Your Guide to Setting, Calculating & Tracking Sales Compensation

Table of Contents

Introduction

Paying sales reps competitively, accurately, and consistently matters more today than ever.

Sales turnover rates continue to climb, quotas have gotten harder to hit, and on-target earnings (OTE) are the highest they've ever been.

In 2021, the average tenure of an account executive dropped to 18 months, according to HubSpot. For context, that number was 2.5 years in 2010. Additionally, only a quarter of sales teams reported more than 75 percent of their team hitting quota last year (2022 Bravado State of Sales Compensation Report) when a good goal is 80 percent. Meanwhile, OTEs have risen, with account executive OTEs for those with zero to three years of experience averaging $100K, and OTEs set between $80K and $90K for sales development reps.

This volatility has forced organizations to rethink their revenue strategies, especially as it pertains to sales compensation.

Getting sales compensation right begins with designing solid plans and continues through the execution of tracking, calculating, and paying out of commissions.

> **Appropriate sales compensation plans aren't just the sign of a healthy organization; they're tools to motivate sales reps and power company-wide growth.**
>
> — AJ Bruno, QuotaPath Co-Founder and CEO

When organizations design compensation models that motivate reps, include achievable targets that align with business strategies, the desired sales performance will follow.

Well-executed comp plans have been linked to higher sales rep retention rates and more consistent teamwide quota attainments. They can also double as a recruiting tool.

To gain your reps' trust and confidence in your compensation plan, your plan and commission payouts should be consistent and clear. Commission miscalculations, incorrect payouts, and constant comp plan adjustments are some of the quickest ways to lose your sales reps.

In this ebook, we will cover how to build effective compensation plans, and how to calculate, track, and payout commissions to retain top talent and increase quota attainment.

By the end of this book, you'll be able to:

- Set OTEs and quotas that align to business strategies and attract sales talent
- Identify compensation plan best practices and variable plans that work best for your organization
- Calculate and track commissions more effectively and accurately
- Leverage free resources to improve your commission processes

Chapter 1: Setting Quotas and OTEs

Who owns compensation planning?

Before we venture into quotas and variable pay, we'll cover who owns compensation planning.

Is it sales, RevOps, or finance? Twist! It's all three.

Your sales organization is your most expensive department. How they get paid should be a collaborative effort. We recognize, however, that not all companies have a RevOps function and the ownership of comp planning will vary depending on company size.

For instance, companies that generate less than $30MM in annual recurring revenue (ARR) leave comp plan design to sales leadership 73 percent of the time. This is according to our Benchmark Report, which surveyed SaaS professionals from more than 150 companies.

When a company surpassed $30MM in revenue, comp plan responsibility shifted to either RevOps or finance and accounting.

Still, all parties should be privy to the fundamentals of the compensation plan and how it affects the reps closing deals.

Confidence variability in plans

Our report indicated that who designs the majority of the comp plan directly affects a rep's confidence in the plan.

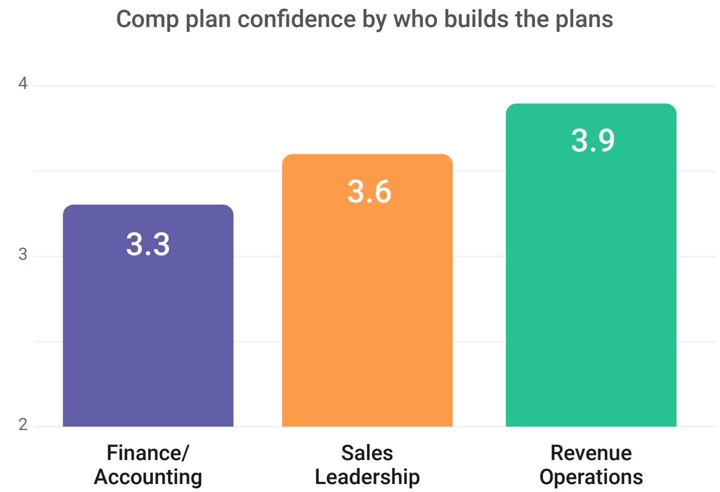
When RevOps owns the process, reps had the most confidence in their compensation plans. We believe this is because RevOps works so intrinsically with sales and runs on data points. RevOps, and the growth teams they support, all win when RevOps is in constant communication with the sales team and in touch with how to best support them. How, and what they get paid on, plays a pivotal role in that support.

Finance-led plans, on the other hand, had the lowest rep confidence. We attribute this to finance's focus on fiscal implications across the organization versus thinking of the rep first. For finance-led plans, we've included a number of resources to help you deliver on business goals while also taking care of your reps.

Rep confidence in sales leader-generated comp plans fell just shy of RevOps-led. This is likely because whereas sales leaders spend the majority of their focus dedicated to the sales team, RevOps has full insight and data into the entire sales funnel, including marketing and customer support.

