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Foreword

People generally go into business to make money and those who say they are not interested in the money aspect of the game are really just fooling themselves. Therefore compensation plans are very important to any business endeavor as this will be the primary reason to sign on to the company or business.



Compensation Plan Perfecto

Everything You Need To Know About Network Marketing
Compensation Plans

Chapter 1:

Compensation Plan Basics

Synopsis

The following are some of the ideal elements that should be part of a good compensation plan.



The Basics

- Determining the accepted market rate of the times is one way of designing a complete and compatible compensation plan. This should start at the very beginning of the lean product cost right up to the cost eventually paid for by the buying customer. The compensation plan should reflect these costs hidden or otherwise.
- Align the compensation plan to the work load undertaken which is relative to the market rate of the time. These should take into account any progressive improvement of sales and performances.

The ideal behind any compensation plan should be that it works as a good ongoing motivator. Goals should be reached because of the prime reason of wanting to be compensated as promised.

Therefore understanding the value of a good compensation plan will then contribute to successful sales records.

Though fairly rare, there is also the issue of over compensation. When over compensation occurs, those who benefit from it will no longer find the need to put in 100% effort as there would in actual fact be no need for it.

This will also affect those who actually work towards the compensation only to find that it is not adequately designed.

For the internet marketing style businesses there are several avenues of being able to garner revenue through good compensation tools.

These may come in the form of retail profits, quick start bonuses, retail bonuses and others.



Chapter 2:

Unilevel Network Marketing Compensation Plan

Synopsis

Unilevel compensation plans have been used for many different kinds of businesses around the world. The network marketing compensation plan also uses the Unilevel style setup and it has over time proven to be quite popular.



Unilevel

In simplistic terms the Unilevel compensation plans works as an incentive to sign up as many different people into the business and getting them to duplicate this action for them.

This will effectively create the position of frontline participants, whereupon a commission is generated from the sales made by these people.

As there is no limit set on how many individuals can sign on to be front liners for a particular company this style is encouraged to be duplicated as much as possible, to garner the desired revenue earned.

However the commissions generated tend to be smaller when compared to other types of compensation plans. This minimal amount is usually generated from the amount of frontline sign ups that are active in promoting the business or product which is ideal for those looking to earn money as an added side income.

This type of plan however does pose some difficulties as the ability to convince people to sign on may come from a rather limited pool of people who will also be vying to duplicate this process within the same said pool of people.

Generally the more frontline distributors are recruited to join the more the commissioned earned and if there is a good training program in place where experienced network marketers can tap into to encourage the new recruits to be equally effective the results can be limitless.

Using internet tools to help generate the interest in new signups such as internet leads and developing lead generation systems also contributes positively to this Unilevel style.

There are also some companies that have tweaked this basic program slightly to allow for further commissions to be paid through partial teamwork achievements.



Chapter 3:

Stairstep Breakaway Network Marketing Compensation Plan

Synopsis

In some ways the stair step plan is similar to that of the Unilevel plan. Following the same basic idea it differs slightly in the way the commissions are calculated and in effect is probably much more lucrative for the individual looking to side income and residual income possibilities.



Stairstep

The members are encouraged to sponsor an unlimited amount of frontline people also commonly known as or referred to as distributors.

These distributors are then encouraged to further sponsor other and also start marketing the products or services of the company.

The sales generated will then create the compensation plans whereby the commissions are paid based on them. Therefore the higher the sales amounts the higher the commissions paid and even for the main sponsor there is the ability to earn a percentage from these distributors' sales. Basically denoting the term stairs which is as the volume continues to increase so does the corresponding percentage of compensation incentives paid.

As for the breakaway term part of the compensation plan there are a few other aspects to consider. When a particular individual is able to generate an impressive amount of sponsors and sales alike then there would be a breakaway effect whereby the said individual will split from the original group to start another on its own.

This does in some way impact the original sponsors generated commissioned as it no longer is based on the group that broke away thus causing quite a dent in the original earnings derived. However some percentage of commission is still paid even after

the breakaway occurs. These now come in the form of overriding commissions and bonuses.

Generally this is not a style that is considered laid back and less demanding simply because the income generated would be directly linked to the amount of activity within the group and also the rate of new members joining.



