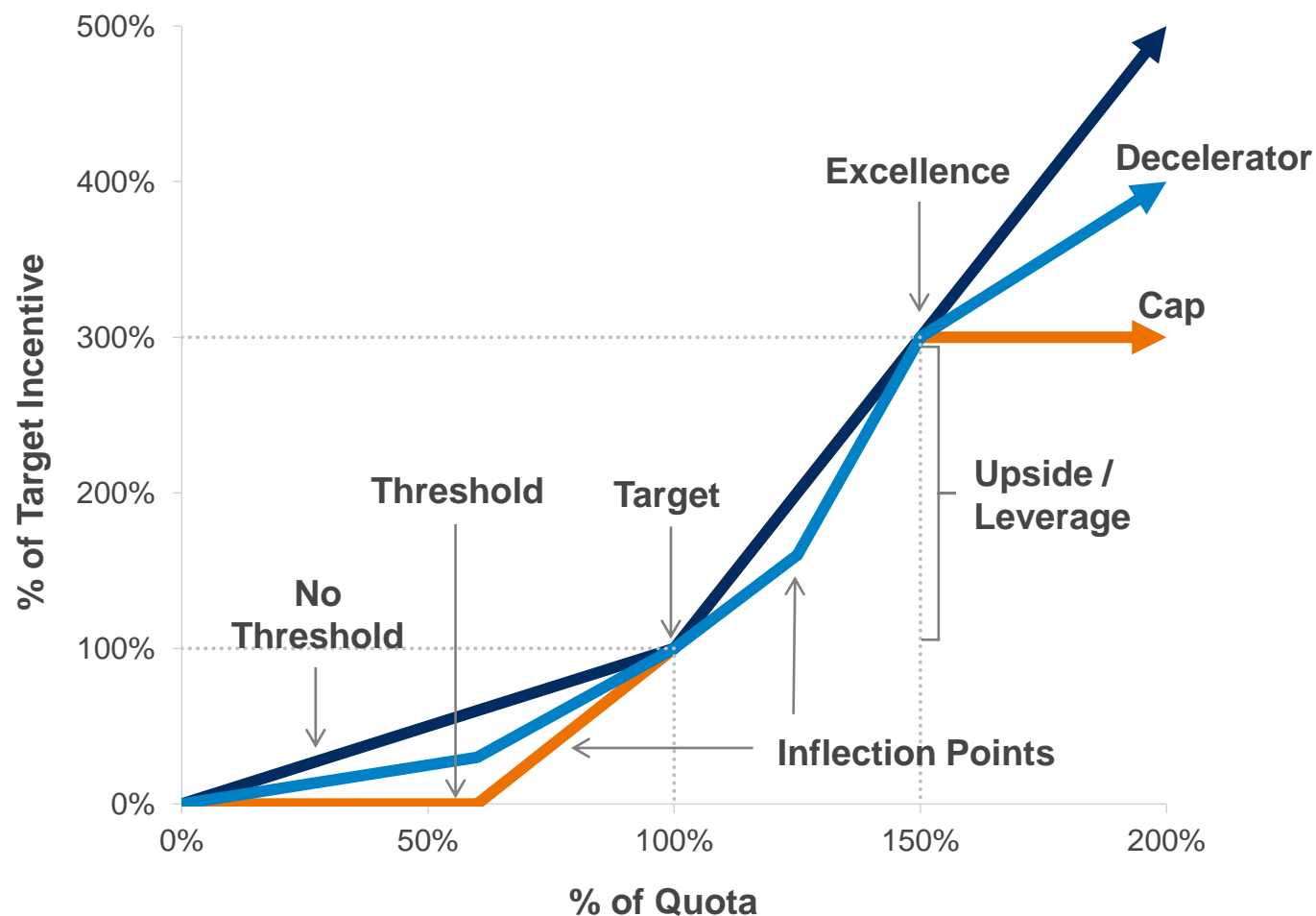


# Pay Curve Concepts

Pay curves are designed using multiple design points



<b>Threshold</b>	Minimum level of performance. 90% of populations should achieve Threshold performance
<b>Target</b>	Expected level of sales performance. 50-60% of populations should achieve Target performance
<b>Excellence</b>	Outstanding level of performance. Only top 10% (90 <sup>th</sup> percentile) should achieve
<b>Upside</b>	Pay for 90 <sup>th</sup> percentile performance.
<b>Leverage</b>	Upside represented as a multiple of at-risk target incentive (e.g., 3X = 300% of target incentive).
<b>Decelerator</b>	Declining payout rate, usually starting at excellence point.
<b>Cap</b>	Maximum payout, expressed as a % of target incentive or % of quota achievement.
<b>Inflection Points</b>	Change in payout rate either below or above quota. More rates drives more savings and more complexity.

