

2020 AACCA Annual Virtual Forum

Day 2

Forum Agenda

Day 2: Thursday, October 8

Time	Activity
9:00 – 10:00	Session 2: Using Incentives to Motivate and Retain Key Talent While Meeting Business Objectives <i>Presenters:</i> <i>Adam Cantrell – Senior Compensation Director, Asbury Automotive Group</i> <i>Diana Harris – Executive Director, Global Sales Compensation, NCR Corporation</i> <i>Shawn Rossi – North America Practice Leader, Mercer (Facilitator)</i>
10:00 – 10:30	AACA 30th Birthday Celebration! <i>Celebrating 30 years of serving the Atlanta compensation community</i>
10:30 – 11:30	Keynote Presentation: Positioning Your Company to Succeed in Uncertain Times <i>Stephen Childs – CHRO Panasonic Automotive</i>
11:30 – 11:45	Closing

Session 2: Using Incentives to Motivate and Retain Key Talent While Meeting Business Objectives



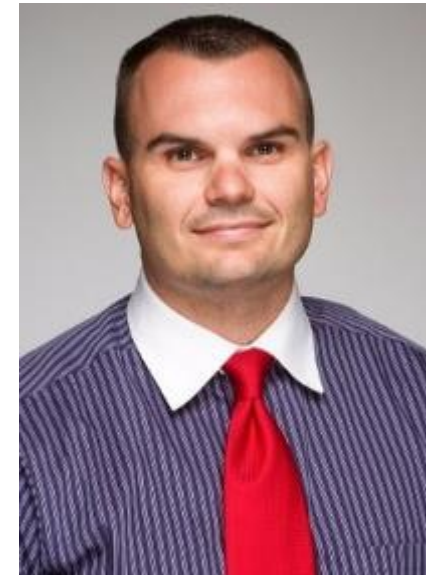
Shawn Rossi

North America Practice Leader
Mercer (Facilitator)