Chapter 4:

Matrix Network Marketing Compensation Plan

Synopsis

Sometimes known as a Forced Matrix plan this format is quite different from other plans as there is a definite restriction on the amount of frontline distributors and individual is allowed to have. However if managed well it can have its moments of serving as a very lucrative alternative to generating a comfortable side income.



Matrix

Following the same basic structure of recruiting people to become distributors and to promote the products or services offered, this plan differs in its limitation clause.

Effectively this means the individual can only recruit up to a set amount of people to be part of the frontline group and any other interested parties would have to be added to someone down the line. This is called a spill over.

These other recruits would then be placed under other recruits and the process repeats itself. The obvious advantage here would be that the sponsor can concentrate on nurturing the small group of recruits without the distraction of having to find more frontline distributors.

Thus the idea is to build a strong core group which in turn continues to build other equally strong core groups. Recent modifications have been able to make the entire package more appealing while giving the distributors more control over their business directions.

Unfortunately the amounts of commissions generated and paid vary greatly as the compensation plan is based on the various different levels evident.

Therefore some would translate this to mean that it would be more beneficial to help certain levels within the group rather than all involved.

The compensation plan can also be quite a challenge to explain to new recruits as it can be quite complicating. This can be a setback for the individual trying to convince or convert prospective clients into committing to becoming an active part of the business.



Chapter 5:

Binary Network Marketing Compensation Plan

Synopsis

Working on a similar concept to the matrix plan the binary compensation plan also works on a limited concept of frontline distributors. The idea behind this concept is to create a comfortable working relationship with a small group to ensure optimum revenue generating results.



Binary

Working with a smaller group allows for better training and individual attention giving sessions to motivate and encourage the recruit to perform at his or her optimum level always.

This will help to keep those involved focused and working towards the goals set efficiently and effectively. As the binary compensation encourages the building of a wide and basically infinite down line organization the system automatically ensure the new members are placed beneath the existing members.

This system can be duplicated many times over to eventually contribute to a strong and well manages business engine. The internet marketing term for this would be spill over.

The pressure of having to sponsor a large group of people to form the frontline or core group is nonexistent thus taking some of the stress out of the equation.

This spill over can also work as a motivating factor for those who joined the group who are less than productive or are not reaching their potentials.

Having a new recruit placed under the individual and watching firsthand the new comer's growth would ideally motivate the

principal party to become proactive themselves. Being able to build a network that has clear performing boundaries and depth with the advantage of becoming so, at a fast pace is clearly an advantage when revenue earned is needed at the same matched speed.

The automatic motivational elements present within this more focused style, also contributes to its success rates and popularity. The spillover concept can positively contribute towards helping a weak link become stronger as all parties work together towards one success orientated goal.



Chapter 6:

The Benefits In Understanding Compensation Plans

Synopsis

Though often not highly rated and sometimes even taken for granted the compensation plan of any endeavor should be given priority if it intends to attract the best and the most capable efforts and mindsets. Compensation plans are also what dictate the loyalty elements within any setup, thus providing good compensation plans is important if the endeavor intends to retain and cultivate some level of the said loyalty.



Advantages

These compensation plans are ultimately the platform from which revenue is calculated and earned. Having sound knowledge of the types of businesses available in the internet marketing arena and their respective compensation plans will allow the interested party to make decisions best suited to their own individual needs and aspirations.

The decision made to join a certain endeavor solely based on the compensation plan offered is not encouraged for obvious reasons.

These include ensuring the accompanying products or services being sold are of a high quality and also the strong management style of the intended company in which the individual is about to join.

If these other contributing factors are not considered carefully, having a good compensation plan will not benefit if there is nothing worth selling.

Understanding the various jargons and terms associated with the compensation plan is also another aspect that should be given due consideration.

For some these may seem a little intimidating but with some careful study and help from those more experienced understanding these terms can be achieved.



Wrapping Up

Compensation is an important factor that plays a dominant role in dictating just how much an individual is prepared to invest in terms of time and energy into any endeavor. Therefore understanding the concepts behind the various different compensation plans is important when it comes to deciding which one most suits an individual's needs.

