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# Foreword

A few networkers may not agree with me that individuals may join a new company because of a superior plan. They state it's because of the leadership, influence or self-assurance that the upline projects.

Now I don't take issue with them. But think about this, how may you be positive, influential or a great leader without thorough knowledge of the plans in the industry?

And, if the lead happens to be preoccupied with compensation plans, saying the correct word at the correct time would get you a sale!



## ***Network Marketing Compensation Plans 101***

How To Understand The Pay Plan Even If You Are New In Network Marketing!

# **Chapter 1:**

## ***The Basic Info***

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### **Synopsis**

Compensation plans are more than simply circles.

Just as no 2 individuals may truly be the same, it's really rare that plans in 2 different companies may be designed precisely the same by arrow. Let me demonstrate a few facts first.

If you were given an option, would you preferably sponsor somebody who doesn't know network marketing or somebody familiar with network marketing?

The reason most individuals would select the second option is easy, you don't need to spend so much time training them and they'd bring results on their own.

Now where would I discover these sorts of individuals? Naturally, in other network marketing companies!

## **Behind Plans**

But it is not that easy to get those guys over. In life, there are no guarantees. You'll never know when conditions will shift, when that person may have fallout with his upline or his company may collapse and they may simply be hunting for THAT one fresh opportunity to bring their individuals to. Timing is crucial!

Now that we have set the record straight, understanding your plan and their plan well will bring you one step closer to a new sale.

You might think pinching others from other companies may be unethical, but this is a dog eat dog world we live in. Presented the chance, I trust 'they'd love to pinch your leads too. I'm not running a course on ethics here; it's up to you to choose what is best for your business. But my opinion is this: if I believe my company offers a better product and opportunity to realize income, I'd recruit other networkers. Rivalry is good for companies anyhow.

Equally crucial also, I don't want to lose my leads to other networkers as well. Naturally, if they decide to leave for whatever reasons, I won't hold them back as it is their business, not mine. But I wish to make certain they don't get lost because of my incompetency as a leader and lose my source of revenue as a result. This commonly occurs when the leader is ineffective and deserves to lose his leads to other networkers as they never trained them well enough in the first place.

Let's crystallize some common misconceptions regarding compensation plans.

- The compensation plan isn't important; all I need to do is recruit individuals

A great plan will make or break a company. Survivability among participants is one of the main causes of attrition. Would you be as energized as when you first started if you're not making revenue?

Factors like payout, maintenance and even the joining fee are essential. If a company has quite a high maintenance and their participants are not making cash, they'll drop out even faster.

- I'll only be a serious builder once I find the most beneficial compensation plan

There are individuals who don't work hard enough in their business, that they blame the plan for their failure.

They blame the plan, the management, or even call them a scam. If you choose to leave a company for a better plan, make certain you leave strictly based on business reasons and not to justify your failure!

- I have to explain the entire plan to the prospect so that he understands

If you explain the plan to a new individual, chances are he will get very confused and he might not sign up.

Keep the plan simple and explain in terms of advantages instead of features.

Now that we're clear about knowing our own plan and all the additional plans 'out there', I strongly encourage you to go to as many opportunity meetings as conceivable to learn all about them.

