



Dan Jensen & Andi Sherwood

Compensation Plan Specialists

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Winners of the
2007 DSA
Partnership Award



What is a Compensation Plan

- A strategy of compensation designed to reward the good and intended behavior of independent sales agents
- A mechanism that motivates people to achieve more than they otherwise would
- A vehicle for companies to recruit and retain people to sell their products to others



Direct Selling Business Models

Internal
Consumption

Retail Sales

- *Consumption Model:*
Relies on distributors to personally buy and consume product
- *Retail Model:*
Relies on distributors to find customers who buy and consume product

Strategies Compared

■ Retail Biased Model

- ◆ Prime Objective:
protect the retail profit
of the sellers
- ◆ Kit cost high enough
so customers do not
join solely for discount
- ◆ Pricing strategy must
support retail price

■ Internal Consumption

- ◆ No retail profit
- ◆ Must heavily load
initial compensation
for recruiters
- ◆ Low Kit Cost
- ◆ Pricing strategy
focuses on wholesale
price

Selling: Retailing or Recruiting

Retail Selling

Purchase Price	\$100
Wholesale Price	\$75
Profit to Seller	\$25
Commission Paid by Company	\$5 - \$35

The Seller's profit comes
from the customer

Internal Consumption

Retail Price	N/A
Purchase Price	\$75
Profit to Seller	\$0
Commission Paid by Company	\$15 - \$35

The Seller's profit comes
from the company

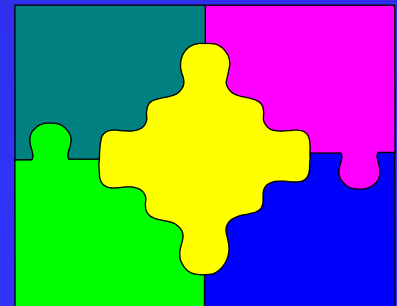


Focus on the Behaviors

If a compensation plan focuses on behaviors, it gets results. If it focuses on anything else, at best it confuses. At worst, it can kill the company.

Five Golden Behaviors

- Selling
- Recruiting
- Develop Managers
- Develop Leaders
- Retention / Consistency

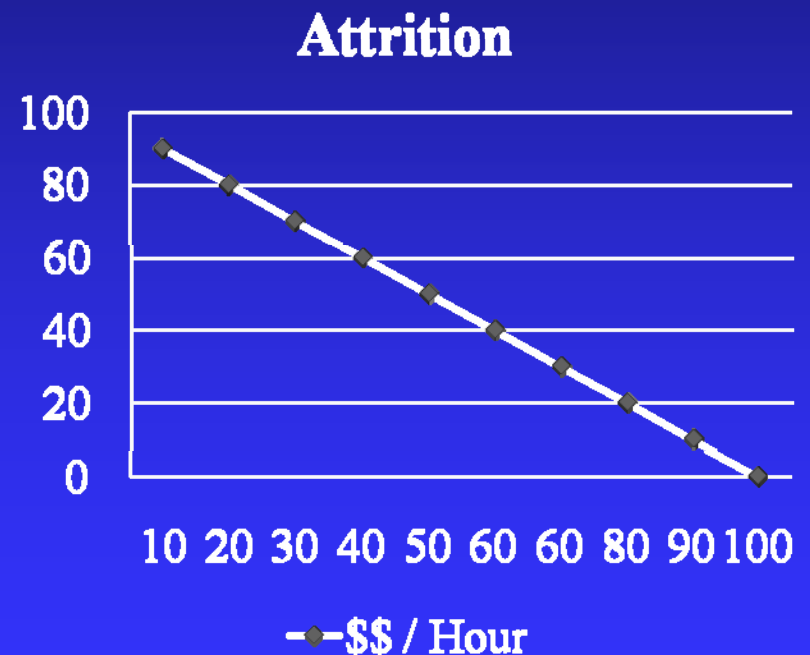


Three Different Types of Reps

Distributor	<ul style="list-style-type: none"> ❖ Sells product ❖ Recruits 	1-5 hrs/week	
Manager	<ul style="list-style-type: none"> ❖ Sells product ❖ Recruits ❖ Trains, Coaches, Mentors ❖ Thinks tactically 	10-15 hrs/week 6-25 team members	
Leader	<ul style="list-style-type: none"> ❖ Team Leader ❖ Sells product ❖ Recruits ❖ Trains, Coaches, Mentors ❖ Leverages their time with their rising stars ❖ Motivate & train downline managers & leaders ❖ Thinks strategically 	20-40 hrs/week 50+ team members	