To recap, who owns comp planning?

We suggest a collaborative effort of sales, RevOps, and finance.



Setting OTEs

Now that you've determined who will build your comp plan, you can set your reps' OTEs.

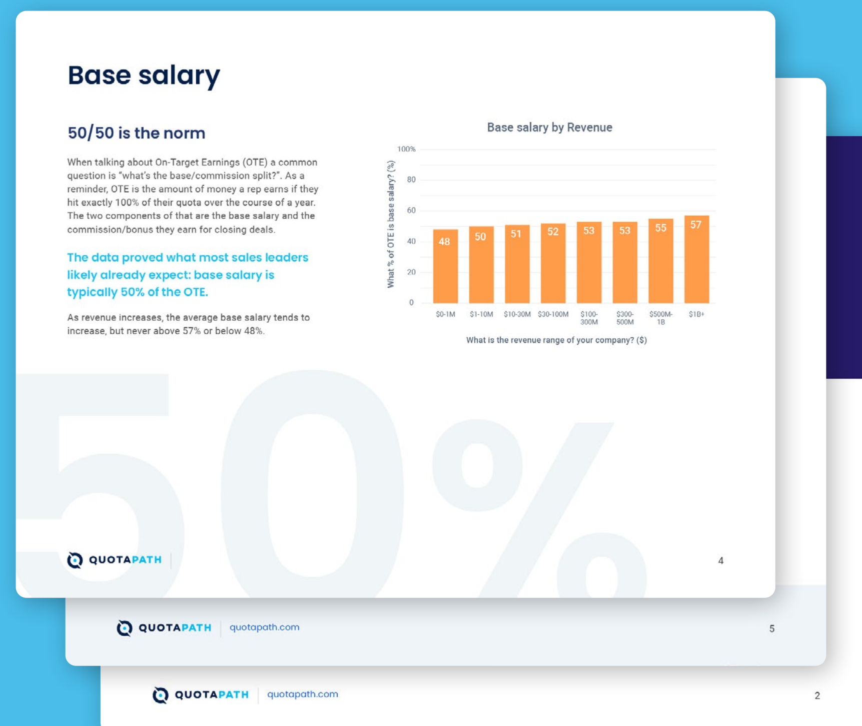
Your OTE represents the amount of money a rep can expect to earn, should they hit 100 percent of quota. A 50/50 split is the most common. OTEs are not guaranteed, but the equation is very simple:

Annual base salary
+ Annual commission earned at 100% of quota
= On-Target Earnings (OTE)

For example, a sales job posting might advertise "$90,000 OTE." Broken down, this could translate to a $45K annual salary, plus $45K earned in commissions upon hitting 100 percent quota.

Some leaders may set these based on region (more below), but we recommend our free OTE calculator to help you calculate quota based on information specific to your company.

In our Compensation Plan Benchmark report, we found that more than half of the respondents paid their reps 50% base and 50% commissions.



Quota:OTE Ratio Calculator

To remove the guesswork from determining OTEs and calculating quotas, check out our Quota:OTE Ratio Calculator.

This free tool allows you to plug in base salary, on-target commissions, average quota attainment, and company revenue. By factoring in these numbers, you can use the color-coded dials to determine if your OTEs, when compared to your quotas, serve your business well. The goal is to get both dials green.

Our Quota:OTE Ratio Calculator is most impactful in determining what **multiplier** to follow.

A multiplier is the number of times more a quota is than a rep's OTE. To find it, divide the overall quota goal by the OTE. Historically, most SaaS companies adopt a multiplier of five, meaning their reps' quotas are 5x greater than their OTE.

> **Example:** Ian is an AE with an OTE of $200K. His annualized quota is $1 million. In this instance, Ian's quota is 5x larger than his OTE.

While "5x" is a strong multiplier, it may not be suitable for your business, especially if you're a small, growing company with a smaller ARR. That's when our Quota:OTE Ratio Calculator really shines.

Learn more about the tool and download it here.

Regional Trends — OTEs

How do your OTEs compete with regional trends? After referencing a few different sources, including Bravado's 2022 Sales Compensation Guide and Bett's 2022 Compensation Guide, these are the OTEs that you can expect by area and experience.

OTEs: Sales Development Reps

For remote and tier 2 cities, such as Austin, Boston, and Atlanta, on average, SDRs earned an OTE of **$80K**.

