Retailing – Are you tapping your true potential?

by Daniel O. Jensen

There are many direct selling companies that could significantly increase their sales and recruiting by following a few proven principles that focus on the retailing of product. With many compensation plans designed by 'big hitter' distributors, or at least with that mentality, too many forget the source from which the river flows – the retailing of product. By recognizing where opportunities lie to improve product retail volume, a company will tap hidden veins of gold in the mine.

Symptoms of unrealized retailing potential

Here are a few symptoms that suggest your company may have some significant untapped opportunities in product retailing:

1. Small average order size: when distributors place small orders, they are either personally consuming the product (internal consumption), buying product for their retail customers order-by-order, or garage loading just to stay active. To avoid excessive freight costs, seldom will distributors purchase order-by-order for their retail customers, though party-plan orders are often an exception. Track your average order size and compare it to total volume and recruitment rates. In most cases, you'll find direct correlation.
2. Ordering frequency: when distributors place small orders once a month, it's a sure sign they are not retailing. Retailing requires either small but frequent orders or large and infrequent orders. Check to see how many orders per month the average active distributor places. Compare it to your total volume and recruiting numbers.
3. New recruit turnover: Most new recruits must rely on retail profits for their short-term compensation. When recruits have little success retailing your product, they often quit within a two or three months. Very few recruits have the patience to wait for long term results. What's the average life span of a new recruit and why? What is the trend over time?
4. New recruit sponsoring: When recruits have short term success retailing product, they find sponsoring comes easy. If new recruits aren't retailing, they aren't sponsoring. What percentage of your new recruits come from distributors who joined in the last three months? What is the trend?
5. Sponsoring only by sales leaders: This is a "cause and effect" of point #4 above. If only sales leaders and managers are sponsoring, they're usually hyping the opportunity for short-term results. Their downlines will eventually peak with equal inflow and outflow of active people caused by high turnover (see #3 above). Eventually, they loose their passion, sit back and collect the residual income stream from the diminishing volume off their remaining actives. Recruiting can only be sustained when the new recruits carry the effort. What percentage of new recruits were sponsored by sales leaders? What's the trend?

Tapping the Retail Potential

Though every company is different, I've found a few principles that have proven successful in most companies. When a company fails to provide adequate retail price support, distributors find it increasingly difficult to retail the product. How, then, does a company support the retail price to tap into their potential?

1. Retail customers are different than distributors, but many plans fail to recognize this. If a new customer is offered wholesale pricing by simply filling out a form and paying a very nominal fee, then they will buy at wholesale just like a distributor. What's wrong with this? The distributor reaps no

retail profit and without retail profit, their short-term earnings evaporate. Without short-term earnings, they don't see the results for the time they invest and quietly slip away. How does a company remedy this? By making the distributor commitment large enough to discourage the casual customer from signing as a distributor. In other words, if a person wants to join as a distributor, then their commitment is much higher than a customer's. They will often be asked to pay for a kit that costs more than a customer would pay just for the product in the kit.

2. An AutoShip program goes a long way toward retail price support. In these plans, a customer (or distributor) makes a commitment to purchase product on a regular basis, usually monthly. In return, the customer receives a 'preferred customer' discount and pays less than retail, but more than wholesale. The sponsoring distributor receives all or most of the remaining retail profit. An AutoShip program makes retailing happen on a large scale. Every company with consumable products should have one.
3. Realistic retail pricing is essential for realistic retail sales. When a company masquerades a retail price by calling it 'wholesale' and then adds another 30-40% as a published retail price, the result is always the same – very few people buying at retail and virtually no retail profit for the distributors. This usually leads to high turnover.
4. Product sales tools such as high-impact videos and color brochures are essential tools for the retailer. If your product has a story to tell, help the retailer to tell it! Most distributors are poor product retailers, not because they won't or can't, but because they don't know how. In most cases, their upline also lacks some of these important skills. You can compensate for their lack of confidence and training by doing the selling job for them through video and printed matter.
5. Retail training is often overlooked. Would a Fortune 500 company recruit competent sales people, give them a demo-kit, and put them on the road to sell without training? Most successful companies (in any industry) have extensive training programs that focus on product selling and salesmanship. Your company will never tap its retail volume potential until you do the same.
6. Internet retailing can offer massive opportunity for both the company and the distributor. When a customer can place an order directly via the Internet, and the distributor receives the retail profit, everybody becomes a winner.

Conclusion

Retailing for many companies is often put on the back burner for the more exciting and glamorous work of compensating the sales leaders. The reality, however, is that the river of compensation of the sales leaders comes from one source – product retailing. That's the spring from which prosperity comes. No matter how much you pay your sales leaders, their compensation will, at the end of the day, always come from the product that is sold to the end consumer, whether it be a customer or distributor. Placing a greater focus on building retail volume will inevitably provide a rich return for all.

To paraphrase Henry Thoreu, *for every thousand hacking away at the leaves of a problem, there is one hacking away at its roots.* If you're wondering what's wrong with your compensation plan, maybe you should look at the root causes.

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