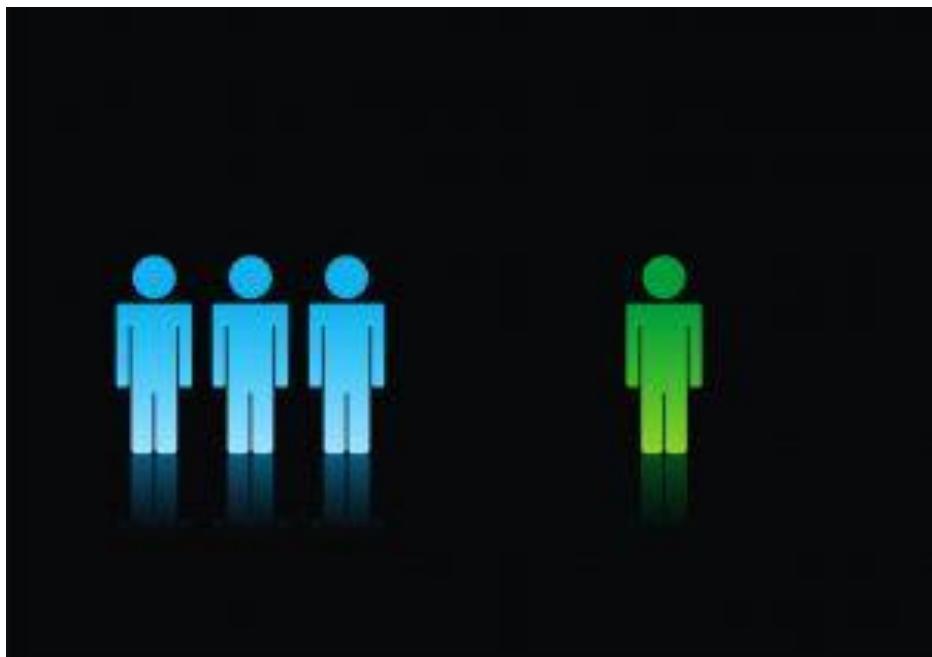
# **Chapter 2:**

## ***Understanding The Terms***

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### **Synopsis**

If you expect to begin a successful network marketing company or establish a really large network, you should get familiarized with the language or jargon!



## Know The Lingo

### **Builder**

A builder is a person who's actively seeking downlines. A builder isn't the same as a buyer who only consumes the products or recommends them to acquaintances.

### **Upline**

You're in their organization. An upline commonly earns commission from your group volume. You might have many uplines possibly up to 10-20 levels in depth. Commonly, an upline is responsible for your success. An upline might not necessarily be an upline leader/mentor.

### **Upline Leader/Mentor**

This is an upline that you actively look for counseling from on how to construct your business. They're here to guide you and are here to mentor you and make certain you succeed in the business.

### **Sponsor**

You're directly under him or her. Normally they're the one who introduced you to the company.

### **Downline**

They're in your organization. Depending upon the nature of the plan, your commission from their group commonly is smaller the deeper they are in the organization. Occasionally, your downline's downline may be many levels deep in your organization so you may not even know him personally.

### **Sideline/Crossline**

These individuals are not in your organization and neither are you in theirs. Essentially there are no monetary relationship between your group and the sideline's group. All the same, depending on the culture promoted in the company, they're either perceived as the worst competitors, or useful allies. Take note likewise, that someplace along the line; they're also in your upline's group, so helping your sideline means assisting your upline and his group.

### **Front Line**

These are downlines that are personally sponsored by you or are directly beneath you. You must be directly responsible for their success as you're the one who introduced them to this business. Moreover, the development of your frontline will determine the success and failure of a whole downline group.

### **Leg**

A leg is a downline group in your network beginning from the individual you personally sponsored. He and all the downlines beneath him are considered one of your legs. A distributor commonly develops a lot of legs simultaneously.

### **Width**

The number of individuals you may personally sponsor. Matrixes and Binaries commonly limit the maximum width. Commonly a strong downline is one that builds and develops a really big width.

### **Depth**

Depth refers to the level of your downline's downline. An individual who has build depth commonly has a secure organization.

### **Override**

An override means you're paid a particular percentage over your downline's group. Commonly an override is calculated on your frontline solely.

### **Profit Sharing Pool**

Profit sharing is a bonus that's paid out to achievers who have achieved particular conditions in the marketing plan. A pool is a collection of sales volume from participants all over the company regardless of whether the sales volume comes from your sideline.

### **Maintenance**

A mandatory (occasionally optional depending upon certain criteria) sales volume a person must accomplish. Frequently maintenance is done to override your downline, become eligible for profit sharing, or maintain a particular rank or even the distributorship. Normally this is enforced as the company needs to make money too.

### **Total Payout**

This means that a part of a product sold by the company that is set aside for participants and retail sales only. The company only keeps the remainder.

