



## Learn How You Are Paid

### Principle #3: Understand Your Plan and How To Explain It.

*By Michael Clouse*

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All network marketing companies offer some sort of "here is how you are going to be paid" plan, usually referred to as the "marketing plan," the "compensation plan" (or "comp plan" for short), or "operating system." I will refer to these as simply, The Plan.

#### Customers

The overall health of your business is determined by how easy it is to get--and keep--long-term customers.

When people are presented with your products and services and/or the business opportunity and decide to become customers, this reveals that people will actually purchase your products in the marketplace without a money-making opportunity attached to them. This is an important validation of your products' value. What's more, you'll simply earn much more money with customers than without!

I love to travel. I also fully appreciate that being a jet pilot, resort owner or master chef are all honorable professions. However, I don't want to own an airline: I just want to sit up front and enjoy the ride. I want to stay at the resort and enjoy a relaxed conversation with a few good friends over a great meal. Regardless of how interesting and financially appealing those professions might be, I just want to be a customer!

The airline, resort and fine restaurant all need customers like me. Your ever-expanding networking empire needs customers just like me, too: people who appreciate the value of your business, and just want to enjoy the products or services you offer.

It's crucial that you learn how your company's plan pays you for customers. The bottom line is, customers create cash. The more customers you have, the more cash you earn.

#### Distributors

Growing your business takes more than customers. You also need to introduce the opportunity to other people who might be interested in: a career change, earning some extra money, creating a full-time income on a part-time schedule, or making more money in a month than they currently do in a year.

Let's say that you want to create a replacement income of \$5000 per month, working 15 hours per week. According to a sample plan, the numbers would look like this:

You sponsor 5  $5 + 5 = 6$

who each sponsor 5  $5 \times 5 = 25$

who each sponsor 5  $25 \times 5 = 125$

Total distributor organization = 156

If each distributor makes an average \$100 monthly purchase, you'd have \$15,600 in "internal" (distributor) volume. If you taught your people to each find five customers, who each purchased a monthly average of \$50 worth, that would add 780 customers ( $5 \times 156$ ), or an "external" volume of \$39,000, for a grand total of \$55,220 in monthly volume. (Notice, by the way, what a significant difference having customers makes!)

If your plan paid, for example, 10 percent on the first three levels, this example would create an income of \$5522 per month! Simply by your sponsoring five, teaching those five how to sponsor five, and teaching those 25 how to each sponsor five more--with each distributor averaging \$100 per month and managing just five customers each, who in turn purchase an average of \$50 per month.

This is just an example; your actual plan is doubtless different. The point is, you need to understand how your plan pays you and be able to explain it, simply and accurately, to others.

### **Rank Advancement**

As you advance through the ranks of your plan, the way you are paid changes. Make sure you understand: 1) how you are paid when you sponsor a new distributor who places a product order or signs up for a service; 2) how you advance through the ranks; 3) how you will be paid at the higher ranks; 4) how you are paid on customer sales; and 5) what steps you will need to take, and over what period of time, to create the business of your dreams. In network marketing, you really do determine your own destiny--but you have to know where you're going.

### **Ongoing Income**

There is one more crucial dimension to how you are paid: longevity. Beyond mere immediate income, network marketing promises long-term ongoing income, the ability to do the work once and then get paid on those efforts many times over--possibly for years to come. I'm often asked, "How much money did you earn in your first month?" I reply, "It's hard to say exactly...I'm still being paid on my first month's work."

Understand that it's not how many customers you get or how many distributors you sponsor that determines your long-term income--it's how many customers and distributors you keep.

### **How You Are Paid Emotionally**

Last issue I mentioned the adage, "Facts tell, stories sell." That same point applies to your plan as well as to your products.

By all means, read your distributor manual, talk with your sponsor, plug into your support team, do whatever you have to in order to gain a solid grasp of how you are paid for customer sales, distributor sales and rank advancement, and how you can create long-term ongoing income within your company's plan.

However, when you are explaining your "here is how you're going to be paid" plan to a potential distributor, it's not the information that is compelling, but the stories. What your prospect really wants to know is: What is this business all about? Can I fit this into my already too-busy life? And finally, Can I do this?

The best way to answer your prospect's questions is by telling stories: stories about people who joined the company, used the products and earned the money--and how their lives were changed for

the better.

This passage, the third in a series of five, is excerpted by permission from The Fifth Principle, by Michael Clouse.

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