

Distributor Calls for Sales Compensation Program Design for Showroom Business

IP leader: Andrew Horvath | Project Leader: Andrew Siegel

The Situation



A large North American kitchen and bath retailer compensated

sales associates on margin percentage and margin volume with a complex and highly-leveraged plan. Between commissions, base salary and runaway overtime payments, total pay growth was accelerating faster than margin growth, and compensation cost of margin was increasing rapidly.

The Challenge

The retailer wanted to bring pay growth for showroom reps back in line with margin growth, manage base salary and overtime payout inflation, and simplify the compensation plan, where possible, all to drive profitable growth.

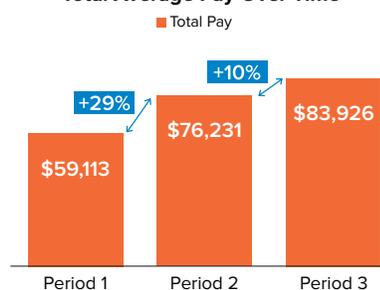
The Solution

With the Alexander Group's (AGI) help, the distributor redesigned the sales compensation plan and salary tiers to curb runaway pay growth. AGI created base salary levels linked to a competency model to build a career path. The team created a dynamic model to show the future plan impact and viability assuming future margin growth scenarios. AGI recommended individual transition planning to understand the potential change to seller earnings on the new plan and create appropriate change management steps.

The Benefit

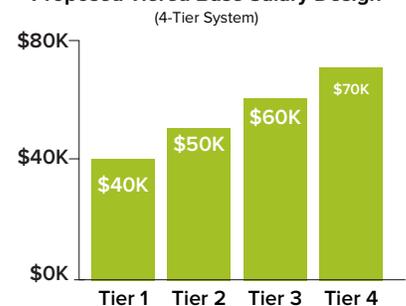
These new plans brought total pay growth down to 50% of margin growth, while providing a win for sellers from increased base salaries across the board. The new plan was simpler to grasp and it created a clearly defined career progression plan for moving through job tiers and pay levels.

Total Average Pay Over Time



Pay Growth Control: Modeled future compensation plan cost to project total pay growth under the new plan compared to historical rates under the old plan

Proposed Tiered Base Salary Design



Base Salary Management: Created base salary levels and incorporated into a competency model to determine how associates progressed through their job roles