# Chapter 3:

## *What Are The Bonuses And Blocks*

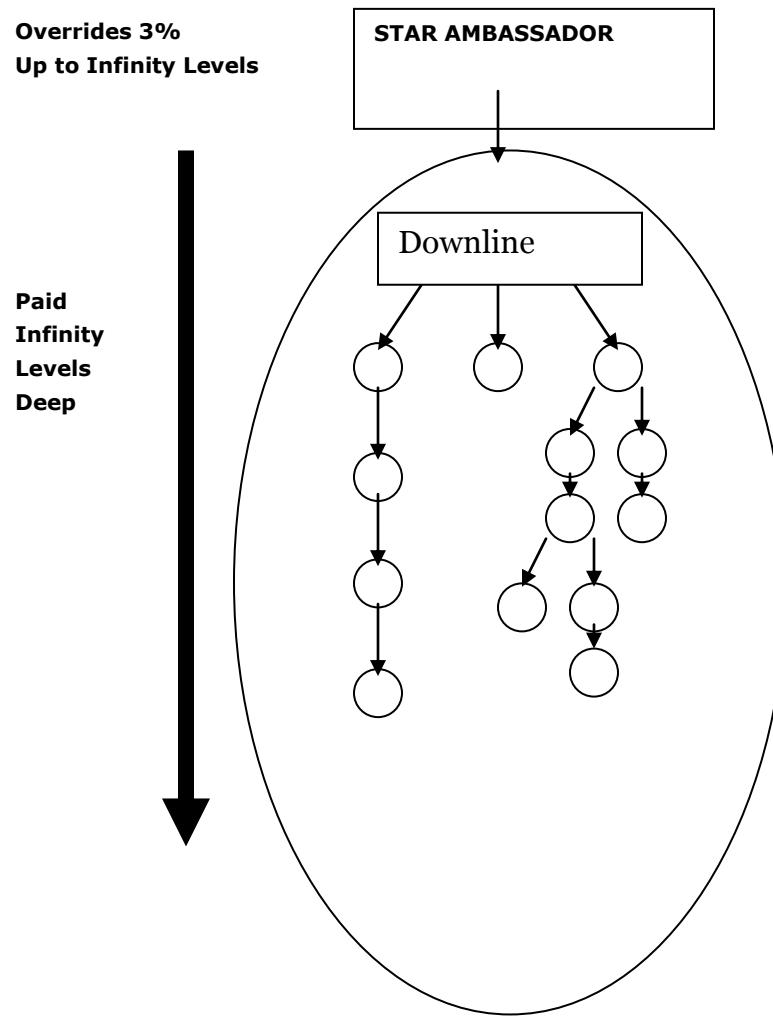
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### Synopsis

A company might pay an achiever up to infinity levels of commission when he has built a solid organization.

Commonly this reward system is useful for individuals who step up to the challenge to be leaders and are willing to work depth in his organization. Infinity bonuses likewise reward those leaders who help their downlines regardless how deep below they are inside the organization.

Note the diagram below:



## **The Extras**

As you are able to see, the star ambassador is like a leader who's servicing his entire downline group and therefore, he merits being paid 3% from everybody in the group.

When a downline reaches a level that's similar or higher than the upline (in this example, let us call him a STAR AMBASSADOR), the upline commonly only gets infinity level overrides up to the downline that is also a Star Ambassador. This feature is known as **BLOCKING**.

Note: There are more bonuses to be presented to the upline for nurturing a strong downline. Commonly in the form of bonuses or eligibility for higher ranking.

## **Downline Building Strategies**

Distinguish the strongest ones in your downline group and train them to become leaders so you'll be able to leverage on them. Put differently, that downline will keep on building the group long after you've stopped being directly involved with them.

While you might not draw infinity bonuses from their group, the company commonly will give you a leadership bonus on the downline leader's group. Commonly the leadership bonus is smaller than the override or retail bonus, but it's like getting a smaller slice of a much, much larger pie.