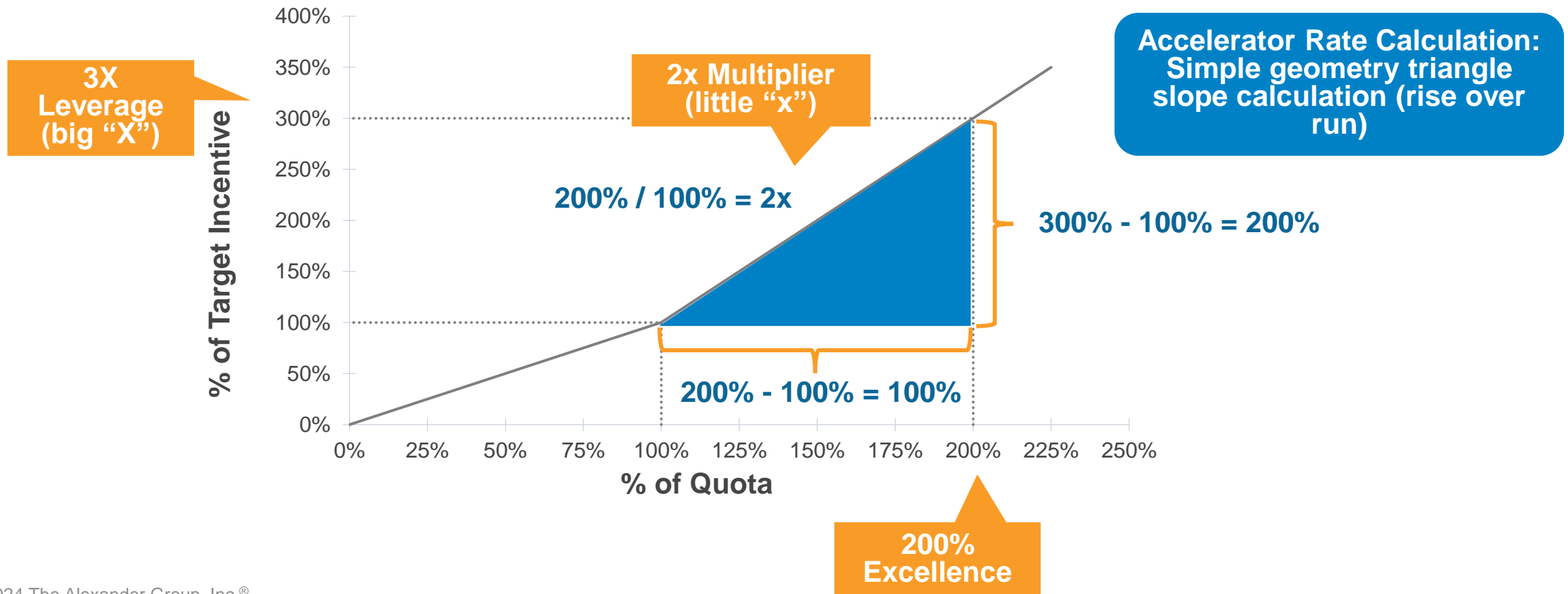
# Accelerator Rate Calculation

Leverage (big X) is how much a top performer earns as a % of target incentive.

Accelerator multiplier (little x) is the rate applied to the payout above 100% of quota.

Accelerator rates vary based on defined excellence point and leverage.

AGI benchmarks leverage due to challenges comparing accelerator rates.