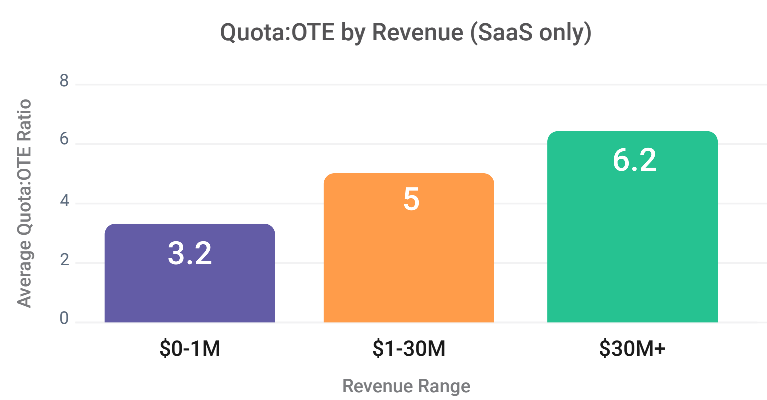
San Francisco, New York City, and Los Angeles reps saw slightly higher OTEs at **$90K**.

OTEs: Account Executives

For account executives (AE), OTEs varied based on experience rather than region.

0-3 years: $100K
3-5 years: $125K
5-10 years: $155K
10+ years: $195K

If you're hiring in SF, NYC, LA, you can expect to pay 10 to 20 percent higher rates than those above.



Determining Quotas

We get asked this a lot — how much of your team should be hitting quota for it to be considered fair, yet not too easy?

Our point of view, and one you'll see often, is **80 percent**.

Your quota should be attainable, realistic, and based on historical performance.

Despite industry experts agreeing with the "80 percent" rule, only **1 in 4 sales teams** had 75 percent or more of their reps hit quota last year, per Bravado's salary report.

The discrepancy likely sits in how leadership sets the quota.

If they used a top-down approach, which is when an executive sets an overall target and leaves the sales leads to identify how much their team must close to hit that, the quotas usually end up being too high.

But, when setting quotas from historical data, or a bottom-up approach, we consistently see higher team-wide quota attainments.

Factors to consider when setting quotas include:

- **Last year's ARR**
- **This year's ARR growth goal by percentage**
- **Historical performance based on territory/account sizes**
- **Average sales cycle length**
- **Demo-to-win percentages**
- **Number of marketing qualified leads (MQL)**
- **Incoming additional resources and headcount, such as sales enablement tools, funnel predictability, sales effectiveness coaching, and increased marketing support**

Our OTE calculator works great when determining quotas too, as setting both the OTE and quotas happen synchronously.

Communication of quotas

Your sales team quota is only as strong as the communication supporting it. Sales leaders should provide context into the quota-setting process to help reps understand it. We also recommend enabling your team with a platform (like QuotaPath) that tracks quota attainment in real-time and allows for forecasting what-if scenarios.

Transparency around quota setting processes builds rep trust and, in turn, impacts performance and team morale.

By giving your sales team a tool that tracks their attainments, you're enabling your reps to own and push toward their goals. When they can see how close they are to hitting quota, they're more likely to go above and beyond.

And, hopefully, you've got some accelerators built in to reward them for overachievement.

Is your quota unfair?

In addition to consistently low team-wide quota attainments, you'll also want to look out for the following when evaluating the fairness of your quota:

- A large difference between median and average performance
- Top performers and lower performers trade-off and on year-over-year
- High sales rep turnover
- Noticeable performance outliers on the low and high side

Setting quota frequency

Hopefully, you're now in a place to determine whether your quota should follow a yearly, quarterly, or monthly cadence. We do encounter other quota frequencies (bi-annual, weekly, etc.) but those are rare.

When determining the quota period length, our recommendation is to tie your frequency to your sales cycle and the number of deals your reps close in any given time period.

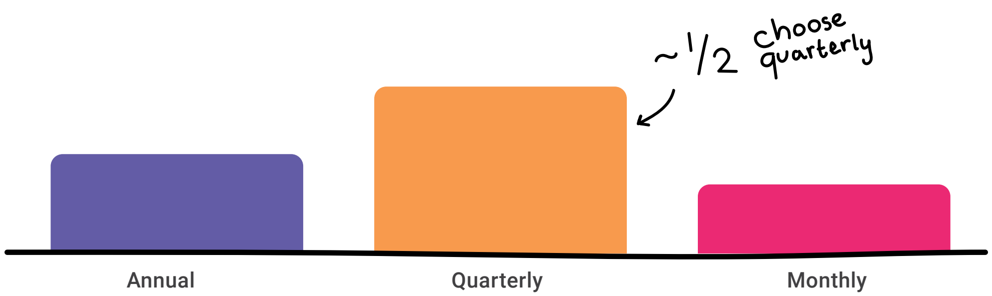
Meaning, if the majority of your deals close in 30 days or less, consider a monthly sales cycle.

For cycles that fall closer to 90 days, quarterly makes the most sense. Or, if you're a scaling organization and extending your deal cycle time to account for larger deals, consider switching from a monthly to a quarterly cycle.

