

The Role of the Compensation Plan in a Successful Direct Selling Company

By Jeffrey Babener © 2013 / 2014

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This blog post is the companion post to the video: [Role of Compensation Plan in a Successful Direct Selling Company](#). The following is the transcript of MLM Attorney Jeff Babener's own words:



Hi, I'm Jeff Babener of MLMLegal.com. I'd like to talk to you today about the compensation plan. It better be good.

There are obviously significant legal issues in evaluating and implementing compensation plans. Review of the compensation plan a competent MLM lawyer is essential.

Does a compensation plan make or break a startup MLM company? History suggests that a good compensation plan is helpful and absolutely necessary. Does it drive financial success? *Probably*

not. Will a bad compensation plan contribute to failure? *Probably*, together with other unlucky breaks. As industry expert Michael Sheffield notes with respect to a good compensation plan, "Its absence will be noted more than its presence."

Is there anything new under as far as compensation plans are concerned? *Probably not*. The goal is always the same regardless of the type of compensation plan: motivate varying behaviors of distributors, ranging from direct sales, to building wide to building deep, to supporting a downline, to maximizing sales volume production and retention.

It is of key importance is that the compensation plan is easy to explain to recruits and that it is perceived as fair and balanced.

Typical plans may pay out 30% to 50% of sales volume in commissions to distributors. Various plans may divide the pie differently. As long as the perception is that the plan is competitive within the industry, it appears that other factors including bonding with the product, bonding with management, bonding with field leaders, bonding with company philosophy, and corporate communication would be a more significant driving force for recruits and distributors. In fact, the companies that pitch leads with a compensation plan are often merely hiding the weaknesses of other key components, such as the quality of product or stability of management. In designing compensation plans, leading MLM management consultants serve a vital role in balancing all of these factors.

There are obviously significant legal issues in evaluating and implementing compensation plans. Review of the compensation plan a competent MLM lawyer is essential.

Wishing you the best in your direct-selling business, I'm Jeff Babener.

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Or, visit these links for more information:

[Is the Compensation Plan the Driving Force of Success?](#) Video

[Do Different Compensation Plans and Products Receive Different Legal Regulation?](#) Video

[How to Analyze Compensation Plans](#)

[MLM Compensation Plans – What you should know](#)

[The Next MLM Startup Conference in Las Vegas – May 16th & 17th, 2013](#)

[Is There a Level Playing Field for all Compensation Plans?](#)

[All About MLM Earnings and Compensation](#)

[Is the Compensation Plan the Driving Force for Success in a Direct Selling, Network Marketing, MLM Company?](#)

[Percent of Sales, Direct Sellers and Firms by Type of Company Compensation Plan](#)

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And, as always, visit [MLM Legal.com](http://www.mlmlegal.com), the best MLM resource on the web. The next ***Starting and Running the Successful MLM Company Conference*** will be here before you know it! On May 16th and 17th, 2013 we are hosting the [MLM Conference](#) for the 25th year! This is now our 64th annual conference (held almost consistently three times per year over the last 24 years). All executives/owners of MLM, direct selling, network marketing, and party plan companies are welcome to attend. This is the [original MLM Startup Conference](#), hosted and perfected by direct selling industry expert, [MLM Attorney Jeff Babener](#).

Call 503-226-6600 or 800-231-2162 to register. (Can't make this event? Keep an eye out for our October and February conferences as well.)

This article can also be found online at our blog: <http://mlmattorney.com/blog/2013/02/26/the-role-of-the-compensation-plan-in-a-successful-direct-selling-company/>

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Jeffrey Babener
On Assignment

On any given day you can catch [Jeffrey Babener](#) lecturing on Network Marketing at the University of Texas or the University of Illinois, addressing thousands of distributors in Los Angeles, Bangkok, Tokyo and Russia, or writing a new book on Network Marketing, an article for Entrepreneur Magazine or a chapter for a University textbook. Over two decades he has served as marketing and legal advisor to some of the world's largest direct selling companies, the likes of Avon, Nikken, Melaleuca, Discovery Toys, NuSkin, and he has provided counsel to the most successful telecom network marketing companies...Excel, ACN, World Connect, ITI, AOL Select and Network 2000. An active spokesperson for the industry, he has assisted in new legislation and served on the Lawyer's Council, Government Relations Committee and Internet Task Force of the Direct Selling Association (DSA) as well as serving as General Counsel for the Multilevel Marketing International Association. He is an MLM attorney supplier member of the DSA and has served as legal counsel and MLM consultant on MLM law issues for many DSA companies.

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