

Shaw Industries implements sales performance management solution to revolutionize incentive compensation process

OVERVIEW:

Country: United States

Industry: Carpet manufacturing

CUSTOMER PROFILE:

Shaw Industries Group, Inc., a subsidiary of Berkshire Hathaway, Inc., is the world's largest carpet manufacturer and a leading floor covering provider with more than \$5 billion in annual sales and approximately 28,000 associates. Headquartered in Dalton, Georgia, the company manufactures and distributes carpeting, rugs, hardwood, laminate and ceramic tile for residential and commercial applications worldwide.

CHALLENGES:

The company, which had more than doubled the number of sales incentive programs in recent years, had outgrown its incentive compensation management system. Multiple systems and disparate data sources resulted in an incentive compensation management process that is at times IT intensive, inflexible, inefficient, time-consuming and subject to error.



Making a change in the incentive compensation management system at Shaw Industries is a long, tedious and painful process. This is hardly surprising since the original system was built to manage annual sales volumes of \$2.4 billion based on approximately 4.5 million transactions. However, through multiple acquisitions and new market introductions, sales at the company have grown to an annual \$5.1 billion dollars with 9.6 million sales transactions.

Fixing an outdated, inefficient incentive compensation system

As a result, Shaw's incentive compensation system no longer offers the flexibility, accessibility, efficiency and security required for today's dynamic business climate. For example, many of the pay plans reside in local queries or spreadsheets, and some facets of pay plans require IT intervention and code changes. There is little transparency in the existing system and poor workflow for approvals and inquiries.

"In general, we have the most complex business process in the company—computing and paying commissions," said Valerie Kilgore, sales administration manager at Shaw. "It's a process that everyone is involved with—HR, sales, sales ops, IT—and yet, no one owns it.

"We have a complicated process to manage compensation, with multiple systems and data sources. This results in a long cycle time, a great deal of redundancy and a reliance on the availability of IT department resources. The process is time-intensive, interpretation of results is challenging, and it's difficult to reconcile the numbers for reporting purposes. Consequently, we face a challenge in putting all the disparate data together and have no clear and concise way to determine if our incentive program is, in fact, achieving the desired results," said Kilgore.

Recognizing this, Shaw set out to find a better way to automate its incentive compensation system and process. Quickly realizing the impracticality of establishing such a system in-house, they sent out an RFP to several sales performance

management software companies and began to interview vendors.

According to Roger Mathis, corporate sales administrator at Shaw, "We started to draft ROI documents and take a look at what was happening in the field of incentive compensation management. Although Varicent was not on our original list of potential vendors, they came onto our radar screen after getting favorable recognition in a Gartner report. And it fell into place from there."

Senior management was on board early in terms of understanding the importance of an incentive compensation management system. The executive vice president for residential sales and marketing, John Godwin, sees the immediate potential for compensation modeling, application of various commission programs for different business channels, and the ability to implement and execute new commissions/compensation plans quickly. He believes that these types of tools create tactical and strategic opportunities for the business. "We're just scratching the surface, we have yet to really challenge what the system can deliver," said Godwin.

A complete solution with many benefits

Additionally, the advantage of having a platform like Varicent was quickly recognized by Shaw. According to Mathis, "We like the fact that Varicent's SPM package is a comprehensive solution in one piece of software. It's not just a calculation engine to compensate the sales staff for moving inventory—it also offers territory

OBJECTIVES:

With the new solution comes the promise of many benefits. Varicent SPM:

- ▶ Allows compensation administrators to easily adjust and change date-effective rate data without IT assistance
- ▶ Permits time once spent gathering and verifying data to be redirected towards analysis
- ▶ Provides transparency into the calculations and the ability for administrators to troubleshoot and adjust plans to meet market changes
- ▶ Offers fast, flexible reporting through an online web portal
- ▶ Enables the executive team to use key metrics to make strategic decisions on price, margin, volume and channel in a more informed manner
- ▶ Yields reductions in labor costs that can be redirected to other projects
- ▶ Focuses the sales force on selling rather than checking the validity of their payouts

“We like the fact that Varicent’s SPM package is a comprehensive solution in one piece of software. It’s not just a calculation engine to compensate the sales staff for moving inventory—it also offers territory management, quota planning and sales analytics capabilities.”

Roger Mathis
Corporate Sales Administrator
Shaw Industries Group

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As a result of implementing Varicent SPM, Shaw is anticipating the following tactical and strategic benefits:

- ▶ Business Operations will own the system and process so rates will no longer be hardcoded into layers of code, allowing compensation administrators to easily adjust and change date-effective rate data without IT assistance
- ▶ Time once spent gathering and verifying data can be devoted to analysis
- ▶ There will be transparency into the calculations and the ability for administrators to troubleshoot and adjust plans to meet market changes
- ▶ Reports will be easily accessible, with sales personnel able to access their reports online through an easy-to-use web portal on a daily basis
- ▶ Key metrics will allow the executive team to make strategic decisions on price, margin, volume and channel in a much more informed manner

“In our previous process, we were spending 14 days a month managing compensation,” said Mathis. “Thanks to Varicent SPM, we will reduce processing time and costs, lessen our dependency on IT resources, increase the payee’s understanding of compensation calculations, and largely eliminate errors and shadow accounting. We’ve already seen real results with the promise of more to come.”

ABOUT VARICENT: Varicent Software Incorporated delivers the most innovative sales performance management solution addressing the needs of business professionals across the entire enterprise. High performing companies relying on Varicent for better visibility and control of their complex variable compensation programs, automating the assignment of territories, the collection and approval of quotas, and reporting and analyzing sales performance include Sun Hung Kai Financial, Waste Management, Linksys by Cisco, Sherwin-Williams, Manpower, Autodesk, Getty Images, Starwood Hotels, Time Customer Service, and many others.

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