

6 KICKERS GUARANTEED TO BOOST YOUR ARR IN 2022

WHAT IS A KICKER?

A kicker is an incremental incentive on top of the base compensation plan that motivates actions beyond a standard expectation (e.g. negotiating more desirable contract terms).

HOW DO KICKERS WORK?

Kickers are rewarded in the form of a percentage increase in commission or a multiplier on deals where specific criteria are met, such as increasing contract term length or advance payment.

WHY SHOULD YOU USE KICKERS?

Kickers allow organizations to address concerns such as churn, cash-flow, and inflation, without distracting reps from their primary objective: growing revenue.

KICKER

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GO LONG!

TARGET PAIN: CHURN & TCV

GOAL: CLOSE MORE MULTI-YEAR BOOKINGS



INCENTIVE:

IF a rep can turn a one-year deal into a multi-year deal...

REWARD them with a percent increase or multiplier on top of their commission rate.

FORMA.AI INSIGHT: STOP THE LEAK

If customers tend to churn at the two-year mark, create a kicker that rewards reps for securing three-year contracts.

REAL-LIFE RESULTS



When one customer's multi-year contracts were tracking below target, Forma.ai helped them design and deploy a fully-optimized contract length kicker.

STEPS TO SUCCESS:

1. We analyzed their performance data
2. Modeled various outcomes to determine the optimal attainment level
3. Deployed rep-level dashboards to keep contract-length top-of-mind

KICKER

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CASH IS KING

TARGET PAIN: CASH-FLOW & LIQUIDITY

GOAL: INCREASE CONTRACTS WITH PARTIAL OR FULL UPFRONT PAYMENT



INCENTIVE:

IF a rep can convince a new customer to pay upfront in cash...

REWARD them with a percent increase or multiplier on top of their commission rate.

FORMA.AI INSIGHT: INTEREST = REWARD

To set the optimal kicker rate, start with the potential interest earned on cash (+1% to +3%), track its efficacy, and refine as needed.

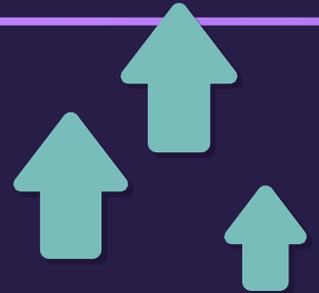
KICKER

3

INFLATION ESCALATOR

TARGET PAIN: MARGIN & RISING COSTS

GOAL: NEGOTIATE A YEARLY PRICE INCREASE IN MULTI-YEAR CONTRACTS



INCENTIVE:

IF a rep includes a price escalator in a multi-year contract (e.g., +5% year-to-year)...

REWARD them with a percent increase or multiplier on top of their commission rate.

FORMA.AI INSIGHT: SET A CEILING

Establish a maximum price increase threshold to dissuade reps from negotiating too high of a rate and scaring off prospects.

KICKER TIP



KEEP IT SIMPLE

The great thing about kickers is that the underlying comp plan does not change.

That said, you do not want to add all your kickers at once or you risk confusing reps about which goals to pursue.

KICKER

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CHURN BUSTER



TARGET PAIN: CHURN & ACV

GOAL: INCLUDE ADD-ONS IN THE CONTRACT THAT IMPROVE RETENTION

INCENTIVE:

IF a rep successfully sells in a specific add-on or feature that has proven to increase customer retention...

REWARD them with a percent increase or multiplier on top of their commission rate.

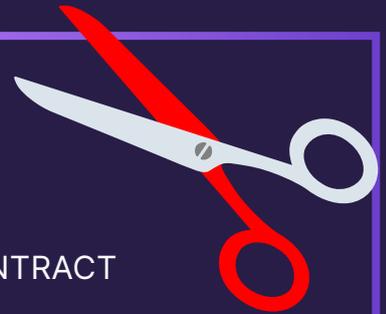
FORMA.AI INSIGHT: TRUST THE DATA, NOT YOUR GUT

To maximize the efficacy of this kicker, analyze your data to determine which features or added services correlate with higher retention and account growth.

KICKER

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CUT THE CLAUSE



TARGET PAIN: EARLY CHURN RISK

GOAL: AVOID "GET-OUT-EARLY" CLAUSES IN THE CONTRACT

INCENTIVE:

IF a rep can avoid or eliminate any "get-out-early" clauses from a contract...

REWARD them with a percent increase or multiplier on top of their commission rate.

FORMA.AI INSIGHT: IT'S OKAY TO WALK AWAY

If a customer won't budge on the clause, it may be a red flag for what's to come. If the writing is on the wall, get out while you can.

KICKER TIP



ACCELERATORS + KICKERS

Dealing with a lazy or demotivated salesforce? Consider pairing a kicker in the form of a multiplier on top of an accelerated compensation plan to foster a "hungry" sales culture. They'll start hitting numbers you never thought were possible!

KICKER

6

REVERSE, REVERSE

TARGET PAIN: MARGIN

GOAL: REDUCE DISCOUNTING



INCENTIVE:

IF a deal includes undesirable contract terms, such as discounting...

PENALIZE reps by decreasing their commission rate at a fixed rate or <1 multiplier.

FORMA.AI INSIGHT: KEEP IT FOR LATER

Unless you've reached \$500MM ARR, you should avoid this kicker and any others focused on improving margin. Driving growth should be the primary goal of your incentives.

DON'T SWEAT THE DETAILS

DESIGN, DEPLOY AND OPTIMIZE YOUR KICKERS

If you're concerned that a kicker would complicate your plans — or worse — wouldn't be possible with your current set of tools, then it might be time to bring your sales compensation process out of the Stone Age and into the future.

Companies that manage sales compensation with Forma.ai — like Autodesk and OpenTable — can enhance their plans with kickers that are fully optimized to their data and revenue goals.

With Forma.ai, you never have to sweat the technical or compliance details that come with managing sales compensation. We take the time to understand and execute for you, so you can focus on what matters — growing revenue.

If you're curious about the future of sales compensation, and how Forma.ai's scientific approach is paving the way for truly optimized and individualized compensation, reach out to our team to learn more.

Visit Forma.ai for more sales compensation tips, strategies, and research.



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