Diana Harris

Executive Director
Global Sales Compensation
NCR Corporation



Adam Cantrell

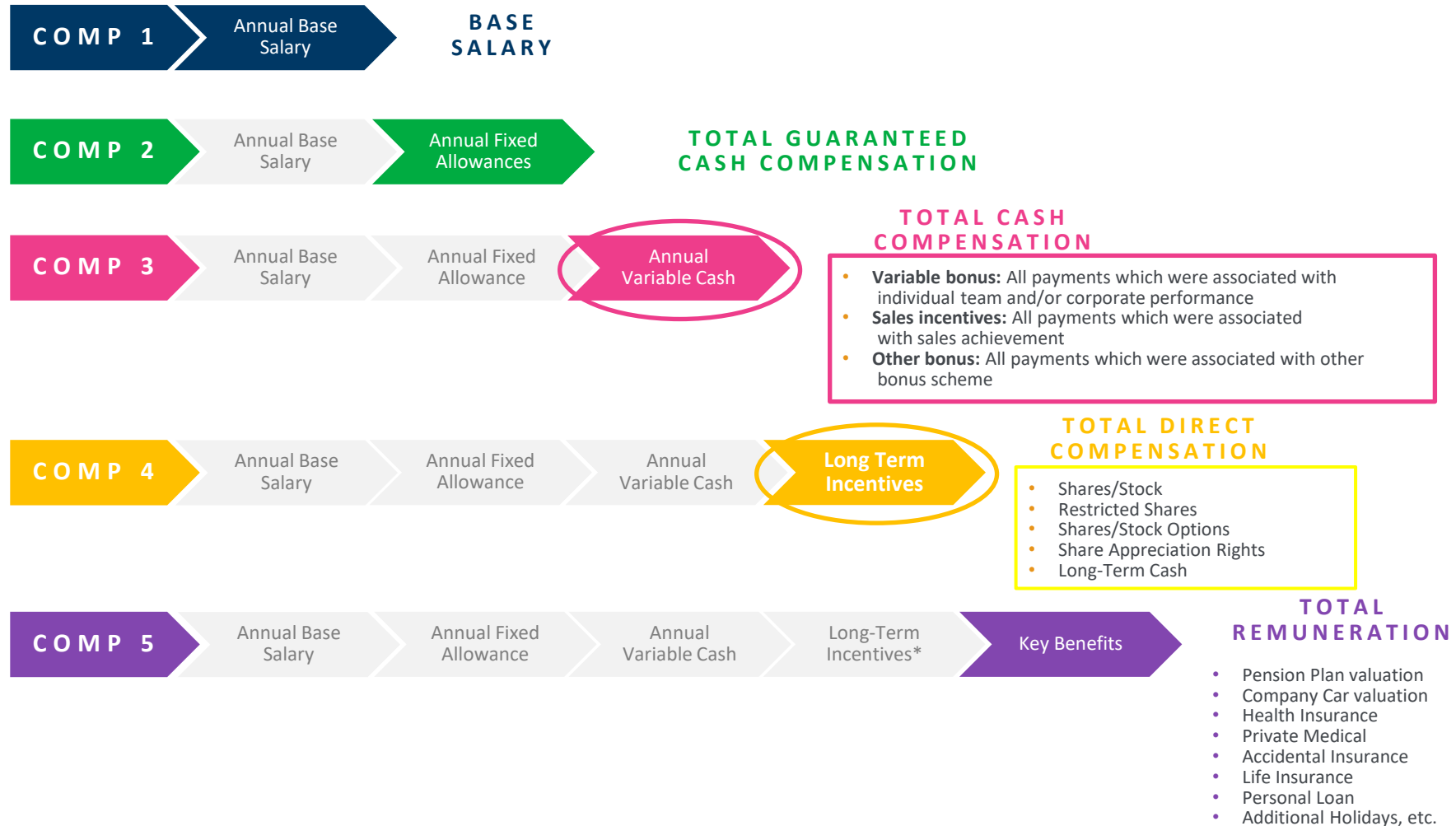
Senior Compensation Director
Asbury Automotive Group

Atlanta Area Compensation Association Annual Forum 2020 Using Incentives to Motivate and Retain Key Talent While Meeting Business Objectives

Shawn Rossi
Partner & Sales Performance Practice Leader

Incentives Overview

Incentives as part of the Total Rewards Package



Sales Compensation

Diana Harris, NCR

Executive Director Sales Compensation

Sales Compensation - a simple variable incentive program ?

It is one of the **largest expenses** with motivational power to make or break financial objectives

