VANTAGE WEARABLES: A COMPENSATION CRISIS IN THE MAKING

Professor Sathiyaseelan B wrote this case primarily to stimulate classroom discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation.

Version: 2024-07-23

THE MONDAY THAT CHANGED EVERYTHING

On a rain-swept Monday morning in March 2025, Priya Menon, co-founder and Chief Executive Officer of Vantage Wearables, stared at the resignation letter on her screen. It was the third one in four months. Rohan Desai, Vantage's most decorated software architect and a founding-team engineer, had accepted an offer from a well-funded competitor in Bangalore's crowded fitness-tech market. His letter was characteristically measured - two weeks' notice, a gracious thank-you, and a single line that lodged itself in Priya's mind: "The opportunity reflects what my contribution is worth."

Priya had exactly seventy-two hours before the company's quarterly board meeting, where investors would expect a credible answer to a question she had been quietly dreading: How did Vantage plan to stop losing the very engineers who had built it? The answer required more than reassuring words. It required a decision she could no longer defer.

VANTAGE WEARABLES: BUILDING A BRAND IN THE FITNESS-TECH SPACE

Vantage Wearables was incorporated in April 2022 by Priya Menon, a former product manager at a multinational consumer electronics company, and Arjun Nair, a hardware engineer who had previously co-founded a short-lived IoT venture. The founding thesis was straightforward: Indian consumers were underserved by global fitness wearable brands that priced their flagship devices beyond the reach of the aspirational middle class. Vantage would deliver clinically informed health tracking - resting heart rate, sleep staging, SpO2 monitoring, and step-based caloric estimates - in a device priced between INR 4,000 and INR 8,000.

The company's first product, the VantaBand Pro, launched in August 2023 after fourteen months of development and shipped to over 22,000 customers within its first quarter, outpacing the founders' projections by a factor of three. A follow-on model, the VantaBand Elite, incorporating continuous stress monitoring and a seven-day battery life, entered the market in February 2025 and had already received orders from two large corporate wellness programmes. Vantage's hardware was manufactured through a

Note: The author gratefully acknowledges the valuable assistance of GenAI tools in structuring and refining the language.

contract arrangement with a unit in Pune, while all firmware development, mobile application engineering, and data analytics were handled in-house from the company's office in Bengaluru's Whitefield district.

By March 2025, Vantage employed fifty-three people. Its engineering function - the backbone of its competitive differentiation - comprised nineteen developers, firmware engineers, and data scientists. The company had raised a Series A round of INR 18 crore in late 2023 and was in preliminary conversations with institutional investors for a Series B. Revenue for the financial year ending March 2025 was projected at INR 24 crore, representing 67 per cent year-on-year growth.

The competitive landscape had grown noticeably more crowded. Domestic rivals such as Noise and boAt had launched premium-tier wearables with comparable feature sets. Global players including Garmin and Fitbit (now under Google) continued to invest in localised pricing strategies. At least three venture-backed Indian startups had entered the connected wellness segment in 2024 alone. Talent competition, particularly for engineers with embedded systems and machine learning expertise, had intensified correspondingly.

THE FLAT SALARY MODEL: A CULTURE CHOICE TURNED CONSTRAINT

From its earliest days, Vantage had operated on a flat salary philosophy. Priya and Arjun believed that wide pay differentials within a small team would breed resentment, undermine collaboration, and distract employees from mission-driven work. Every developer hired in the first eighteen months received a salary band between INR 10 lakh and INR 14 lakh per annum, with annual revisions tied to company-level performance rather than individual output. A discretionary bonus pool, funded at five to eight per cent of net revenue, was distributed uniformly across the team at year end.

The structure had worked well when the company was young, the team was small, and the excitement of a greenfield opportunity served as a non-monetary compensator. Engineers recruited in 2022 and early 2023 had accepted below-market salaries in exchange for mission alignment, equity-adjacent culture, and the implicit promise that compensation would evolve with the organisation.

By early 2025, that implicit promise had not been honoured in any structural sense. The salary bands had widened only modestly - to INR 11 lakh at entry and INR 16 lakh at the senior level - and equity instruments had never been formalised. Employees held no stock options. A nominal Employee Stock Ownership Plan had been mentioned at an all-hands meeting in mid-2023 but had not been converted into a scheme with defined vesting schedules or option grants.

A CRISIS GATHERING PACE

Rohan Desai's departure followed a pattern. In December 2024, Sara Philip, a mobile application developer regarded by peers as among the most technically capable members of the engineering team, had resigned after receiving an offer from a competitor that included a signing bonus of INR 3 lakh and stock options equivalent to roughly 0.1 per cent of the hiring company's post-money valuation. In January 2025, a mid-level firmware engineer named Kiran had left for a role at a consumer electronics startup that had recently closed a Series B. Both exits had been attributed, in exit interviews, not to dissatisfaction with Vantage's culture or product mission, but to compensation that was no longer competitive with market rates.