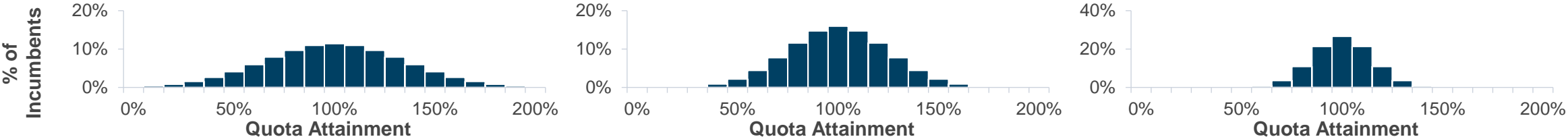
# Decelerator Options

	Continued Accelerator	Decelerator (50% of Accelerator)	Decelerator (Standard 1.5x)	Cap
What	<ul style="list-style-type: none"> <li>Continue to accelerator rate at higher levels of performance</li> </ul>	<ul style="list-style-type: none"> <li>Reduced accelerator rate at a certain level of performance (usually the excellence point) to mechanically manage extreme payouts</li> <li>Use rate that is higher than the rate below 100% of quota to motivate ongoing sales and prevent Reps from pushing deals to next period</li> </ul>	<ul style="list-style-type: none"> <li>Excessive payouts due to unforecasted/unpredictable business occur more regularly</li> <li>Use standard 1.5x rate when high overpayment risk and desire to apply the same rate to all pay curves</li> </ul>	<ul style="list-style-type: none"> <li>Cap on total quota attainment or incentive earnings</li> </ul>
When to Use	<ul style="list-style-type: none"> <li>No excessive payouts due to unforecasted/unpredictable business occur</li> </ul>	<ul style="list-style-type: none"> <li>Excessive payouts due to unforecasted/unpredictable business occur regularly</li> <li>Use 50% of accelerator rate when average overpayment risk and desire to align rates to each plan's upside</li> </ul>	<ul style="list-style-type: none"> <li>Excessive payouts due to unforecasted/unpredictable business occur more regularly</li> <li>Use standard 1.5x rate when high overpayment risk and desire to apply the same rate to all pay curves</li> </ul>	<ul style="list-style-type: none"> <li>Excessive payouts due to unforecasted/unpredictable business occur regularly and cannot be managed through other production practices</li> </ul>
Pros	<ul style="list-style-type: none"> <li>+ Provides continued motivation</li> </ul>	<ul style="list-style-type: none"> <li>+ No cap!</li> <li>+ Protects organization from excessive payouts</li> </ul>	<ul style="list-style-type: none"> <li>+ No cap!</li> <li>+ Protects organization from excessive payouts (more protection than 50% Accelerator rate)</li> </ul>	<ul style="list-style-type: none"> <li>+ Protects organization from excessive payouts (cost savings)</li> </ul>
Cons	<ul style="list-style-type: none"> <li>× No protection from excessive payouts</li> <li>× Requires reliance on exceptions to prevent budget blow-out</li> </ul>	<ul style="list-style-type: none"> <li>× Slightly punitive / demotivating</li> </ul>	<ul style="list-style-type: none"> <li>× More punitive / demotivating</li> </ul>	<ul style="list-style-type: none"> <li>× Reps may stop selling or push deals once they reach cap</li> <li>× Highly punitive / demotivating</li> <li>× Does not support aggressive sales culture</li> </ul>
Examples				

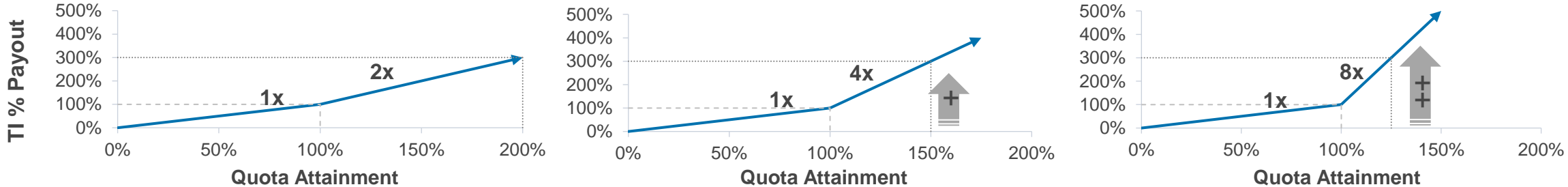
# Quota Size Impacts Pay Curve Design



Attainment Expectation



Pay Curve Implication





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