

# The Ultimate Sales Compensation Guide: A Fictional Cloud Data Provider

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## 1. Introduction: Our Compensation Philosophy & Structure

Our sales compensation plan is the engine that drives our company's growth. We believe in a system that is transparent, fair, and directly ties your success to the company's success. As a consumption-based cloud provider, our model incentivizes not just closing a deal, but also ensuring our customers find long-term value and expand their usage over time. This guide is your definitive resource for understanding every aspect of how you are paid, from base salary to accelerators and special incentives.

Your total compensation package is composed of two primary components:

- **Base Salary:** This is your fixed, predictable income. It provides a stable foundation and is paid bi-weekly. Your base salary is determined by your role, experience, and the competitive market rates for your position.
- **On-Target Earnings (OTE):** This is the total compensation you are expected to earn if you achieve 100% of your annual quota. It's the sum of your base salary and your target incentive compensation. For example, if your OTE is \$250,000 and your base salary is \$125,000, your target commission is also \$125,000.

Your commission is uncapped, meaning there is no limit to how much you can earn if you exceed your quota. We want to reward our top performers without artificial ceilings.

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## 2. Deep Dive into Commission Mechanics

### 2.1 How Commission is Calculated

Your commission is a percentage of the **commissionable revenue** from a deal. This percentage is your **commission rate**, which is not a single, fixed number. Instead, it's a dynamic rate that increases as you achieve higher levels of quota attainment. This is the core of our tiered accelerator system.

- **Formula:**  $\text{Commission Payout} = \text{Commissionable Revenue} \times \text{Commission Rate}$

**Example:** You close a deal worth \$75,000 in commissionable revenue. If you are in the standard attainment tier (0%–100%), your commission rate is 8%. Your commission for this deal would be  $\$75,000 \times 8\% = \$6,000$ .

### 2.2 Defining Quota and Attainment

Your **annual quota** is the target amount of new Annual Recurring Revenue (ARR) or consumption-based revenue you are expected to generate. Your **attainment percentage** is a simple calculation: your total commissionable revenue to date divided by your annual quota.

- **Formula:**  $\text{Attainment \%} = (\text{Total Commissionable Revenue} / \text{Annual Quota}) \times 100$

This attainment percentage is the key to unlocking higher commission rates through our tiered system.

2.3 What Counts as Commissionable Revenue?

This is a critical distinction. Commissionable revenue is the net new consumption-based revenue from a customer account that is contractually obligated to spend on our platform. The specifics vary by deal type:

- **New Logo Acquisition:** 100% of the Annual Contract Value (ACV) of the initial contract is considered commissionable. This is the foundation of your quota.
- **Expansion Revenue:** 100% of the net new ACV from an existing customer (e.g., an upgrade, a new department adopting our platform, or a new use case) is commissionable. This is a significant portion of our business and is heavily incentivized.
- **Renewals:** Standard, like-for-like renewals of existing contracts are not commissionable for most roles. However, if a renewal includes a significant expansion (e.g., a customer increases their commitment by 20% or more), the net new revenue generated from that expansion is fully commissionable.
- **Trial Conversions:** If a free trial converts to a paid contract, the initial ACV is commissionable.

Commissionable revenue is also subject to deal-specific adjustments. For instance, professional services fees, hardware costs, and heavily discounted deals may have a reduced commissionable value.

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3. Role-Based Compensation Plans: Your Earning Blueprint

Our sales team is a collaborative effort, and each role has a tailored compensation plan that reflects its unique contribution to the sales cycle.

3.1 Account Executives (AEs)

- **Role:** Own the entire sales cycle, from prospecting and closing to long-term account management. You are the quarterback of the deal.
- **Quota:** Your annual quota is a blend of new logo acquisition and expansion revenue targets. The weighting may shift each year to align with strategic business goals.
- **Commission Plan:** AEs are on a highly tiered, accelerating commission plan. The more you sell, the higher your commission rate climbs.