Then, for industries that see significantly longer sales cycles, or teams dedicated to enterprise deals, opt for the annual quota.

While we recommend having the shortest quota period possible, you also want your reps to be closing at least four to six deals during their quota period. That gives them the opportunity to overachieve or underachieve by closing a few more deals — rather than 1 big one.

We found that 45 percent of SaaS companies run quarterly quotas, 26 percent follow monthly quotas, and 29 percent run annual quotas. (Learn more in our Benchmark Report.)



SaaS Company Quota Frequency

Chapter 2: Choosing your variable compensation plan

OTEs: check. Quotas: check.Compensation plans: next up!

We typically come across the following three variable compensation plans. The single rate plan, the multiple rate plan, and milestone bonuses. Worth noting, bonuses differ from commissions. While bonuses reward pre-determined set payments for completing specific tasks, commissions pull from a percentage of revenue earned from a deal.

Single rate commissions/bonuses

First up, we've got the most basic form of sales commissions/ bonuses, the **single rate plan.** Other aliases include flat-rate, fixed-rate, or just commissions/bonuses.

Plain and simple, the single rate commission involves a set, single percentage earned off of every won deal regardless of quota attainment. A single rate bonus involves a set, single amount earned for doing some activity regardless of quota attainment.

Examples of single rate plans

- An AE earns 10% of every deal.
- An SDR earns $150 for every deal that reaches a qualified stage.
- A sales manager earns 3.33% from every deal their team closes.

Pros

Simple to calculate and easily understood.

Cons

The single rate plan **falls short in rewarding over performance.** Similarly, if reps know they get paid the same even when they fall short of quota, they won't be incentivized to break into a higher commission rate payout.

To help set your commission rates, use our free Sales Compensation Calculator tool, which includes a plug-and-play Commission Rate Planner, Sales Quota Planner, and OTE Planner.

The standard commission rate for SaaS is 10 percent.

Multiple rate plans/bonuses

Unlike single rate plans, **multiple rate commissions/bonuses** pay out different amounts on different deals. Rates generally vary based on quota attainment or deal size.

Other names for the multiple rate plans include accelerators, escalators, tiers, and multipliers.

The more someone sells on a multiple rate commission plan, the higher the commission rate. Additionally, the more activity they do on a multiple rate bonus plan, the higher the bonus amount.

Examples of multiple rate plans

> An Account Executive has a monthly quota of $33,000 and earns a 10% commission of every deal they close until they hit 100% of their quota. Any revenue above their quota they earn 12%.
>
> Note: this plan does not apply to previous tiers, as they don't earn 12% of everything they have sold.

> A Sales Manager has a monthly team quota of $300,000 and earns 0% commission of every deal someone on their team closes until they hit 60% of their quota. Beyond that point, they earn 3.33% commission of every deal someone on their team closes that month.
>
> Note: this plan does apply to previous tiers, as they earn 3.33% of ALL deals closed that month.

> An SDR has a quarterly quota of 30 qualified opportunities and earns $200 on every qualified opportunity until they hit their quota and $300 on any opportunities beyond their quota.
>
> Note: this plan does apply to previous tiers, as they don't earn 12% of everything they have sold.

Accelerators — Almost 80% of comp plans from our benchmark survey used some form of an accelerator and/or decelerator. This means that the commission rate changes based on how close the rep is to hitting their quota.

Pros

Rewards over performance! The more you sell, then the more you make. This is great for motivating reps to continue to push after surpassing quota. Reversely, it also means that your underperformers are not getting compensated on deals the same as those who are meeting targets. We consider this a good thing.

Cons

These plans are undeniably harder to understand. When you add accelerators, your plan automatically becomes more complex. To account for this, we suggest using round percentage rates to avoid confusion (ie: 10 percent instead of 9.75 percent).

Milestone bonuses

Milestone bonuses represent the third variable compensation plan. A milestone bonus is a bonus you earn once you hit a certain… well, milestone. If you hit that milestone, you don't earn anything. Overperforming that milestone doesn't earn you anything extra. Think of it like a 'lightswitch' bonus, it's either on or off.

If a rep earns 20 percent of every deal, that classifies as commission. An example of a bonus, however, may include collecting $200 on every deal closed. See the difference? Commissions vary based on deal size, while bonuses stay the same.

Examples of milestone bonus plans:

> An AE earns a $2,000 bonus when they hit their monthly quota of $25,000.

> An SDR receives a $1,000 bonus after setting 25 meetings and another $1,000 when they reach 40.

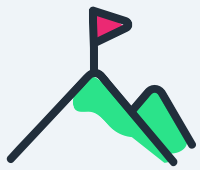
> A Sales Manager collects a $1,000 bonus if someone on their team closes a deal that is over $50,000. This is an 'each individual deal' style bonus where they earn $1,000 if the deal is over $50,000. They don't earn anything if the deal is under that, nor do they earn more if the deal is above $100,000.