FOUNDATION SET

Organizational Goals and Sales Roles

FRAME THE PLAN

Target Pay

Pay Mix

Pay Curves

LINK TO PAY PERFORMANCE

Measurements

Performance Threshold

Timing

Capabilities

ALIGNMENT WITH GOAL AND ROLES

Align with Roles

Objectives / Quotas

Sales Policies

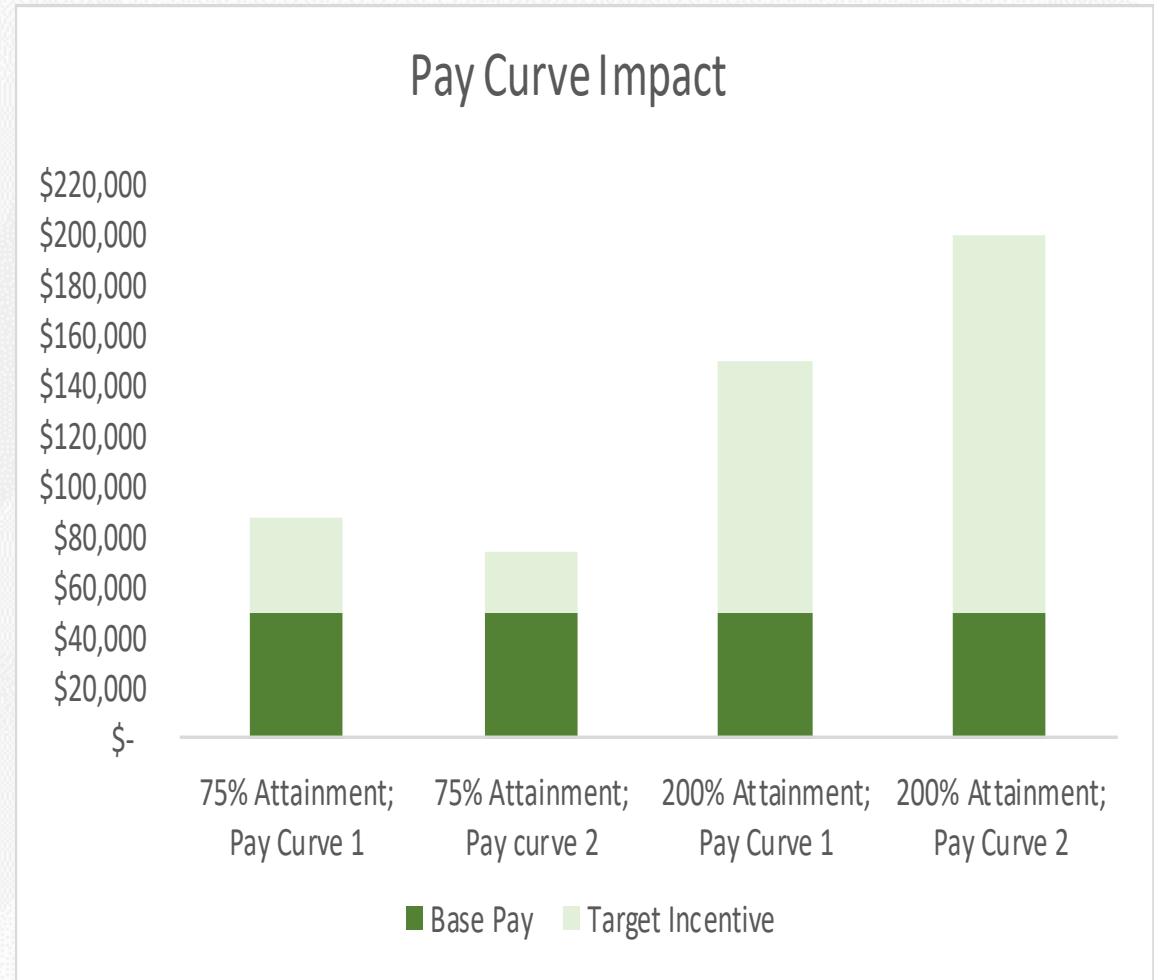
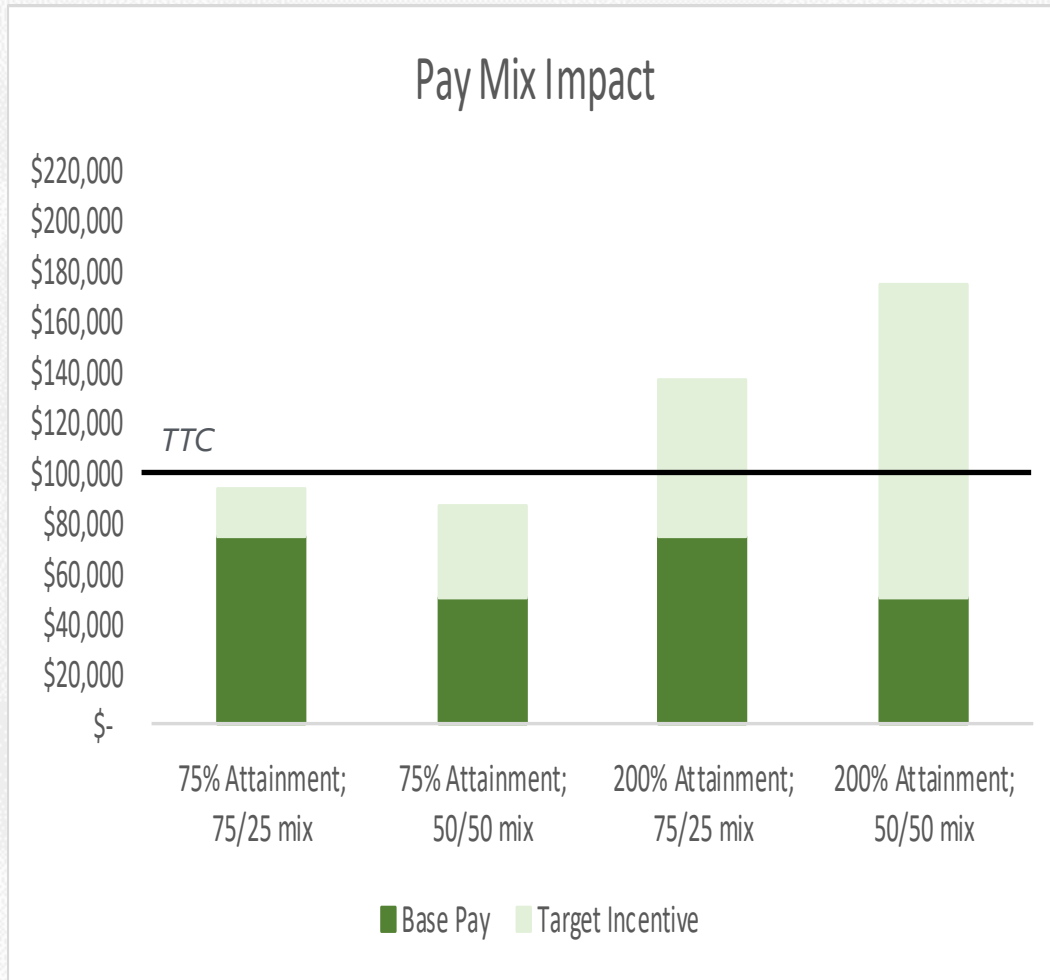
EXECUTION

