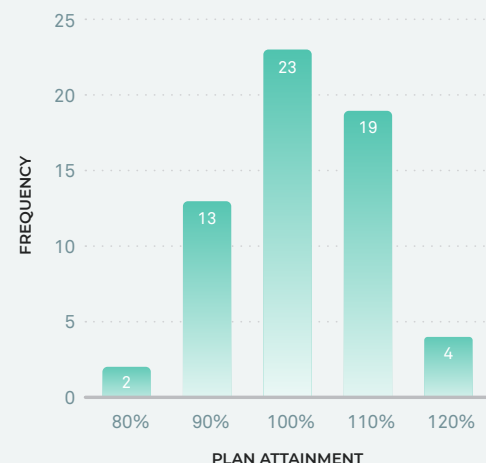
## The Histogram

We're going to take a quick throwback to high school statistics.

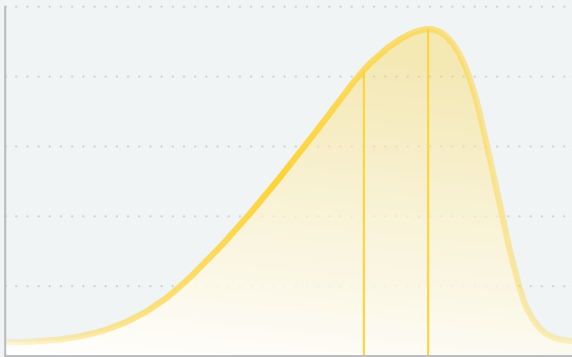
The histogram is a great way to understand, at a high level, how your sales team is performing.

In the example to the right, we have a sales team with 61 members (sum of total frequencies). The number of individuals who hit 100% of plan attainment and beyond is the sum of 46. This means that 46 out of 61, or roughly 75%, of this sales team was able to hit the quota.

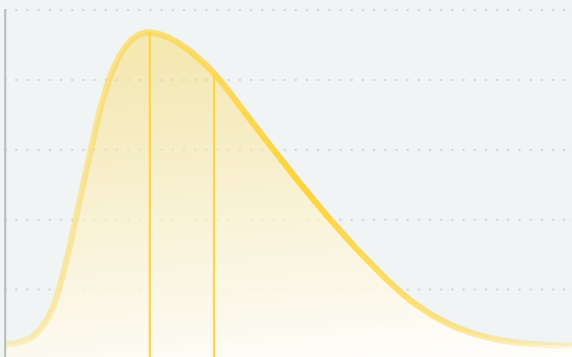
A healthy sales organization should aim for ~60% of reps to achieve quota. This fictitious organization is a little high at 75%.



LEFT SKEWED HISTOGRAM



RIGHT SKEWED HISTOGRAM



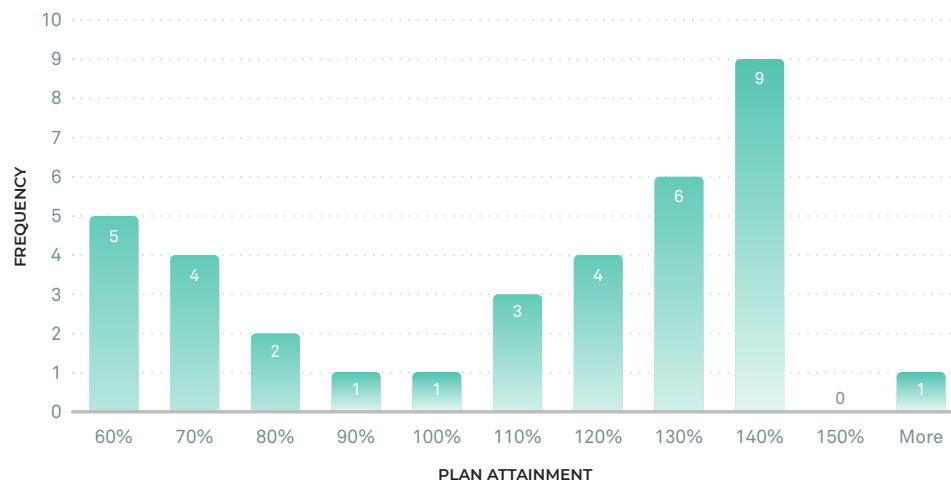
At first glance, you may think that it's preferable to have a left-skewed histogram where most of your reps are clustered above the 100% plan attainment mark.

On the one hand, it is great that your reps are meeting and exceeding their quotas. However, this also means that you are paying more in accelerated incentive dollars. This is a good indicator that you set your quotas too low and it means that your cost of sales is higher than it could be.

If your histogram is right-skewed where most reps are clustered below the 100% plan attainment mark, you will be paying less in incentive dollars.

However, you may have set unrealistic goals for your sales team which can lead to increased turnover and higher recruitment costs.

Another sign that your sales team needs attention is if you have a histogram that resembles an inverted bell curve.



The inverted bell curve often means that sales growth is driven by few, more expensive, resources as others struggle.