Pros

These types of compensation plans yield **low financial risk** because organizations know the maximum amount of bonuses they'll have to pay out if everyone hits their targets. This plan also e**ncourages rep consistency between targets**.

Cons

Milestone bonuses **can lead to sandbagging**. If a rep has already unlocked their milestone bonus this month, they might hold deals intentionally to work toward next month's milestone bonus. This behavior can be avoided though by complementing milestone bonuses with an accelerator. In fact, we rarely see milestone bonuses not paired with another commission or bonus rate.

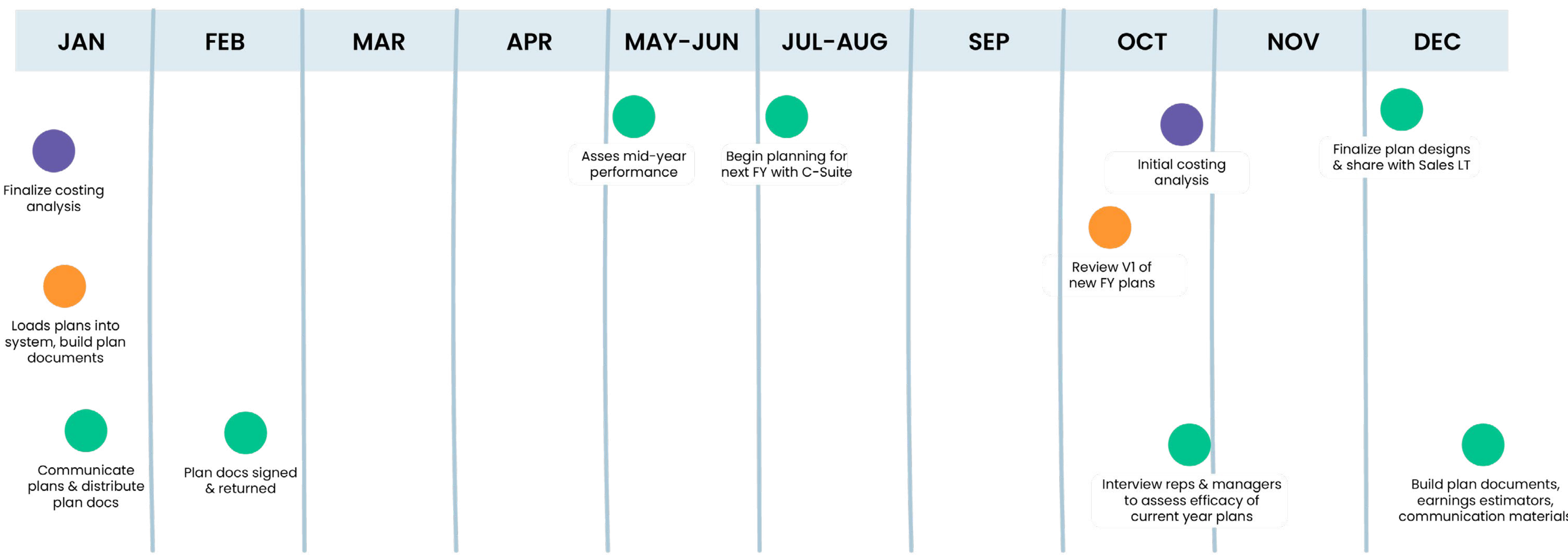


Chapter 3: Designing a compensation plan

Compensation planning calendar

We recommend rolling out new compensation plans to your teams at the sales kickoff, which should occur at the beginning of the year. To meet this timeline, begin evaluating and discussing plan changes as early as July.

Below we've outlined a full compensation planning 12-month schedule to follow.



Compensation best practices

Our team holds decades' worth of experience surrounding compensation planning. We've seen some exceptional plans that pay for performance and inspire overachievement. We've also seen some horrible plans that yield the exact opposite.

The winning plans share a few things in common, such as simplicity, consistency, and uncapped commissions.

Some poor plans we've seen feature capped commissions.

"A cardinal sin for sales reps is sandbagging, which occurs when a rep holds deals this month to earn more money next month. Capped commissions are a major contributor to this behavior," our Chief of Staff Graham Collins said.

To help, we've outlined eight sales compensation planning best practices.

The right kind of sales compensation plan will reward desired behaviors and foster more consistent performance on a monthly, quarterly, and yearly basis.

— AJ Bruno, QuotaPath Co-Founder and CEO

8 sales compensation planning best practices

1 Align your comp plans to business goals

Design a plan that supports the business strategy by starting with your company goals and allowing that to act as a blueprint for your comp plan.

2 Keep it simple

“Plans should be so simple, that someone could explain it to you in about 15 seconds,” said AJ.

