The Art of Compensation

by Daniel O. Jensen

Of the hundreds of direct selling companies I've worked with in the last twenty years, few really grasp *The Art of Compensation.* Those that do, tend to reach heights of success that many others envy.

The Real Goal

Compensation plans have a single purpose: <u>to motivate people</u>. But motivate to do what?

The Five Golden Behaviors

1. *Retailing the product or service.* Most companies must rely on moving the product or service *outside* the sales force channel to retail consumers. Very few companies are successful if their only customers are their distributors. Plans that promote retailing support a realistic retail price with a healthy profit margin (25-35%). They avoid undermining the retail price by making it harder for consumers to buy at wholesale.
2. *Recruiting.* To build recruiting into your plan, offer incentives that focus on group building, consistent sponsoring every month, and the building of relationships between the upline and the new recruits. Recruiting is your key to growth.
3. *Building Managers.* Managers are trainers and motivators, yet many plans don't reward these behaviors, but allow people to "buy in" to have a title of 'manager'. These companies later wonder why their managers aren't managing! To build managers, provide incentives that reward training and motivating their group. Group based incentives work best where there's a large gap between personal production and group production. *Great is he who does the work of ten people, but greater is he who gets ten people to do the work.*
4. *Building Leaders.* Leaders are trainers and motivators of managers. Plans that build leaders focus on performance of downline managers and their groups. Plans that are weak in *Building Managers* are often weak in this area, too. Don't penalize a leader when a distributor becomes a manager. Don't reward a leader when some downline manager becomes inactive by rolling up his volume (roll up earnings, but not volume which often qualifies a poor performer in the upline).
5. *Retention.* Retention incentives focus on both the new recruit – helping them earn money commensurate with their invested time, as well as consistent performers. Don't reward the 'flash in the pan' performer too much – he'll be here today and gone tomorrow.

Reward the Performers

What one man receives without working, another man works for without receiving. In other words, every dollar given to somebody who is not earning it is a dollar not given to somebody who IS. Look at the people you're paying every month. Are they earning their way or are they just coasting, riding only on the efforts of years past? Look for "leaks" in your plan where poor performers are being paid more than their contribution is worth. If you consider all the monies you pay these people, how much more could you pay your real performers?

Summary

Focus on balancing the *behaviors*, not the *pay-out.* Reward consistent performers more than the short-lived ones. Make sure that your new recruits are receiving a high return for each hour they spend on the business – at least $20 per hour is reasonable. If you do these things, you'll be amazed at the momentum you'll build.