

COMPENSATION PLAN OPTIMIZATION

OVERVIEW

Determining a compensation plan change or enhancement for a direct selling company can be an intimidating task. This challenge is consistent with every company whether they are starting from scratch or making a major overhaul. Change is a delicate issue with any sales field only to be amplified when addressing the compensation plan. The real sensitivity rests in assuring the sales field doesn't automatically assume the company is trying to pay out less money. In most cases, paying less money is never the motive; redirecting how the money is distributed to drive the business toward growth is a more consistent objective. Any successful enhancement, change or reconstruction is unique to each company; however, there are some key fundamentals that should be considered. The following abstract highlights how a legacy company successfully implemented compensation plan changes resulting in revenue growth.

BACKGROUND

Annual revenues in the domestic market at a legacy beauty company had returned a modest single digit profit for a few consecutive years. Double digit increase was desired by the Board of Directors. The compensation plan had not been changed for 15 years. The top field leadership level had not seen a new addition to its ranks in a number of years and the sales field seemed complacent on a consistent discount strategy to create activity. New enrollments were consistent year over year, however the churn rate was nearly 100%. Incentives, programs and promotions were keeping the business moving forward. Management developed a five year growth plan which needed increased enrollments and distributor activity in order to see the desired revenue growth.

OBJECTIVES

The company had a need to increase advancement in the lower ranks of the compensation plan. As the adage goes “a rising tide lifts all boats” framed growth strategies. Adjustments to rank advancement requirements were needed so effort would better equal reward. Payout percentage needed to be adjusted to better reward lower ranks for team building and advancement. The discount rate needed to decrease by 10% to strengthen the product value proposition and strengthen the opportunity.

Guiding principles that drove the Objectives:

- **Leadership First:** Organize the internal team so in every interaction with the sales leaders, the clear message of increasing leadership rank advancement is the focus. Events, training, recognition and investments will be directed towards leadership growth.
- **Focused Demographic:** Although the long term value and need to attract a younger group of Consultant was understood, the focus was on an age group between 35 and 45 years old. Every activity, material, investment and event must relate to this group.
- **Field Interactions:** Employment of a disciplined use of listening, empathy, and patience when communicating with field leaders. Past experiences had proven that rational persuasive debates have limited effectiveness.
- **Process Oriented:** Develop a consultant base forecasting model to show winning scenarios and commission impact for leader acceptance and adoption. Tie models to internal growth plans.

RESULTS

The strategy and execution plan took 3 months of analysis, pain point definition, solution planning and execution planning. 12 guiding strategies formed the basis for the execution plan. A 14 months process was put in place to shift the field behavior through promotional programs which typically had a 60 to 90 day life. The field experienced the benefits of an

equitable “effort/reward” approach which lead to an overwhelming demand to implement the compensation plan changes. The result after 12 months of implementing the changes, the company realized a 32% increase in new enrollments, a 500% increase in lower leadership advancements and 2 new advancements to the highest rank. The impact to revenue resulted in the first double digit profit growth for the company.