

## Title:

Decision To Transition – Lead Follow Or Get Out Of The Way

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## Summary:

The direct selling industry is changing and changing rapidly. In years past, the direct sales single level compensation structure ruled. Now, 77.3% of the members of the Direct Selling Association (DSA) are structured as MLM (multilevel marketing) verifying a new age of marketing has arrived.

## Keywords:

Marketing, MLM, Multilevel Marketing, Network Marketing

## Article Body:

Every Direct Selling Company that has reached the pinnacle of success in today's competitive market began its business by offering unique products or services that served a recognized need. But quality product alone didn't sustain a multi million dollar growth pattern. By necessity the company provided a solid marketing concepts and a compensation plan which offered the serious minded distributor a significant financial opportunity. In addition it was critical to provide the part timer and "consumer/ distributor" an easy way to stay involved at their own specific levels of interest. Add to this a competent management team and motivated professional sales leaders, and you have a text book formula for success. However, my continued research into this ever evolving industry has made me aware of a "paradigm shift" in progress in direct selling methods, compensation plans, communication and support.

The direct selling industry is changing and changing rapidly. In years past, the direct sales single level compensation structure ruled. According to Neil Offen, president of the Direct Selling Association in an article in Network Marketing Magazine, single level direct selling companies accounted for 75% of the organizations membership in 1990 with 25% being Multilevel. Now, 77.3% of DSA members are structured as MLM verifying a new age of marketing has arrived commanding the long awaited accompanying respect. Even the established pioneers of MLM are feeling the pressure as these new age MLM companies demonstrate growth unparalleled by previous standards.

But, look what has happened for the MLM distributor today. Enhanced telephone services, the personal computer (PC) and the Internet have created an

environment for the tremendous increase we have seen in the Multilevel Marketing home based business success.

Today, the telephone has become the most important tool in sponsoring. Self initiated three way and six way conference calling is now available from most local phone service carriers eliminating geographic restrictions. The Internet solves the instant support information need and is the vehicle for quick enrollment. Payment for distributor kits and product is easily handled over the phone or Internet by credit or debit cards making same day shipping of goods possible. Add next day delivery services, and we can literally complete a sponsoring transaction having the new recruit in business in 24 hours.

Just a few years ago, only a few people knew what the Internet was. Many companies are finding that they can use the Internet to extend their sales and marketing reach, to improve the quality of their customer service and even to conduct multimedia conversations with their distributors. For the price of a local phone call and a few hundred dollars spent on-line, you can send bulk e-mail over the Internet to your potential as well as existing customers and distributors. The same message sent by conventional mail, including printing and postage would cost a great deal more. In short, the Internet is quick, cost-effective and easily accessible all over the world 24 hours a day, seven days a week.

In the same way the internet has altered communication and traditional business thinking forever, Multilevel Marketing has infected the direct selling world with such a powerful energy that even the oldest and most conservative direct selling companies are taking notice. Unlike the Internet's effect on business, which seemed to come at us like an unexpected tidal wave, MLM is a known methodology traced back over 50 years. Although considered a fringe concept by the established direct selling community, MLM flourished spreading its tentacles and silently implanting itself creating a growing army of mostly part time independent contractors. Soon MLM accounted for billions of dollars of product sales. While many direct selling company executives ignored the MLM revolution regarding it as a distant cousin not to be taken seriously, companies like Nu Skin, HerbalLife, A.L. Williams, Malaluca and Excel Telecommunications powered their way to sales growth unparalleled by any previous traditional or direct selling standard.

As a direct selling corporate executive hoping to build a strong and geometrically growing organization to help your distributors meet their financial goals, understanding the compensation plans of the growing number of MLM companies could become a full time job in itself. "Stair Step - Unilevel - Matrix - Binary - Australian ... it's enough to drive even the most experienced

corporate executives mad. I've debated theory for hours on how the compensation plan is like a piece of art with every twist and turn, every level and qualifier, every bonus pool or discount incentive carrying a specific action and positive reaction from the distributor base. New Age compensation plans are no longer "pure" MLM, but can be better categorized as hybrid systems which attempt to be all things to all people. A little more discount here - another level in depth there, infinity bonuses, compression, roll-up, pass-through bonuses -- We need an MLM dictionary just to decipher the written explanations of the plans.

If you are considering the "Decision to Transition" your present compensation structure to an MLM model, please take note!

Radical change may be necessary but don't jump on the first fad compensation plan that rings your chimes. Your corporate and product mission along with distributor culture must be considered. Adopting a plan that maintains your long established principles while incorporating current trends should be your goal.

Today's plans must address the following:

1. Cost of new distributor entry sales kit should be modest making it easy to get started.
2. Early payout of initial commissions and bonuses paid weekly or bi-weekly is becoming the norm.
3. A good plan provides bonuses balanced between the beginning MLMer who is just trying it on for size, the committed part time business builder who is building an organization through multiple levels, and the totally committed leader who can benefit from bonuses from sales generated by a significant downline community.
4. Distributor monthly maintenance qualifications to receive downline organization bonuses should be reasonable and achievable for the consistent part timer as well as the dedicated and committed full time participant.
5. Program should incorporate Auto-Ship ordering programs with a bonus volume relationship to monthly distributor qualifications.
6. Plan should mandate distributor minimum personal retail sales while rewarding for building an organization in depth.
7. A "Plus" plan. This means that there are no sponsor disincentives created by lost or reduced centers of profit as the downline advances that might encourage

leaders to suppress downline advancement. All earned bonus levels are in addition to those previously earned, never in place of them.

8. Distributor ranks and titles should be permanent once received, but distributor bonuses should be "Paid-as" the position for which they actually qualify during the pay period.

9. Compression of levels or generations should occur to properly reward performers through maximum depth of income stream.

10. The plan should be "Capitalistic" in its design to reward the business builders who contribute regularly to the company growth. Beware of plans that are "socialistic" in design dividing available profits among many and encouraging a something for nothing philosophy.

If you are a traditional direct sales company considering transitioning to MLM or an established MLM just trying to play catch up in the evolving marketplace, a competitive compensation plan tied to today's technology is only part of the equation for maintaining and growing your market position. You will be competing for your distributor's time, not just their product sales or consumption loyalty. Show them how to leverage their time while geometrically growing their income and you will put your company in the winner's circle.

Of course, technology and a hot compensation plan cannot replace person-to-person communications. People still do business with people, and the more you embrace technology, the harder you should work at building personal relationships with your distributors. Make yourself accessible at every opportunity by arranging occasions that will bring you together with them face-to-face. However, keep in mind that the world of sales and marketing is changing rapidly. Some companies are recognizing these opportunities and rushing reinvent themselves. Others are watching intently and will soon follow, if only out of the need to stay competitive. As we have heard it said many times in business, "Lead - Follow - or Get Out of the Way!"