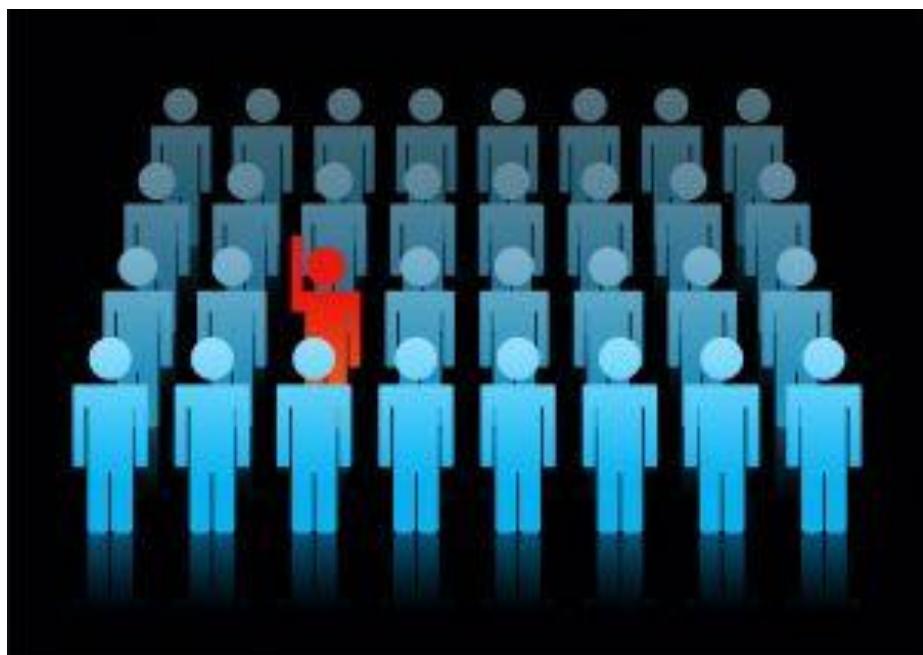
## **Product Synergy**

Infinity bonuses may be really powerful and generate massive residual income if done correctly. If you were to train all your downlines in your group to be loyal product users, and you were to get 3% from all the volume, you'll pull in something like this:

$3\% * 1000 \text{ downlines (each buying \$500 every month)} = \$15,000 \text{ monthly!!!}$

### **Beginning a New Company**

If I were to begin a new company and give out infinity bonuses, you have to be really precise on the blocking system particularly when you're using a binary plan (because of overpaying).



# **Chapter 4:**

## ***Buying Position Basics***

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### **Synopsis**

In particular network marketing companies, there are a few instances where the purchase of extra products and/or account will enable you to climb the ladder of network marketing success faster by presenting you a jump start.



## Product Purchase

Illustrations would be something like this:

- Purchasing high volume of products in Stairstep plans to begin at a higher rank
- Purchasing 3 (rather than 1) tracking centers in a Binary plan
- Purchasing names of multiple accounts and stacking them under each other so that revenue from the networks all flow back into one person's pocket

This frequently has received criticisms inside the industry and certain governments have outlawed extremely high entry fees (companies that encourage a fresh distributor to join at very high costs or buying insane amounts of products to start their business). Regardless of the controversy, there are many, many companies that let you buy positions so it's really common in the industry and your own option to embrace it or not.

## Downline Building Strategies

If I were to establish a network of leaders, I'd want all my downlines to move in the same direction with the same aim. I'd communicate to all my individuals that if they wish to succeed in this business, they're expected to join at the highest entry level and at the maximum auto-ship level (monthly buys).

We wish to build strength and not cater to the weakness of other people. It might seem harsh, but unless you're willing to pay the price, you have to invest to a point it hurts then only will you have the drive to succeed.

## **Product Synergy**

Pick out products that are easy to move. Put differently, if I were to come in at a high-entry level, I'd choose products that are very easy to retail. There are individuals who treat all their initial buys when they join as an investment and neglect selecting the right products. There are a few who even purchase all the high-ticket products only.