Can you fit it on a napkin? If yes, great work!

When plans extend to multiple pages, the risk of losing your reps’ trust and understanding of it increases. Plus, as a leader, it’ll make it more complicated to explain to them. Shorter comp plans connect all parties involved, like RevOps, finance, sales, leadership, and accounting, through a common understanding.

3 Set realistic quotas

Review your sales teams’ historical performance. What percentage of your team consistently hits quota? If it’s less than 60 percent, it’s likely that you’ve set your quota too high. However, 100 percent attainment suggests your quota is too easy. Try to identify the intersection where ambitious meets achievable. Fair and realistic quotas will drive business goals and keep reps motivated. Whereas the opposite fosters defeat and negativity, which feeds employee attrition.

4 Take into account ramp-up periods

For new hires, you should provide an appropriate **ramp-up period** through lower quotas upon their start date or draws. Aim to align your new-hire ramp ups with your sales cycle. If your sales cycle clocks in at 90 days, the ramp-up timeline should reflect that. Another way to offer new hires an opportunity to hit quota is through commissionable milestones. These could look like completing training workshops, booking X number of meetings, or opening up a set number of new opportunities.

Commission rates and multipliers during ramp:

Should you pay an increased rate during ramp to ensure new hires hit the OTE ramping target (Example: 20% rate during ramp vs. standard 10%)?

Graham: You have to keep in mind the reps’ happiness here, especially given the current hiring environment. If you don’t give me a way to hit my full OTE as a rep, that’s very annoying to me.

Generally, I like this model:
Below 100% of the ramping target: 20%
Above 100% of the ramping target: 10%
(Any further accelerators apply if they overachieve full quota)

5 Introduce comp plans in advance

Communication around compensation plans plays a critical role in how any changes will be received from the reps' perspective. Let them know in advance that adjustments are coming and communicate when they can expect the plans to be rolled out. Then, have your sales leaders run a training session with their teams dedicated to the comp plan. Make sure you explain clearly what led to the changes and how they will benefit them. Address their questions. Get rep signoff.

6 Research market OTEs

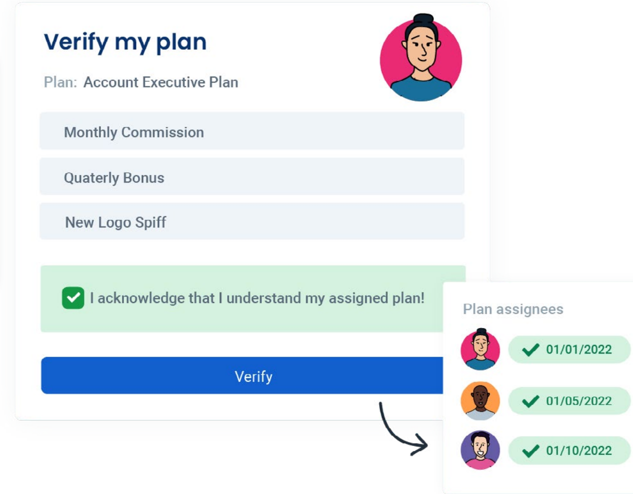
Base salaries for sales reps have increased year-over-year. To recruit and retain top talent in a competitive job market, your OTEs should reflect industry data.

7 Be transparent about how to calculate commissions & when they are paid out

Show your team how you calculate commissions and when they are paid out. Do reps see their commissions when the customer signs the contract, or is it paid upon the customer's first payment? Make it clear and consistent.

QuotaPath offers automated, real-time views into commission calculations and scheduled payouts for reps and leaders.

In QuotaPath we have Plan Verification, which allows for reps to show their understanding of new plans and plan changes.



8 Conduct ongoing evaluations of comp plans but try too avoid too many changes

Your comp plan shouldn't be static but you also shouldn't be changing your plan multiple times throughout the year. That's a sure way to get your reps not to trust and buy into your plan. Conduct ongoing evaluations, notate any outlier deals that tested your existing plan, pay attention to the seasonality of your sales cycle, and review more-in-depth over the summer.

"Too many changes or complications in a short period of time can muddy the waters, obscuring progress toward goals and hurting morale," AJ said.

8 sales compensation planning best practices

1. Align your comp plans to business goals
2. Keep it simple
3. Set realistic quotas
4. Take into account ramp-up periods
5. Introduce comp plans in advance
6. Be transparent about how to calculate commissions & when they are paid out
7. Research market OTEs
8. Conduct ongoing evaluations of comp plans but try to avoid too many changes

For finance and accounting teams tasked with this responsibility, we partnered with SaaSOptics on this guide, How to Build a Compensation Plan Your Sales Team (and Future Investors) Will Love. Check it out for help around building and designing comp plans and recording and amortizing commissions that are compliant with ASC 606.

