

You Get What You Pay For

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Spending time as a salesman for part of my career allowed me to view strategies used by different companies to compensate employees for performance. There are those who wanted their customers to feel very comfortable and feel no pressure when making their buying decision. These companies compensated their salespeople solely with a salary and no commission. Then there are those that realized the value of servicing current customers, but at the same time wanted to incentivize their salespeople to continue bringing new business opportunities on board. This model is best served by a salary plus a commission. Then lastly, there is the situation where all effort is geared toward bringing in new business. The way to motivate sales people to do that was to offer a commission *only* compensation package. This approach pressures salespeople into a more aggressive method of selling. Over time, people quit asking why a particular sales strategy was used in a certain area or industry and just accepted the fact that – that’s just the way it is.

After numerous recent discussions with heifer raisers and dairymen about the most common business model used to compensate heifer raisers a few common questions were noted. Questions directed to the heifer raiser included -

“Are you pleased with the quality of heifer that you are producing?”

“Would you do it differently if they were your heifers?”

“Are you compensated fairly?”

And to the dairyman the questions were...

“Are you pleased with the quality of heifer you are getting back?”

“Would you be willing to change the way you pay the heifer raiser if it returned a more desirable product?”

Does it make sense to pay a heifer grower a set amount per head per day? And, if so, what might that incentivize the custom heifer raiser to do? If I was a grower I would be looking for ways to push the limits on how many animals I could fit into my facility. This would be a lower margin but higher volume approach and would probably return me the most money. The dairyman however is not interested in how many, but very interested in the quality of the product. The “just right” combination of height, weight and body condition is what sets the stage for the most successful first lactation.

It seems to me then, that we have accepted a flawed business model for too long in the custom heifer growing business. It is not the heifer growers fault; they are doing what the dairymen is telling them to do based on the way the dairymen is paying them. Thinking from the dairyman’s perspective, perhaps it is time to change the model. Wouldn’t it be better for both parties to reward growers for raising animals that are going to be the most profitable for the dairy when they move into the production cycle? There is a great opportunity for a win-win scenario here. Dairyman are passionate about taking the ever improving genetics in their heifers and turning that into higher milk production. Custom heifer raiser are passionate about best serving their client’s needs to insure

long term business relationships while at the same time running a profitable business for themselves. Both can win with the correct set up.

The most common arrangements are easy to manage and understand as it is usually based on flat fees. It is a simple way to pay, but with the technology that is available today is it the best way? Are technologies and nutrition opportunities being left on the table because the grower doesn't have a good way to pass the extra cost on to the dairy. If this cost is a good investment with a promising return on investment, opportunities for bigger, better, stronger heifers are being missed. Wouldn't it be good to figure out a way to pay for weight gain in relation to height if that gives us a more desirable and profitable end product? All reputable heifer raisers want to produce a heifer that ultimately makes the dairy the most money. This matches exactly with what the dairy wants also. So let's empower the raisers to do that by compensating them accordingly.