The internal signals were equally troubling. Priya had received, in the past six weeks, informal conversations from at least four engineers who were quietly exploring other options. One of them was Meera Krishnan, a lead data scientist who had designed the proprietary sleep-staging algorithm that differentiated VantaBand Elite from every competing device in its price category. Meera had not made a demand, but she had asked, with notable directness, whether Vantage had plans to "formalise the equity conversation."

Arjun, whose relationships with the engineering team were closer than Priya's by virtue of his technical background, had shared a more blunt assessment during a leadership huddle the previous week. "The flat structure made sense when we were ten people and everyone was figuring it out together," he had said. "Now we have engineers who have been here three years and are being paid the same as someone who joined three months ago. That is not fairness. That is inertia."

The company's head of people operations, Divya Rao, had commissioned an informal benchmarking exercise using data from the industry salary surveys published by a compensation consultancy and supplemented by job postings for comparable roles in Bengaluru. Her findings, presented to Priya in a brief slide deck, were unambiguous: Vantage's mid-level and senior engineering compensation lagged behind the market median by between 18 and 31 per cent depending on the specialisation. The gap was most pronounced for machine learning engineers and firmware specialists - precisely the profiles most difficult to replace.

Divya had also flagged a second dimension to the problem. The flat structure, by design, rewarded tenure and uniformity rather than performance differentiation. David Kumar, a lead embedded systems engineer, had been responsible - by any reasonable assessment - for the battery optimisation breakthrough that extended VantaBand Elite's charge cycle by forty per cent. That breakthrough was a key selling point in Vantage's

B2B pitch to corporate wellness clients. David's total compensation in the current year was identical, to within rounding, to that of two engineers who had joined the same cohort but had not produced comparable output.

A HOUSE DIVIDED ON THE SOLUTION

The leadership team was not of one mind. Priya had convened a series of informal discussions over the preceding three weeks, and two distinct positions had emerged.

Arjun and Divya argued that Vantage needed to move promptly to a differentiated compensation structure. Their proposal included three elements: a revised pay band architecture that would establish distinct tiers for junior, mid-level, senior, and lead roles with market-referenced salary ranges; a performance-linked bonus system in which individual contribution scores, assessed through quarterly reviews, would determine bonus quantum rather than distributing the pool uniformly; and, critically, a formal Employee Stock Option Plan (ESOP) with a four-year vesting schedule and a one-year cliff. Arjun estimated that reserving a pool equivalent to ten per cent of the company's fully diluted share capital for the ESOP would be sufficient to make competitive grants to the engineering team.

The counter-position was articulated primarily by Vikram Sethi, Vantage's head of sales, who had joined the company eight months earlier from a larger software firm. Vikram cautioned that introducing a taller pay structure at this stage of the company's development carried material risks. He pointed to the cost implications: benchmarking salaries upward across the engineering team would add an estimated INR 1.5 to 2 crore to the annual wage bill at a point when the company was actively seeking Series B capital and investors were scrutinising burn rate. He also raised the cultural argument - the concern that performance differentiation, implemented in a small team, would create visible winners and losers, eroding the collaborative spirit that had allowed a fifty-person company to develop and launch two hardware products in under three years. "We are still in the building phase," Vikram had said. "The moment you start ranking people explicitly, you change the room."

There was a third path, articulated by Divya as a middle option: a selective retention programme targeting only the most flight-risk, hardest-to-replace talent. Under this approach, Vantage would make individual off-cycle compensation adjustments to a shortlist of five to seven employees - including Meera and David - without restructuring the broader pay architecture. The adjustments would be accompanied by informal equity commitments pending the finalisation of an ESOP framework. The advantage was speed and cost containment; the disadvantage was that it would be difficult to keep individual adjustments confidential in a team of fifty-three, and perceived favouritism carried its own morale risk.

THE BOARD MEETING AND BEYOND

The approaching board meeting added an external dimension to an already pressured internal deliberation. Vantage's lead investor, a Bengaluru-based venture capital firm, had been supportive through the Series A period but had begun to ask pointed questions about engineering team stability in the run-up to Series B fundraising. In a call two weeks earlier, the investment director had noted that two exits in four months from a team of nineteen engineers represented an attrition rate that sophisticated institutional investors in a Series B process would examine closely. "Talent retention," she had said, "is a due diligence item now. It was not when you were seed-funded."

Priya was also acutely aware that the Series B fundraising, expected to launch in the third quarter of calendar 2025, would be materially affected by the company's ability to demonstrate team depth and stability. A further departure from the engineering core - particularly if Meera Krishnan were to leave - would not merely represent a product risk. It would become a narrative risk in investor conversations.

At seven-thirty on the morning of the board meeting, Priya sat in the Vantage conference room with a printed copy of Divya's benchmarking report, the financial projections for the year, and three sets of handwritten notes representing each of the options that had been debated over the past three weeks. The board convened at ten o'clock. She had two and a half hours to make a decision she could defend - not only to her investors, but to the team that had built everything Vantage had become.