Attainment %	Commission Rate	Payout Multiplier
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0% - 100%	<b>8%</b> (Standard)	1.0x
101% - 125%	<b>12%</b> (Accelerator I)	1.5x
126% - 150%	<b>15%</b> (Accelerator II)	1.875x
151%+	<b>17%</b> (Super Accelerator)	2.125x

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**Note:** The accelerator rates apply to all commissionable revenue earned *within* that tier. For example, once you hit 101% attainment, every dollar of commissionable revenue you generate *from that point on* is paid at the new, higher rate.

### 3.2 Sales Development Representatives (SDRs)

- **Role:** Generate qualified leads and book initial meetings for Account Executives. You are the tip of the spear.
- **Quota:** Your quota is based on a number of qualified meetings booked that meet a set of specific criteria (BANT: Budget, Authority, Need, Timeline). You also have a crucial "**closed-won**" metric.
- **Commission Plan:** Your pay is a combination of a fixed, per-meeting bonus and a percentage of the ACV for any deal that closes from a meeting you sourced.

Metric	Payout
Qualified Meeting Booked	<b>\$125 per meeting</b> (paid once the meeting occurs)
Closed-Won Deal	<b>2.5%</b> of the deal's ACV (paid once the deal closes)

**Example:** You book a meeting that results in an AE closing a \$100,000 ACV deal. You would receive a \$125 bonus for the meeting and an additional \$2,500 (2.5% of \$100,000) once the contract is signed.

### 3.3 Solution Engineers (SEs)

- **Role:** Technical advisors who demonstrate our platform and provide expert support during the sales cycle. You are the technical backbone of the sales team.
- **Quota:** SE compensation is a team-based model. Your pay is tied to the collective performance of the AEs you support.
- **Commission Plan:**
  - **Per-Deal Bonus:** A fixed bonus of **\$1,500** for every deal you support that closes with an ACV over \$50,000.
  - **Team Attainment Bonus:** A percentage of the total commissionable revenue generated by your assigned pod of AEs. This bonus is paid out quarterly and accelerates as the team exceeds its collective quota.

### 3.4 Sales Managers

- **Role:** You are a coach, a leader, and a strategic partner to your team of AEs. Your job is to enable their success.
- **Quota:** Your quota is the sum of all your direct reports' quotas.
- **Commission Plan:** Your variable compensation is a team override bonus, paid out quarterly, based on your team's collective attainment.

Team Attainment %	Bonus Multiplier
0% - 100%	0.5x on team commissionable revenue
101% - 125%	1.0x on team commissionable revenue
126%+	1.5x on team commissionable revenue

## 4. Accelerators, Decelerators, and SPIFs

## 4.1 The Power of Accelerators

Our accelerating commission plan is designed to be a powerful motivator. Your commission rate jumps significantly as you exceed your quota. We believe in rewarding our top performers disproportionately, as their success fuels our entire company.

### Example Calculation (Continued):

- An AE has a \$1M quota. They've just sold \$1.25M, reaching 125% attainment. All revenue up to this point has been paid at either 8% or 12%.
- Their next deal, a \$20,000 contract, pushes them into Accelerator II (126%+).
- The commission rate for this deal and all subsequent deals jumps to 15%.
- Commission for this deal is now  $\$20,000 \times 15\% = \$3,000$ . This is a substantial increase over the standard rate.

## 4.2 The Decelerator Clause

While rare, a decelerator clause may be applied in specific scenarios to ensure fairness and prevent unsustainable sales practices. The most common trigger is **excessive discounting**. If a deal requires an exceptionally large discount (e.g., greater than 40%) to close, the commissionable revenue for that deal may be reduced by a predefined percentage, typically 50%. This ensures that we are not paying a full commission on deals that are not profitable for the company.

## 4.3 Special Performance Incentive Funds (SPIFs)

SPIFs are tactical, short-term bonuses designed to drive specific behaviors or strategic initiatives. They are in addition to your regular commission and are a fantastic way to earn extra money.

- **"New Product Push"**: Sell a deal that includes our new AI-powered module in Q3 and get a **\$3,000 bonus**.
- **"Territory Expansion"**: Be the first AE to close a new logo in the new Mid-Atlantic territory and receive a **\$7,500 bonus**.
- **"Quarter-End Marathon"**: Book a deal with an ACV over \$200k in the final two weeks of the quarter and get a **15% bonus on the commission earned for that deal**.