There's nothing wrong with doing this. Simply bear in mind that in order to operate a business, you require cash flow. Retailing products gives you easy cash flow and less financial pressure. You'll be able to also select products that come in packages as they're commonly cheaper to buy in a set and you may retail those products separately and acquire more profit.

## **Beginning Your Own Company**

Emphasis on purchasing position is acceptable as long as the products that come with it are sensibly priced and it matches the demand in the market. There are a lot of unscrupulous companies who distribute worthless products. A great way to give more value for individuals is to include better selection of products in the form of packages so that they pay the same relative value and have more products to utilize.

A great way to generate more sales is through converting your preferred buyers into distributors by offering them the same incentive of a preferred buyer with an accumulation system that allows them to purchase cheaper the more they consume: just like a loyalty program.

# **Chapter 5:**

## ***Beware Of Demotion***

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### **Synopsis**

Demotion is a marketing plan characteristic (that's commonly not transparently stated in most marketing plans) that's really important to think about in evaluating a plan and pacing yourself month after month. Demotion means dropping from one place to a lower place or rank in a network marketing company.



## **Be Aware**

Let's say a Silver Rank Producer works hard to become a Gold Rank Producer. The following month he fails to accomplish his target and he drops back to a Silver Rank Producer. This commonly results in a loss of potential income or even readjusting his quota back to square one.

Demotion may likewise happen in certain plans where individuals are qualifying or challenging a particular position in a plan where they require distributors to produce large sales volumes in a short time period.

If they fail to reach their target, they don't necessarily drop in rank but they have to establish their volume all over again. They might not lose all of their volume but retain some of it as they roll into a different month to begin qualifying again.

### **Downline Building Strategies**

How may we use demotion to your benefit? It's often said in life that we're not pulled up to success but rather, we're lifted up to success by the individuals around us. This is even more so in network marketing as there's no way you are able to succeed alone. You require the support of your downlines if you want to beat your quotas and get to the future rank!

You have to develop 2 really important factors within your network. Team compatibility and compensation plan education. If you or your downline is in a qualifying phase, you have to strategize with your whole team because volume needs to be produced to accomplish the

target. Teach your downlines that if they support their upline now, they'll become a great upline and in future, their downlines will support them too. With everybody doing a little every day, achieving the target isn't difficult.

If you school your downline enough and they support you enough, they'll realize that you as a qualifying upline is in a challenging phase and they'll feel that your success is in their hands! They don't wish you to fail and will work hard to help you accomplish your target (while they pull in most of the revenue because it's their sales. They're merely helping you satisfy your 'conditions'). Utilize demotion to build the urgency in your team!

### **Product Synergy**

Demotion isn't a worry for the distributor if he has a big customer base. On a personal level, the only true fear demotion poses is when they quit doing maintenance or cancel their auto-ship. This only happens when the distributor is having financial struggles or isn't making cash from their business and they decide to stop purchasing products from the company.

### **Beginning Your Own Company**

I will not touch so much on whether to design a marketing plan with or without demotions due to the subjective nature of network marketing product. But here is one general rule to abide by: Will demotion affect the distributor in a positive way or negative way? Only you recognize your own product and your distributors.

# Wrapping Up

We have only just skimmed the surface of some points of compensation plans that you should really be aware of.

If you find this to be really confusing, it is even more worth it to know what is out there and to truly do a lot of research on the plan that your company is offering. Remember that anything that brings in cash definitely calls for hard work and deliberate study.

That's correct; we have come to the end.

## **Let me just share a couple of more hints before we part ways:**

Remember in network marketing:

- It is not sufficient to have a plan; you have to act upon your program!
- Plans only work if you're recruiting. Discover your individuals!
- If you do not work hard, any plan won't work. Do not fault your program!
- SHARE your plan with your downlines. They might need this information more than you do!

Now that you're armed with the basic information you need to know to begin researching compensation plans, your network marketing success awaits you. Begin taking action today!

Get your research done and start bringing in some money.