*Communicate and
Operationalize*

Measure

Evaluate

Sales Compensation - Motivational or Not?



Pay Curve 1 – 1% below 100%; 2% above 100%

Pay Curve 2 – 0% below 50%; 2% up to 100%; 3% above 100%

Sales Compensation - Best Practices

- **Strong relationship** with leadership team (i.e. Sales, Finance, HR) building insight into organization goals
- **Competitive insight** – Performance, market conditions, competitive surveying
- Ensure **eligible roles** align to growth strategy and financial plan
- In a **global market**, all things are not equal.... Ensure you understand the market and legal and/or Work Council requirements
- Consider leveraging a **carrot or a stick**. It doesn't always have to be one or the other....
 - **Carrot:** SPIF, accelerated attainment, increased pay curve
 - **Stick:** Threshold, reduced attainment
- **Evaluate** results and **take action** as required. DON'T WAIT!
- **Communication, communication, communication....**



Sales Compensation - Keeping your budget in check

- Ensure solid financial modeling, **aligning design to financial budget**
 - Based off sales performance and designs you may overspend target pay based off Pay Curves

\$100k TI/person

	Attainment	Commission
<i>Person 1</i>	80%	\$ 80,000
<i>Person 2</i>	100%	\$ 100,000
<i>Person 3</i>	125%	\$ 150,000
Total Spend		\$ 330,000



- **Measure** Seller Performance often
 - Seller attainment, Seller churn, Individual productivity, forecasted performance
- Ensure sales **spending alignment** with company performance
 - Perform ROI on all additional spending requests
 - Measure success of changes

Sales Compensation - Reacting to change

During 2020 NCR continues to monitor impact and react:

- Temporary Base Pay Cuts to all Professional Grade employees (~ 5 months)
- Participated in multiple Sales Compensation Competitive Surveys / Forums to discuss:
 - Financial Impacts, Compensation Options, Trends on actions in the market
- Assess Seller Performance metrics
- Compare Total Target Compensation impact on Sales Associates versus rest of NCR
 - Sales Associates took a smaller pay cut due to Pay Mix
 - Assess Bonus opportunities for non-Sales Roles
- Actions taken/under consideration:
 - Provide SPIFs on specific Products and/or Services in harder hit industries
 - Quota reduction in territories significantly impacted due to COVID

NCR - Positioning for Success in 2021

An unwavering strategy – Focus on shifting to Recurring Revenue with Software and Services

- Ensure plans support potential coverage model shifts
 - Landing Role = Identify, Land and Adopt
 - Expand Role = Expand and Renew
- Software products shifting to subscription only in some industries
 - Consideration for decelerator on Perpetual Licensed Software
- Shift in Pay Mix for Field Reps and Software Specialists
- Implement a Services Order measurement within the plan design
 - Ensure process and system functionality
 - Capability to accurately set quotas



THANK YOU





SALES COMP + OTHER INCENTIVES

Adam Cantrell – Sr. Director Compensation,
Asbury Automotive Group



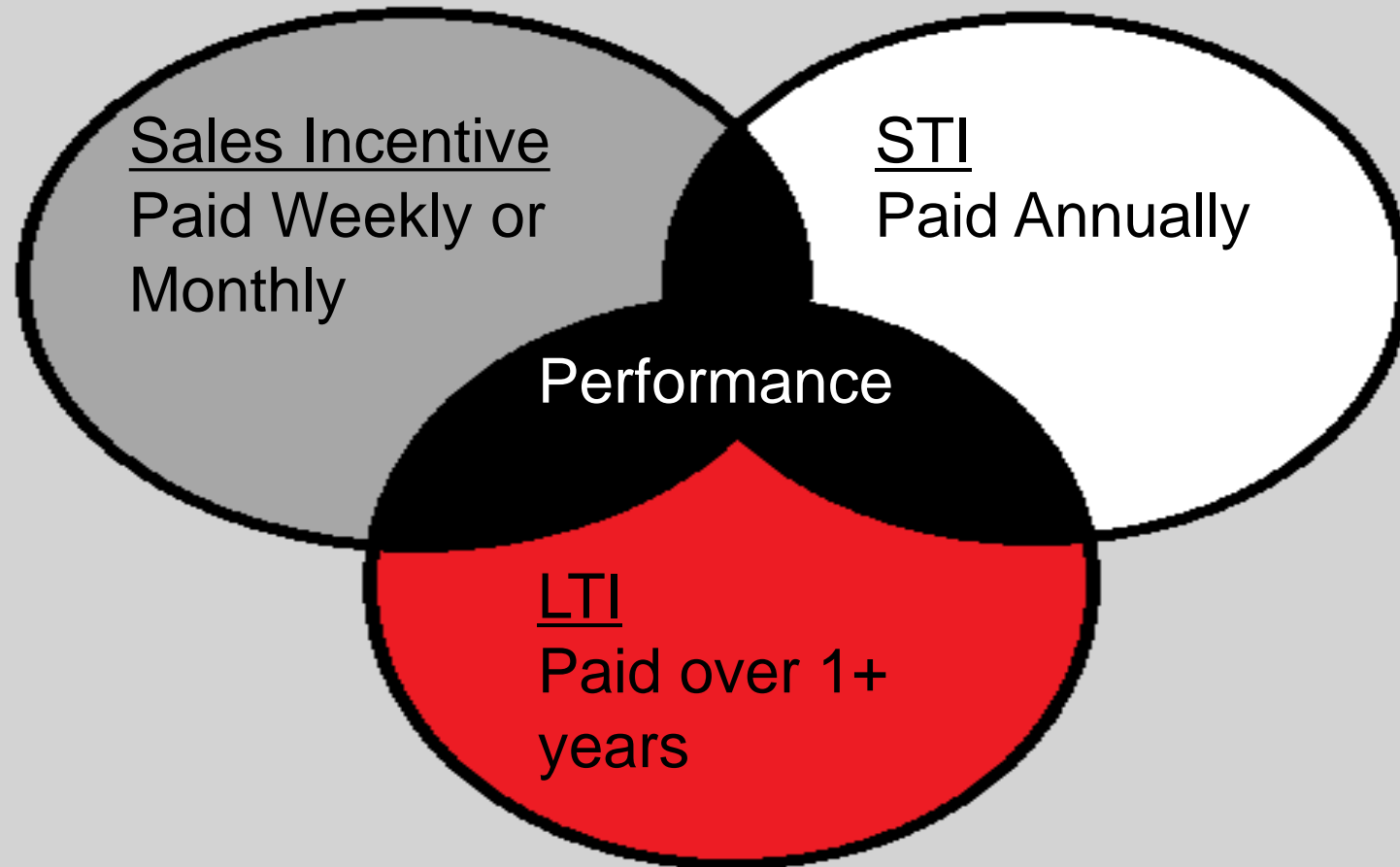
VARIABLE COMPENSATION

ASBURY
AUTOMOTIVE GROUP

Short Term
Incentives (STI)

Long Term
Incentives (LTI)

How Sales Comp differs from STI or LTI



The Compensation Picture



BASE PAY

Guaranteed pay for normal life expenses

Salary

SHORT TERM INCENTIVES

Compensation for short-term business strategy

Variable Annual Cash Bonus

LONG TERM INCENTIVES

Compensation for reaching specific long-term goals that lead to increased shareholder value