Chapter 4: Calculating and tracking sales commissions

Tracking manually

Did you know 63 percent of businesses still lean on spreadsheets, even as automated workflow tools continue to grow in popularity?

The same holds true for running sales commissions. More often than not, we meet sales organizations that continue to calculate and track commissions via spreadsheets.

It makes sense — to a degree.

We agree that spreadsheets are easy to use and highly dependable when someone owns the entire commissions process for a small team.

However, we've also found that as sales teams scale and add new compensation structures, spreadsheets become less streamlined and more error-prone.

For example, a smaller company with three commissionable sales reps plans to double the team and add two account managers. That's now eight commissionable reps under two compensation plans. Will a spreadsheet still work?

Perhaps, but now imagine doubling that, and adding a customer success team. What about your first SDR?

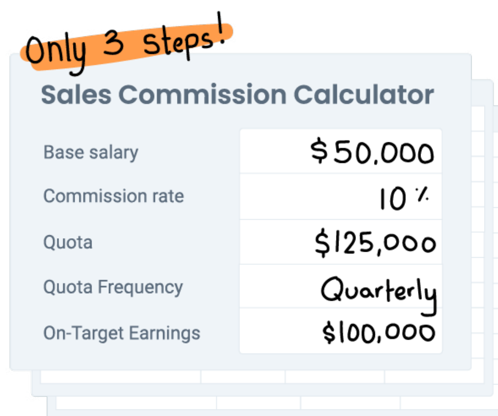
That's a series of spreadsheets to run the various compensation structures in, plus the individual spreadsheets for each person on the team so that they can see their earnings ahead of their paychecks. (That's assuming most sales orgs. strive to provide early visibility and transparency into their teams' commissions.)

Rinse and repeat this monthly process of manual entry. Double-check the formulas and math, and prepare for the one-on-one conversations with reps following incorrect payouts. That trusted spreadsheet isn't so trustworthy anymore.

Still, for smaller teams without major comp plan changes in the works, spreadsheets will likely remain your best bet.

If that's the case, check out this blog for some helpful first steps, Calculating commissions in Excel? Start here. This will guide you through building out your rate table and getting your spreadsheet to acknowledge the rates within.

We also created this free Sales Commission Calculator Template, that includes a spreadsheet with four inputs to track deals and earnings.



Once you have that up and running, follow this checklist to keep your spreadsheet updated and secure.

Commissions Spreadsheet Checklist

- Use naming conventions that **include time periods and rep names**
- **Double-check all formulas and multipliers** before submitting for payroll
- **Password-protect** each spreadsheet
- **Make a backup** of each spreadsheet
- **Only send spreadsheets to designated recipients**, and triple-check email addresses before sending
- If sending to reps, **delete cells that do not pertain to the rep** you're sending the spreadsheet to
- Always **look for hidden rows** upon receiving commission spreadsheets, this ensures you won't send on sensitive data that's hidden

Automating sales compensation

All of the above can be avoided by automating the sales compensation process and sending your spreadsheet into retirement.

But how can you tell when it's time to move on?

Jirav

VP of Sales, Jirav's Ryan McDonald moved to automation when they could no longer keep up with providing reps visibility into their commissions via spreadsheets.

By integrating QuotaPath with HubSpot, Ryan said he addressed that problem immediately.

Blackthorn

At Blackthorn, the time to switch came when manual formulas could no longer handle the complexities of their compensation plans.

VP of Sales Joe St. Germain said new teams, new compensation plans, and monthly kickers and accelerators made it increasingly difficult to adjust manually. Following their implementation of QuotaPath, they've been able to save 10 hours of work and provide rep visibility into their earnings. You can read more about Joe's journey in our blog:

How Blackthorn hit monthly sales records after implementing QuotaPath.

simplex HEALTH

For Josh Seltzer, it was when ad hoc inputs became too time-consuming.

The Director of Finance had a long, storied past depending on spreadsheets to run sales compensation. But that came to a halt in 2021 when every single sales rep required an individualized, manually intensive earnings report.

By automating commissions, QuotaPath provided Simplex Health's team with more transparency, trusted data, and quicker access into their earnings.

"Reps don't have to wait for me to build the spreadsheet, put it into a static report, and then set up a time to discuss it," Seltzer said, in our blog:

Why this finance leader retired his sales commission tracking spreadsheet.

What to look for:

If you, too, have begun experiencing scalability and speed issues when it comes to compensation management, it's time to automate.

Several platforms share this space with us,
so we compiled a list of things to look for as you evaluate.

check it out!

Automating commissions vendor checklist

Tool scalability

As your team continues to grow, will the platform you move forward with be able to scale with you? How much time will it take to add a new compensation plan, team, or bonus?