All SPIFs have clear start and end dates and specific qualification rules. They are announced internally on our sales communication channels.

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## 5. Payout, Policies, and Pitfalls

### 5.1 Payout Schedule and the "Booked vs. Recognized" Standard

Commissions are calculated on a **monthly basis** and paid out on the subsequent payroll cycle. So, commissions from deals closed in August will appear on your September paycheck.

Crucially, we pay on **booked revenue**, not recognized revenue.

- **Booked:** This means the contract has been signed and processed by our sales operations team. This is when your commission is earned and becomes due.
- **Recognized:** This is a finance term for when the revenue is formally recorded on the company's books over the life of the contract. Our policy of paying on booked revenue means you get paid faster, providing a more immediate reward for your hard work.

## 5.2 Important Rules & Policies

- **Quota Relief:** If you take a long-term leave (e.g., medical leave) or your territory is significantly altered, you may be eligible for a formal quota relief plan. This is a negotiated process that requires leadership approval.
- **Territory & Account Assignment:** Your territory and assigned accounts are explicitly defined in our CRM system. You must have an account assigned to you to receive commission for a deal within it. The principle is: if it's not assigned to you, you can't sell it.
- **Team Selling & Splits:** We encourage collaboration. If a deal requires a commission split, a formal agreement must be documented in the CRM and approved by a manager *before* the contract is signed. Undocumented splits will not be honored.
- **President's Club:** Our annual President's Club trip is the pinnacle of sales achievement. The top 10% of AEs who exceed their annual quota will be invited to an all-expenses-paid trip to a luxury destination. The specific rules and destination are announced at the beginning of each fiscal year.

## 5.3 Clawback Clauses: Protecting the Business

A clawback clause is a standard, non-negotiable part of your compensation agreement. It allows the company to reclaim commission paid out on deals that ultimately do not result in revenue. This is a safeguard against business loss.

- **Clawback Triggers:**
  - **Customer Cancellation:** If a customer cancels their contract within the first nine months, the full commission paid will be clawed back. After nine months, the clawback is prorated based on the remaining contract term.
  - **Non-Payment:** If a customer defaults on their invoices, the portion of your commission tied to that unpaid revenue may be recovered.
  - **Overpayment:** If a calculation or administrative error leads to an overpayment, the excess will be recovered from a future commission payment.

### Example Clawback Calculation:

- You close a 12-month deal with an ACV of \$120,000 and receive a commission of \$9,600.
- The customer cancels after 10 months.
- The clawback is for the remaining two months of the contract.

- Clawback Amount =  $(\$9,600 / 12 \text{ months}) \times 2 \text{ months} = \$800 \times 2 = \$1,600$
- \$1,600 will be deducted from your next commission check.

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## 6. Frequently Asked Questions & Scenarios

- **"What if a deal is in the pipeline but I'm being transferred to a different territory?"**
  - Any deal you have actively worked that closes *after* your territory transfer may still be eligible for commission, but this must be formally negotiated and documented with your new manager and sales leadership. Without a documented agreement, the new AE in the territory will receive the full commission.
- **"Can I sandbag a deal to hit my accelerator in the next quarter?"**
  - Intentionally holding a signed contract until the next quarter is a serious violation of our policy and can result in disciplinary action, up to and including termination. All deals must be submitted for processing immediately upon signature. The close date on the contract is the official close date for commission purposes.
- **"My commission statement seems wrong. Who do I contact?"**
  - You should review your monthly commission statement carefully. If you believe there is an error, submit a formal dispute ticket through our internal compensation management system. Your sales operations manager will investigate the claim and provide a resolution.
- **"My teammate helped me with a demo. Do I need to split the commission?"**
  - If the teammate is an SE, they are compensated through their own plan and do not need a split. If the teammate is another AE, you are required to discuss and agree upon a split and get manager approval before the deal closes. If a split is not documented, the primary AE on the account gets the full commission.

This guide is designed to be a comprehensive resource. For any questions not covered here, please consult with your manager or the sales operations team.