



AMERICAN  
CIDER  
ASSOCIATION

# Incentives

Effective Variable  
Compensation Programs

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PRESENTED BY:

Aaron MJ Gore



Who is this dude,  
and why should I  
care?

# Aaron MJ Gore

- Director of Sales and Marketing for Beer30 and The 5th Ingredient and Secretary of the Board for the American Craft Beer Hall of Fame
- Advanced Cicerone, Certified Pommelier, WSET Level 2 Spirits Award with distinction, (AF)(NA) Beer Certified, Certified Cheese Scholar, Certified Pain in the Ass
- A decade of telling other people what to do what to do with their companies. Mostly successful, often annoying
- Have worked with dozens of beverage companies as an employee, consultant, advocate, partner, and platform provider
- I'm a Facebook influencer, because apparently that's a thing... barely
- You all wish you were secure enough to be as adorable a cat as I was in this picture



**What is  
Compensation?  
Why is it  
Important?**

**People want security  
for their lifestyle, with  
the ability to earn  
more by going above  
and beyond**

# Why Compensation is Important

- Figuring out what to pay people is hard
- Most breweries guess at compensation
- Compensation is the most important, but not only important, motivator for employees
- The right comp program is critical to attracting top talent, retaining key personnel, creating an environment of initiative and productivity, and advancing your company's objectives



- It's cheaper to retain than to hire, and smartly-built comp helps



**What is Variable  
Compensation?  
How does it create  
incentives?**

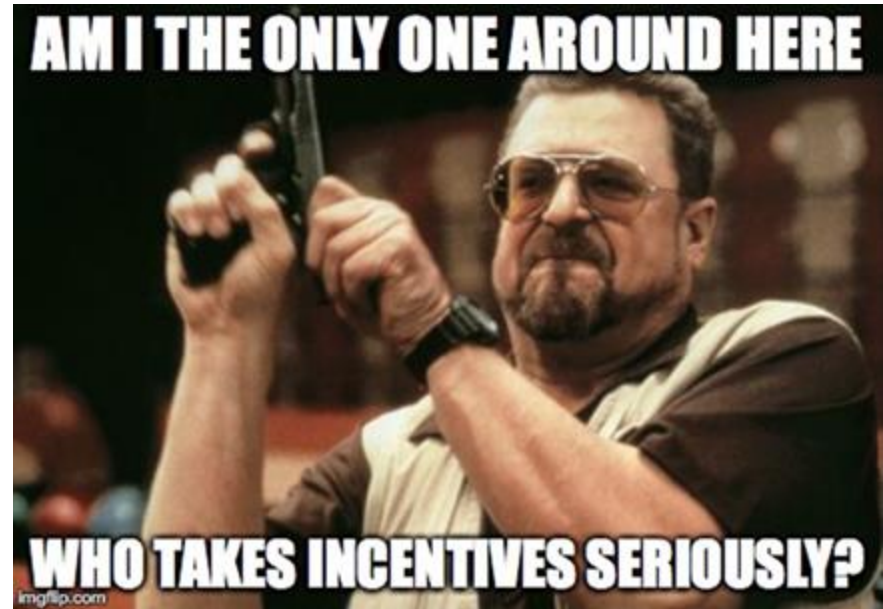
# Variable Comp

- Not a good fit for every position
- Aligns the interest of the employee with those of the company
- Discourages people from only working enough to avoid being fired
- Matches employer investment to real performance
- Improves productivity and engagement



# Formal Training - Part 1

- Merit Increase
- Performance Commission
- Performance Bonus
- Profit Share
- Differential Pay Rate
- Discretionary



# The Four Golden Rules of Incentives

- **Align Incentives**
- **Beware Spillover Effects**
- **Keep It Simple**
- **Be Fair and Realistic**



# Rule 1 - Alignment

- Be sure that you earn more from the additional productivity than you spend on the bonus
- Don't make getting a bonus assumed
- If you incentivize something, you disincentivize everything else



# Rule 2 - Spillovers

- Avoid perverse incentives
- Even aligned goals can create misaligned incentives
- Competition can be good, but too much competition can be counterproductive
- Beware of exploits and loopholes



# Rule 3 - Clarity

- Goals should be clear, and easy to communicate
- The more you complicate the goals and payouts, the less motivating it is for employees
- Clarity prevents mistakes, and prevents misaligned incentives



**KEEP  
CALM  
AND  
Keep it  
SIMPLE**

# Rule 4 - Fairness

- Consistent, predictable results
- Individual goals should always be within the ability of the employee to influence
- Unrealistic goals lead to negative results
- Higher up the chain means more variable comp percentage
- Uncapped comp for uncapped impact



# Other Considerations

- Never mess with people's money
- Fair is more important than good
- Beware of “Free Riders” when creating team and org level bonuses
- Focus on results, not methods
- Be careful not to overmanage through incentives
- ALWAYS consider your cash flow



# Draw Against Commission

Date	Pay Type	Amount*	Draw Balance	Commission Balance
5/5/2023	Regular	\$2,000	\$2,000	
5/13/2023	Commission	\$500	\$2,000	\$500
5/19/2023	Regular	\$2,000	\$4,000	
6/2/2023	Regular	\$2,000	\$6,000	
6/16/2023	Regular	\$2,000	\$8,000	
6/17/2023	Commission	\$1,000	\$8,000	\$1,500
6/26/2023	Commission	\$4,500	\$8,000	\$6,000
6/30/2023	Regular	\$2,000	\$10,000	
7/2/2023	Commission	\$12,000	\$10,000	\$18,000
7/14/2023	Regular	\$2,000	\$12,000	
			<b>Commission Owed</b>	<b>\$6,000</b>

\*All values intended for illustrative purposes only. Please pay your employees in puppies, rainbows, and appropriate cash rates for your own market and business



# Questions?



**Email:**

aaron.gore@the5thingredient.com

**Facebook:**

@alechaser  
@the5thingredient

**Instagram:**

@alechaser  
@the5thingredient

**LinkedIn:**

@aaron-mj-gore  
@the-5th-ingredient

**Web:**

[www.alechaser.com](http://www.alechaser.com)  
[www.the5thingredient.com](http://www.the5thingredient.com)

