

Quota Setting Methodology

7-Step Top-Down / Bottoms-Up Model

A quota-setting process that balances board targets with rep attainability. Accounts for ramp time, attrition, and uplift factor. Use this reference alongside the interactive model.

01 THE 7-STEP PROCESS

Work through these steps in sequence. Top-down sets the target. Bottoms-up validates it. The gap between them is a planning problem you must solve before the quarter begins.

Step 1 Start with the Board ARR Target

The board target is the constraint, not the starting point. Work backward: if the board needs \$12M in new ARR, that is the number you must be able to generate at quota attainment. Do not start with what the team can realistically do — start with what the business needs, then close the gap.

Step 2 Apply Uplift Factor (110–130%)

Multiply the board target by an uplift factor (typically 110–130%) to create the sales capacity target. This buffers against rep attrition, ramp time, and forecast variance. Without uplift, you will systematically miss the board target even at normal attainment rates.

Step 3 Run Bottoms-Up Validation

Sum the individual rep quotas from the ground up. If the total diverges from the capacity target by more than 5%, reconcile before proceeding. Never skip this step — it is the only check that reveals whether the quota plan is achievable given actual headcount.

Step 4 Segment by Role and Tier

Split the capacity target across Enterprise, Mid-Market, SMB, and SDR segments. Apply segment-specific quota ranges and uplift factors from the benchmarks table. Enterprise quotas are higher per rep but carried by fewer reps; SMB quotas are lower but require higher coverage ratios.

Step 5 Model Attainment Scenarios (60% / 72% / 85%)

Run three attainment scenarios — bear (60%), base (72%), and bull (85%) — to stress-test total bookings and commission exposure before finalising quotas. If the bear case produces unacceptable revenue shortfall, the plan needs revision before it goes out.

Step 6 Validate Against Market Benchmarks

Compare proposed quotas to the benchmark ranges in the reference table. Quotas outside the range require CRO sign-off and a written rationale attached to the ICA. Benchmarks are a guardrail, not a target — your specific market and product economics may justify deviation with documented reasoning.

Step 7 Issue Individual ICAs

Once quotas are approved, issue Individual Compensation Agreements to all quota-carrying reps. ICAs must be countersigned within 5 business days of the fiscal year start. Late ICAs create attainment disputes — build the signing process into the planning calendar.

02 MARKET BENCHMARKS BY SEGMENT

Use these ranges when validating proposed quotas in Step 6. Quotas outside these ranges require CRO sign-off.

Segment	Rep Quota Range	Avg ACV	Target Attainment	Uplift Factor
Enterprise	\$700K – \$1.2M	\$120K – \$350K	65–70%	125–135%
Mid-Market	\$400K – \$700K	\$40K – \$120K	68–72%	118–125%
SMB	\$200K – \$400K	\$10K – \$40K	70–75%	112–118%
SDR (SQO-based)	80–120 SQOs	N/A	70% of SQO target	115%

† SDR quota is measured in Sales Qualified Opportunities (SQOs), not ARR. Attainment is calculated against the SQO target, not ACV.

03 COMMON MISTAKES TO AVOID

- Setting quota without uplift**

The business needs \$10M from the field — so you set \$10M in quotas. The problem: no team averages 100% attainment. If your team runs at 70%, you will produce \$7M. Apply the uplift factor before finalizing any quota number.

- Ignoring ramp and attrition**

A 14-rep team at the start of the year is not a 14-rep team all year. A rep hired in March is not fully productive until June. A rep who leaves in August costs you two quarters of production. Model both in the bottoms-up.

- Skipping bottoms-up validation**

Top-down quota math looks clean on a spreadsheet. Bottoms-up validation reveals whether the math holds given real headcount, ramp schedules, and role mix. Skipping it is one of the most common causes of a quota plan that misses in aggregate.