Restricted Shares / Options / Long Term Cash

TOTAL DIRECT COMPENSATION

Total pay package

Potential Additional Perks



Who Receives STI & LTI?

Typically, driven by experience / job level

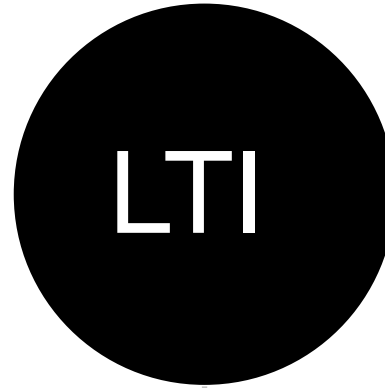
We begin STI at the manager level, as a % of base. However, many companies choose to begin at the professional level.

We take a broader approach to LTI to ranging to “key contributors”, managers and above

Examples



Annual EBITDA	Payout	
Less than \$100M	0%	
\$100M to \$200M	20%	Threshold
\$201M to \$300M	40%	
\$301M to \$400M	60%	
\$401M to \$500M	80%	
\$501M to \$600M	100%	Target
\$601M to \$700M	120%	
\$701M to \$800M	140%	
\$801M to \$900M	160%	
\$901M to \$1B	180%	
Above \$1B	200%	Max Payout



	Metric Name	Goal	Weight
A	Earnings Per Share (EPS)	\$8.00	25%
B	Total Share Holder Return (TSR)	+24%	50%
C	Revenue Growth	+8%	25%



Pay Element	Actual Comp	Market Median	Variance
Base Pay	\$ 100,000	\$ 96,542	104%
Target Bonus %	10%	9%	111%
Target Bonus \$	\$ 10,000	\$ 8,689	115%
Equity	\$ 25,000	\$ 22,500	111%
Total Direct Comp	\$ 135,000	\$ 127,731	106%



Asbury Adjustments During COVID-19

- Base Pay
 - Reduction to all salary/hourly and executive team. Returned to regular pay in July.
- Sales Comp
 - Guarantee of at least 75% of the team members prior average earnings, with the opportunity to earn more
 - New “Pandemic Adjusted” goals provided for an opportunity to earn 100% of average income
- STI & LTI
- ABG is currently monitoring the situation and have considered many options. Key concepts to consider:
 - If adjustments to performance goals are made, similar adjustments to bonus payouts should be considered
 - If adjustments are made, the company should offer an abundance of colorful disclosures to explain the “why”.






