

## **Your Dollar-per-Hour Proposition**

You have tried everything to motivate your sales force but sales are still not climbing. Each incentive program seems to see a small bump in sales and recruiting but as soon as the incentive is over, you're back to a flat-line trend. You wonder if your compensation plan needs to be fixed. Your leaders are frustrated. People aren't moving up the career path like they used to. Your seasoned consultants don't seem to have the passion you saw a few years ago. What's wrong? What's at the root of the problem? Read on and you may discover the secret to unlocking the door to sustainable growth. I call it the Dollar-per-Hour Proposition. For some companies, it's the Holy Grail.

## **Time is your Number One Competitor**

What would your business look like next year if every one of your sales consultants were to spend 30 minutes more each week on the business? What if they spent an hour more each week? The mother-lode of opportunity lies in this simple principle... you must provide a compelling reason for each consultant, both new and experienced, to spend a little more of their time in the business each day and each week. You are competing for their time. Your greatest competitor is not another direct selling company. It's time. Their time. Why should they spend their time on their business rather than on other things they love to do? If you don't give them a compelling reason, they won't. It's that simple.

## **Make or Break**

New recruits especially fall victim to this. We know that the attrition rate during the first year is very high. While I am unaware of any published data on this, my experience suggests that an average of 80% of our new recruits fall away within their first twelve months. The majority leave us during their first ninety days. In and out in ninety days. Yet, I know of companies whose attrition rate is less than 20%. How do they do it? How does a company keep 80% of their recruits during the first twelve months?

To answer this mystery, we must first recognize another uncomfortable truth... The vast majority of new recruits in their first ninety days do not sponsor even one person. Perhaps they are afraid. Perhaps they don't feel they know enough yet to bring a new recruit into the business. Whatever their reason, for the most part, it doesn't happen, and that leaves us in a bit of a pickle. How can we give them a compelling reason to spend time on the business during their first "make-or-break" ninety days when most don't even have a downline from whom they can earn even a small commission? Even if they do sponsor one or two people, what will their first and second commission check be? Imagine the excitement when after weeks of working her business, Suzy opens her first commission check for \$8.75! Companies that rely solely on downline commissions to persuade their new recruits to spend time on the business inevitably see their attrition rate rocket to dizzying heights. So what's the answer?

## How much is compelling enough?

If we are competing for their time, the answer may be different for each individual, but my experience suggests that those companies whose consultants can earn about \$25 per hour or more almost always keep their sales people and realize consistent growth trends. Knowing that each consultant will be exposed to frequent rejection and negative comments from spouses and friends (honey, why don't you get a real job?), we must offer more than other part-time options available. In addition, the nature of direct selling is that it has no schedule, no structure, and usually no real supervision to help a person succeed. Most people feel like fish out of water when put into an environment where there are no clear expectations, no scheduled working hours, and no boss to correct you when you make a mistake. Direct selling is a tough job, no matter how you slice it. If we don't provide a compelling offer for their time, we will continue to see our recruits leaving for other part-time options. A waitress at a restaurant, with tips, can earn \$15 to \$20 per hour. Our "compelling" offer must be better. Much better.

While our sales consultants usually don't calculate what their dollar-per-hour rate is, they feel it, they sense it, and they always know when they aren't getting enough for their time. With such a high percentage of women, their husbands ask the same question, too... is it worth my time and hers to have her doing the business. How many women have left the business because their husbands wouldn't give them the support they needed? How different the story would have been in many cases had she been earning \$25 to \$35 per hour? I have seen many husbands become "a believer" when their wives are consistently making \$25 per hour or more. In some cases, in fact, they are pushing them out the door to do more!

Consider also how much passion a sales consultant will have to recruit their friends and neighbors if they are only making \$10 per hour! "Sallie, come join under me and you, too, can earn \$10 per hour like me!" Not very inspiring, is it? Imagine, however, if the sales representative is earning \$35 per hour. "Sallie, I'm making loads of money in my business and it's easy to learn how. Come and join my team!" What a difference it makes to know that your recruit will earn enough to make it worth their time and thank you for teaching her the business.

## Calculating your Dollar-per-Hour Proposition

There are three major factors that affect your Dollar-per-Hour Proposition:

1. Average time per presentation (one-on-one or party)
2. Average sales volume per presentation
3. Average costs to the consultant for each presentation

In a party-plan business, we list how much time a sales consultant spends on a typical party. For example:

Minutes per Party	
	Minutes
Hostess Coaching	15
Travel to and from the party	60

Set up	10
Tear Down / Clean up	15
Actual presentation / demonstration	60
Socializing at the party	30
Taking guest orders	20
Enter the party order into the computer	45
Order receiving and separation	
Delivery to hostess	
Hostess Follow Up	
Customer Service / Problem Resolution	15
	4 h 30 m

Companies where the consultant receives the party order, separates it into individual guest orders, drives it to the hostess for delivery, and then drives home, can expect to add at least another two hours to the time each party takes for the consultant. Be careful what you expect your consultants to do after the party!