On the right hand side, there are a number of “winners” who blew out their quotas to earn large payouts while the “losers” struggled to even achieve 80% to goal.

This “inverted bell curve” can be an ominous sign for any sales compensation program because it often means that sales performance is driven by reps that were able to overachieve - meaning the company was paying accelerated commission rates to hit the company target, leading to increased commissions costs.

In addition to increasing the compensation cost of sales, this inverted bell curve also is a precursor to increased recruiting costs as low performers - who feel as though they cannot earn in their roles - leave to find new employment opportunities.

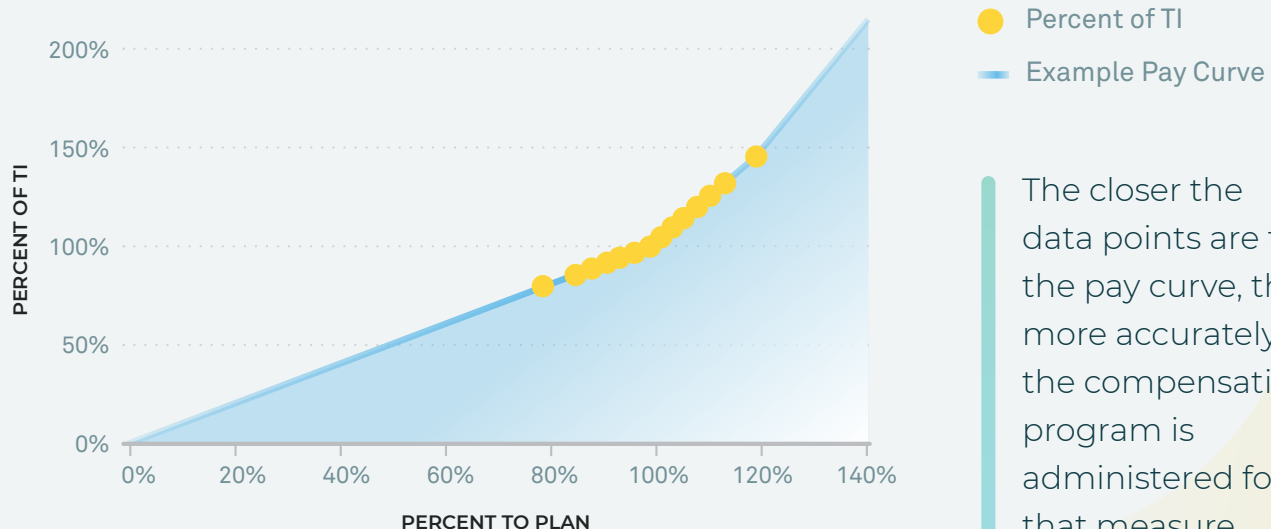
# Pay Curve Analysis

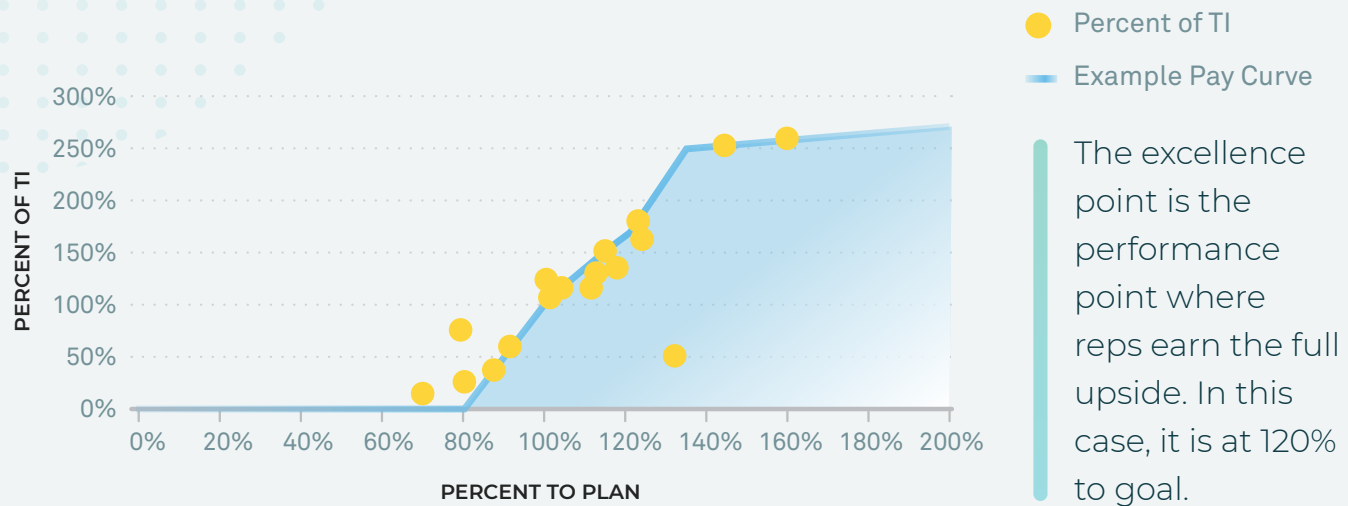
The goal of the pay curve analysis is to determine:

- 1 Whether you have set the appropriate excellence point
- 2 Whether your compensation program is being administered accurately

First, you want to plot the percentage of plan attainment along the x-axis and the percentage of target incentive (TI) on the y-axis.