ASC-606 compliant

ASC 606 mandates that incremental costs to every contract should be capitalized as an asset and amortized over time to align with the timing of the revenue recognition. Compensation platforms should allow for this ability plus easily exportable reporting.

Trusted data and math

How is the system calculating commissions or syncing CRM data? Is it a native integration with real-time updates? Can the platform show their math?

No minimum user limits

Some platforms have minimum user requirements and won't take on customers less than those.

In-app communication

How can reps and platform admins communicate to one another when there is an earnings question or deal error? Does the system allow for users to collaborate on commissions within the app?

Coherent and intuitive rep, manager, and executive UXs

Will all commission stakeholders have access to the platform, and, more importantly, will they actually use and enjoy it?

Forecast earnings and attainments

Can reps and leaders project future earnings, run "what-if" scenarios, and pull real time attainment numbers for individuals and teams?

Fast time to value

When do you need this process automated by? Some providers can take months to schedule even onboarding.

Compensation plan design support

Are you revising your compensation models? Will your provider offer expertise in this area and then help you put it into their system?

Partner relationship

How communicative and supportive is the team behind the platform? Can you trust them to be a reliable resource?

Rep motivation

How can the sales reps use the platform? What pathways are available to set goals, personal or professional, and track against those goals? How easy is it for them to see multipliers, accelerators, milestone bonuses, and spiffs, and how close they are to hitting those?

Ease of use to adjust plans and add spiffs

For sales leaders, how much time and effort does it take to make an adjustment to an existing compensation plan or add accelerators, bonuses, and spiffs?

Transparent pricing

Do you know how much it'll cost before talking to a sales rep?

Why QuotaPath

We created QuotaPath to address all of the points above and then some. We execute on what we promise and we partner with organizations for the long haul. Our platform requires zero coding and delivers a user friendly experience whether you're a CEO or a sales rep. Through our open API and native integrations, you can trust the data, and we'll even double check it for you. "It just works" is something our customers say often.

With QuotaPath:

- Provide reps and leadership with immediate insights into forecasted revenue
- Monitor team-wide performance
- Pull up ARR in realtime
- Quickly design and build compensation plans within the platform
- Be ASC 606-compliant with commissions recognition and reporting
- Incentivize your reps
- Integrate your CRM

To learn more, chat with one of our teammates today.

Chapter 5: Conclusion

Thank you for reading our guide. We think you'll find it helpful as you build out compensation plans, compensation processes, and scale your sales team.

Here are **5 Key Takeaways** to take with you:

1. OTEs are up. SDRs are seeing average OTES of $80K-$90K, while AEs that have between three and five years of experience are earning OTEs of $125K. Your OTEs and quotas should be competitive, fair, and realistic. It takes a healthy infusion of historical data from revenue and past performances to accomplish this. (Bravado's 2022 State of Sales Compensation Guide, Bett's 2022 Compensation Guide)

2. Reps trust compensation plans created by RevOps the most. Not every organization has a RevOps function just yet. For companies that generate less than $30MM in ARR, sales leaders design the comp plans 73 percent of the time. (Benchmark Report: How to build compensation plans for your sales team)

3. Multiple-rate commission plans are the best and even better when you add milestone bonuses. Although these types of plans are more complex to track and calculate, they drive performance and reward overperformance. In our survey, we found that nearly 80 percent of comp plans featured accelerators. (Benchmark Report: How to build compensation plans for your sales team)

4. Design comp plans that you can easily speak to. Simplicity, consistency, and uncapped commissions are your friend. Make sure you communicate any changes or new plans to your team and allow them a space to ask questions.

5. It's time to automate your sales compensation process when you're planning to scale your team, your current process is slowing you down and silo'ed, and you and your reps have no visibility into real-time attainment and earnings. Get ahead of the problems by implementing a solution now.

About QuotaPath

QuotaPath launched in 2018 when our founders AJ Bruno and Cole Evetts set out to build a comprehensive sales compensation system that's highly technical and intuitive. Our goal is to provide your growth organization with a tool they love to use and insights that drive earnings.

Our name reflects the idea that reaching your goals is about the journey rather than the destination. As a team, we have a zest for life and a knack for solving problems. Like the hundreds of customers we partner with, we're scaling our team and now have nearly 70 employees across Austin, Philadelphia, and abroad.

To stay updated on our journey, follow us on LinkedIn and Twitter @QuotaPath

Resources Index

Sales Compensation Calculator

Quota:OTE Ratio Calculator

Bravado's 2022 State of Sales Compensation Guide
Comp Plan Builder

How to Build a Compensation Plan Your Sales Team (and Future Investors) Will Love

Benchmark Report: How to build compensation plans for your sales team

Free Sales Commission Calculator Template

Webinar: Sales Compensation Planning

What is ASC 606 – Revenue recognition compliance