Costs per party must also be calculated. For example:

<b>Cost / Expenses per Party</b>	
	Cost
Samples, supplies	\$5.00
Hostess gift (not company supplied)	\$4.00
Other gifts (booking, guest, etc.)	\$2.50
Gasoline to / from the party	\$4.00
Invitation Cards (20)	\$1.00
Postage (20)	\$8.20
Hostess Packet	\$0.75
Guest order forms	\$1.00
Catalogs	\$3.50
Promotional Flyers	\$0.50
Other	
	<b>\$30.45</b>

To calculate your Dollar-per-Hour Proposition:

<b>Dollar-per-Hour (Party Plan)</b>	
Average Party Sales Value	\$350
Personal Commission Percentage	30%
Average Personal Commission Amount	\$105
Average Hours per Party	4.50
Dollar-per-Hour before Costs	\$23.33
Average Cost per Party	\$30.45
Average Commission after Costs	\$74.55
<b>Average \$\$ / Hour after Costs</b>	<b>\$16.57</b>

What about one-on-one MLM selling? Follow a similar approach for an individual sales presentation but you will also need to add in a few other factors:

<b>Dollar-per-Hour (One-on-One Selling)</b>	
Average Presentation Sales Amount	\$150
Closing ratio (presentations without \$\$)	75%
Average Sales Amount after Closing %	\$112.50
Personal Commission Percentage	20%
Average Personal Commission Amount	\$22.50
Average hours per presentation	1.50
Dollar-per-Hour before Costs	\$15.00
Average Cost per Presentation	\$5.00
Average Commission after Costs	\$17.50
<b>Average \$\$ / Hour after Costs</b>	<b>\$11.67</b>

MLM companies that are able to employ an Autoship program should factor in an average revenue per distributor or customer into the model recognizing typical attrition rates. For example, if an average Autoship customer lasts 6 months at \$50 per month, this would add \$300 to the average sales amount.

### **If it's well below \$25 per hour**

Companies that fall below \$15 per hour often find that their compensation plan fails to capture the attention and passion of the majority of their sales force. In other words, "until I can make decent money in this business, I am not going to share the opportunity with my friends." And why should they? When your Dollar-per-Hour Proposition is poor, I usually see the following happen:

- Recruiting is poor
- Passion for the opportunity is poor
- Attrition is high
- Few people advance in the career path to become leaders
- Business builders burn out because the more they recruit, the more people leave (high churn rate). They say, "what's the use?" when they can't keep their recruits.
- Sales will climb for a while and then plateau. No matter what you try, you can't get out of the stagnant growth pattern caused by a poor Dollar-per-Hour Proposition.
- Your leaders start looking for other opportunities

### **Conclusion**

I know a company that after two years in business and hundreds of consultants joining them has achieved a 90% retention rate. They have found the secret. Their consultants, both young and experienced, are usually making more than \$100 per hour doing parties. Who would walk away from \$100 per hour?

I know another company that has less than a \$10 per hour proposition. Their attrition rate exceeds 100% per year.

If you find yourself staring at flat sales and recruitment charts, look closely at your Dollar-per-Hour proposition. For most companies, it's like low-hanging fruit. You can always find things that will improve your Dollar-per-Hour Proposition and deliver a compelling reason for people to spend time on the business. Then, watch your sales climb.

### **About the author**

Dan Jensen has earned an enviable track record helping new and existing companies develop winning compensation plan strategies that build sales and recruiting. Working with hundreds of new start-up companies as well as many direct selling giants in the last 28 years, Dan has acquired a broad and unique perspective on what makes successful companies succeed, and what makes too many of them fail. He has published numerous articles on sales force compensation and other industry issues and has consulted for many leading companies on their compensation and incentives programs. Given to only one person each year, Dan was honored in 1997 to receive the DSA Partnership Award for his work as founder of Jenkon, a direct selling software provider. In 2007, we was once again honored to receive the award for the increased success his clients have found with their field compensation strategies as a result of his guidance. He can be reached at [www.danjensen-consulting.com](http://www.danjensen-consulting.com) or dan@danjensen-consulting.com.