THE DECISION

As Priya reviewed her notes for the final time, three questions pressed themselves forward with uncommon clarity. The first was whether the compensation problem was a structural issue requiring systemic reform or a retention issue that could be addressed through targeted, individual action. The second was what the company could realistically afford, and how a compensation overhaul would be framed in the Series B data room without alarming prospective investors. The third - and in some ways the most consequential - was what signal the chosen path would send to the team, to the engineers who had stayed, and to the talent market Vantage would need to recruit from as it scaled.

Priya picked up her pen. The board would ask for a recommendation, not a list of options. She needed to decide which path Vantage would take.

EXHIBITS

EXHIBIT 1: VANTAGE WEARABLES — ENGINEERING TEAM COMPENSATION vs. MARKET BENCHMARKS (March 2025)

Role / Level	Vantage CTC (INR Lakh p.a.)	Market Median (INR Lakh p.a.)	Gap (%)
Junior Software Developer (0-2 yrs)	11.0	12.5	-12%
Mid-Level Developer (2-4 yrs)	13.5	17.0	-21%
Senior Developer / Engineer (4-6 yrs)	15.5	22.0	-30%
Lead Engineer / Architect (6+ yrs)	16.0	25.0	-36%
ML / Data Scientist (Mid)	13.5	19.5	-31%
Firmware Engineer (Senior)	15.0	21.5	-30%
Product Engineering Manager	18.0	28.0	-36%

Source: Derived from industry compensation benchmarking survey data and published job postings for comparable roles in Bengaluru (compiled by Vantage People Operations, February 2025). CTC = Cost to Company.

EXHIBIT 2: VANTAGE WEARABLES — ENGINEERING ATTRITION LOG (October 2024 – March 2025)

Employee	Role	Tenure at Exit	Reason Cited	Destination Company Type
Sara Philip	Mobile App Developer	22 months	Compensation + equity	Series B start-up
Kiran Mathew	Firmware Engineer (Mid)	14 months	Compensation	Consumer electronics co.
Rohan Desai	Principal Software Architect	36 months	Compensation + growth	Funded fitness-tech rival

Source: Vantage People Operations exit interview records. All data disguised for confidentiality purposes.

EXHIBIT 3: COMPARATIVE ANALYSIS OF COMPENSATION STRUCTURE OPTIONS

Criterion	Option A: Retain Flat Structure	Option B: Full Restructure	Option C: Selective Retention
Estimated incremental cost (yr 1)	Minimal (<INR 20L)	INR 1.5 – 2 Cr	INR 40 – 60L
Speed of implementation	Immediate	3 – 6 months	4 – 8 weeks
Market competitiveness	Below median (persists)	At or above median	Partial (top talent only)
Perceived fairness — team	Uniform but below-market	Differentiated; merit-based	Risk of perceived favouritism
ESOP component	None	Formal scheme (10% pool)	Informal commitment only
Series B investor optics	Attrition risk flagged	Higher burn; stronger retention story	Neutral to modestly positive
Retention of flight-risk talent	Low (pattern continues)	High (structural fix)	Medium (buys 12-18 months)
Culture disruption risk	Low	Moderate to High	Moderate

Source: Prepared by Vantage People Operations and leadership team discussions (March 2025). Financial estimates are indicative only.

EXHIBIT 4: VANTAGE WEARABLES — KEY FINANCIAL SUMMARY (FY 2024-25, Projected)

Metric	FY 2022-23	FY 2023-24	FY 2024-25 (Proj.)
Revenue (INR Crore)	3.4	14.4	24.0
YoY Revenue Growth (%)	—	323%	67%
Headcount (End of Year)	18	38	53
Engineering Team Size	9	15	19
Total Wage Bill (INR Crore)	1.1	2.9	4.8
Wage Bill as % of Revenue	32%	20%	20%
Net Burn (INR Crore)	2.8	1.6	0.4
Cash Reserves (INR Crore)	14.2	12.6	12.2

Source: Vantage Wearables internal management accounts (unaudited). FY = Financial Year ending March 31.

EXHIBIT 5: ILLUSTRATIVE ESOP FRAMEWORK — PROPOSED PARAMETERS (Arjun Nair's Proposal)

Parameter	Proposed Terms
Total ESOP Pool	10% of fully diluted share capital
Vesting Schedule	4 years with 1-year cliff
Eligibility	All permanent employees with 6+ months tenure
Grant Basis	Role seniority + individual performance rating
Exercise Price	Fair market value at grant date
Liquidity Event	IPO, strategic acquisition, or secondary sale
Estimated grant (Lead Engineer)	0.05% – 0.10% of FDSC
Estimated grant (Senior Developer)	0.02% – 0.05% of FDSC
Estimated grant (Mid-Level Developer)	0.01% – 0.02% of FDSC

Note: FDSC = Fully Diluted Share Capital. All figures are illustrative and subject to board approval and legal structuring. Source: Vantage co-founder presentation to leadership team, February 2025.