Thank You!

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Incentive Plan Adjustments

LTI Response to COVID-19

	Medtronic	 DARDEN	 Lamb Weston	 NIKE
Case	EPS, Revenue Growth, and FCF did not meet threshold performance	Same-Restaurant Sales Growth, EPS and Operating Income did not meet threshold performance	Net Sales, Cash Flow and EBITDA did not meet threshold performance	EBIT did not meet the threshold performance
STI Results	Adjusted the STI payout for all eligible employees, excluding the most senior executives including the NEOs, to payout 82.8% of target	Adjusted the STI payouts for NEOs based on actual financial results against goals through the first three quarters resulting in payouts equal to 94%	Adjusted the STI payout by evaluating performance for the first three quarters of FY2020, resulting in payouts of 94.5% of target. Target STI amounts were reduced to reflect the period.	Adjusted STI payout for each eligible employee who is not an executive officer by evaluating performance of the first three quarters of FY2020, resulting in a payout of 100% of target.
Calc. / Rationale	Performance against financial goals through the first three quarters of FY2020 weighted 75% and a zero payout for the fourth quarter weighted 25%	Balanced rewarding participants for the efforts and results achieved during FY2020 Q4 and the unforeseen financial impact of COVID-19	Pro-rated payouts were justified to reward management for the performance during the first three quarters	To approximate the payouts that were received by employees, the Committee granted discretionary cash bonuses to each of the NEOs (range: \$2.1M to \$6.8M)
Case	LTI payouts were negatively impacted resulting in below target payouts of 75.16% for the three-year period	Absolute TSR was negative and relative TSR would have resulted in a payout of 127%		
LTI Results	Special, one-time grant of stock options in August 2020 to most senior leaders (range for NEOs: \$620K to \$2.5M)	The 2018 – 2020 PSU awards were not adjusted and resulted in a capped payout of 100% of target	The 2020 portion of the 2020 – 2022 PSU awards was adjusted in the same manner as the STI award, resulting in a 99.38% payout of target	2018 – 2020 LTI awards were adjusted from 0% to 75% for employees who are not executive officers to approximate the first eleven quarters
Calc. / Rationale	Not disclosed	Balanced rewarding participants for the efforts and results achieved and the unforeseen financial impact of COVID-19		The company has a “pay for performance” philosophy, and determined to recognize the pre-pandemic performance

Incentive Plan Adjustments

Sales Compensation Response to COVID-19



- Calibrate quotas/goals to **better reflect the current demand situation**
- Provide a compensation **guarantee or draw based upon historical pay and performance**



- Recalibrate **pay mix**
- Adjust payout tables, **especially thresholds, upside acceleration and caps**
- Implement **MBOs/activity** measures
- Introduce/put more weight on **team/regional performance** measures
- Shift to **quality measures** such as customer satisfaction
- Move to a **flat commission rate**



- Launch an **aligned special incentive/contest**
- **Recalibrate recognition programs** such as President's Club



Diving Deeper: Best Action Determination

- Balance sheet **strength/weakness**
- **Sales role focus** during demand disruption vs. post disruption
- Pay mix, particularly for **roles with more than 35% pay at risk**
- Priority for keeping **sales people's "head in the game" and fully engaged**
- Desire to implement **transformative change**
- Sales incentive **administration capabilities**
- Quota/goal setting capabilities on a **monthly or quarterly cadence**

The logo features a large, dark green letter 'Q' on the left. A white ampersand '&' is positioned between the 'Q' and a large, orange letter 'A' on the right. The background consists of a large teal triangle pointing downwards, and to its right, two overlapping triangles pointing downwards, one in a darker brown and one in a lighter orange.

Q&A