

New SPIF governance for distributor designed to achieve company goals

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The Situation



Sales reps of a plumbing supply distributor could earn a significant

amount of pay in the form of SPIFs from the distributor's vendor partners. These SPIFs could account for 50% + of a rep's compensation. The distributor (AGI's client) had no control over this program so the SPIFs did not necessarily serve their purpose of driving short-term sales or behaviors and could even run contrary to company strategy.

The Challenge

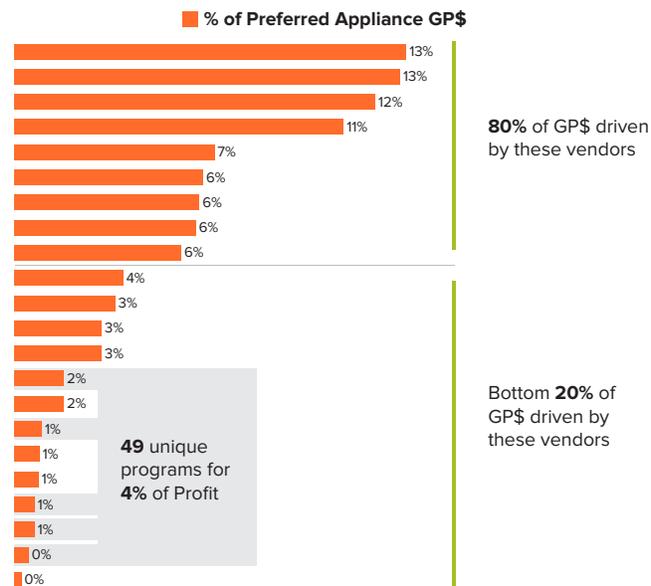
The company needed to simplify its sales compensation program (including vendor SPIFs) to alleviate the administrative burden and regain control of its sales force from vendors. The SPIF governance program needed a redesign to drive company objectives.

The Solution

The Alexander Group, Inc (AGI) identified the magnitude of problem with the vendor SPIF program. AGI not only discovered the unique number of SPIF programs in effect at any given time, but also the amount of gross profit generated by these products. AGI also flagged vendors so the distributor could actively work to reduce number of programs with minimal gross profit impact. A roadmap was developed to simplify and regain control of SPIF program (both short-term and long-term).

The Benefit

The distributor could now identify the areas where the programs could be simplified with minimal risk (i.e., which vendors to work with first). They could also map out current process and associates administrative cost, which motivated the executive leaders to prioritize this initiative.



Magnitude of Vendor SPIF Program:

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