You'll notice right away that the resulting graph should resemble the pay curve for the measure itself. Feel free to add the actual pay curve in the analysis (example below) to see how accurately the compensation program is being administered. The closer each data point is to the pay curve, the more accurate the administration.





Another benefit of the pay curve analysis is that it helps planners set the excellence points, or the percent achievement in the compensation plan where the incumbent earns the full upside in the plan. These incentive dollars are typically reserved for the top 10% of performers, meaning that the more spread out the incumbents are on the pay curve, the higher the excellence point will be.

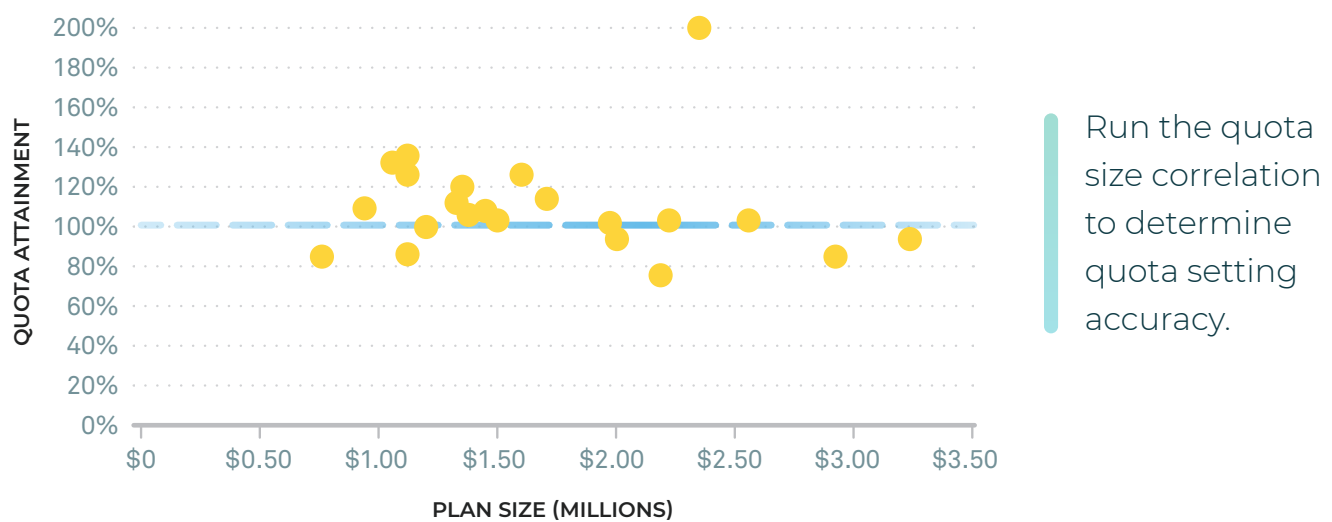
Companies that are able to effectively forecast the excellence points in their compensation plans are better able to optimize cost of sales.

## Quota Size Correlation

Lastly, if you want to get a sense of whether you have the correct quotas in place, you'll want to create a quota size correlation plot. This analysis will help you manage sales and compensation costs, as well as refine sales planning capabilities.



You're going to start by plotting the quota size for like roles against the achievement (rather than target incentive) in a scatterplot (see below). This view helps determine quota setting accuracy because it shows where high reps were able to blow out the plan, therefore increasing costs due to paying plan acceleration.



In most companies, it is normal for the performance spread to be wider for reps with smaller quotas and more transactional sales. In this situation, performance will naturally vary. As quota sizes get larger and we move up to enterprise/global accounts, the spread will likely be significantly tighter as the quota size makes it very difficult for a rep to blow out their number.

Another benefit of the quota size correlation analysis is that when companies plot the performance of a rep who is ramping up alongside tenured reps, they can manage the cost of their ramping program. Comparing both populations allows teams to track the progression of the ramping reps and leverage that data to refine ramping quota calculations.

For example, by tracking 5 reps throughout the ramping process, you might find that they are able to hit 20% of a fully ramped quota in their first month, 40% in the second month, and so on. With these data points, it becomes easier to deploy ramping quotas because you will be able to plan based on the full quota and apply the appropriate quota reduction to align with the rep's tenure.

Although not technically a sales compensation analytic, the quota size correlation is a critical analysis that companies should continually monitor because of the visibility it provides into critical moments in the rep's career and can significantly reduce costs.

## About Us

CaptivateIQ is modernizing how businesses compensate their hardworking sales teams with an automated and flexible commissions solution. We believe that hard work should be rewarded and that there's a smarter way to do that than with complicated spreadsheets.

Pay your reps accurately and on time so they can be more productive. Share insights with sales leadership on which plans are growing the business. Minimize human-error and hours spent calculating commissions each month.

**We make commissions clear and accurate for leading companies like:**



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