Selling

- \$25 - \$35 net hourly reward
 - ◆ Get money into their pockets quickly
- Team overrides take too long for most
 - ◆ 90 days: in or out
 - ◆ Most sponsor nobody in that time



Recruiting

- Recruiting is king
- Your best prospects are your customers
- Recruiting is a result of:
 - ◆ Sales presentations (parties)
 - ◆ Prospecting systems
 - ◆ Trust
 - ◆ Opportunity (Reward)
 - ◆ Competence (Training)
 - ◆ \$\$ per hour
 - ◆ Retention breeds retention



Build Managers

- Managers sell, recruit, & train (duplication)
- They work within their group
- Future leaders in training
- Managers are created by:
 - ◆ Competence (Training)
 - ◆ Mentoring & Coaching others
 - ◆ Developing a team
 - ◆ Opportunity (Reward)
 - ◆ Consistency

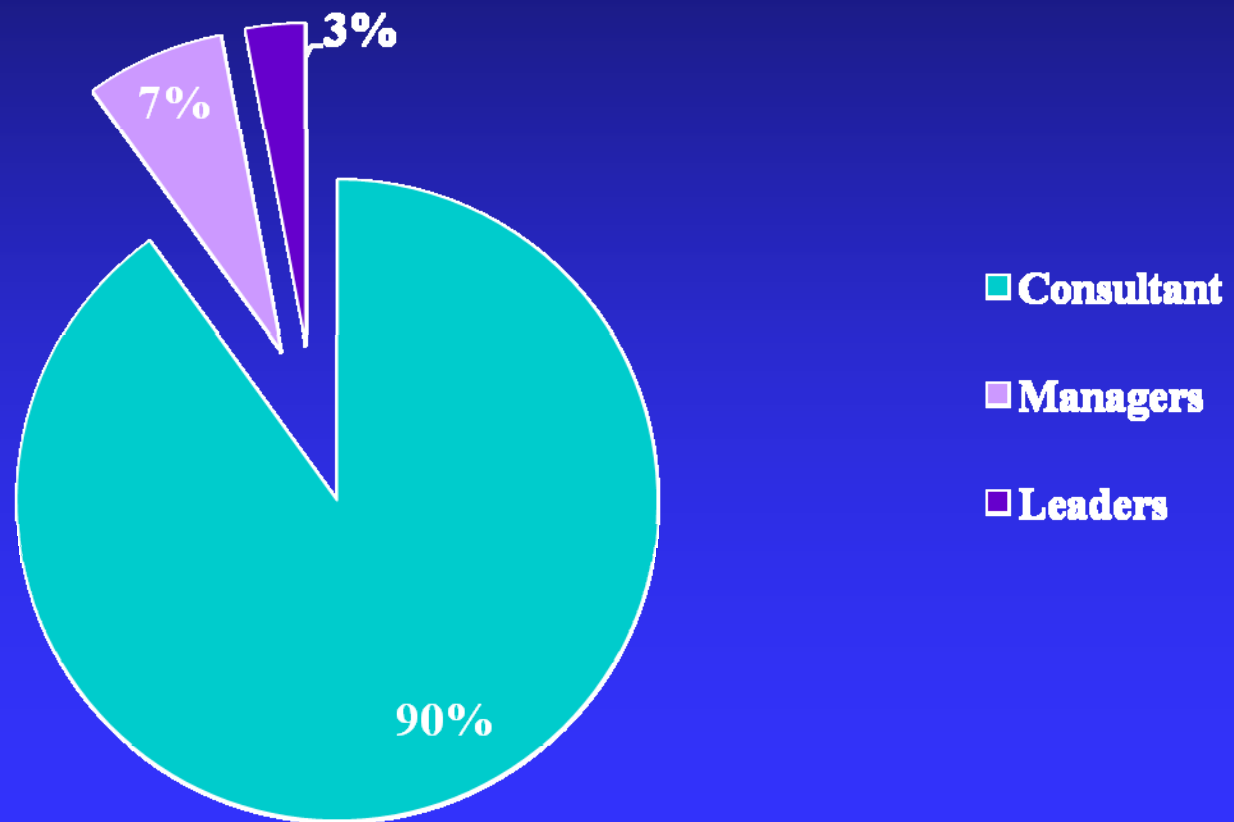


Build Sales Leaders



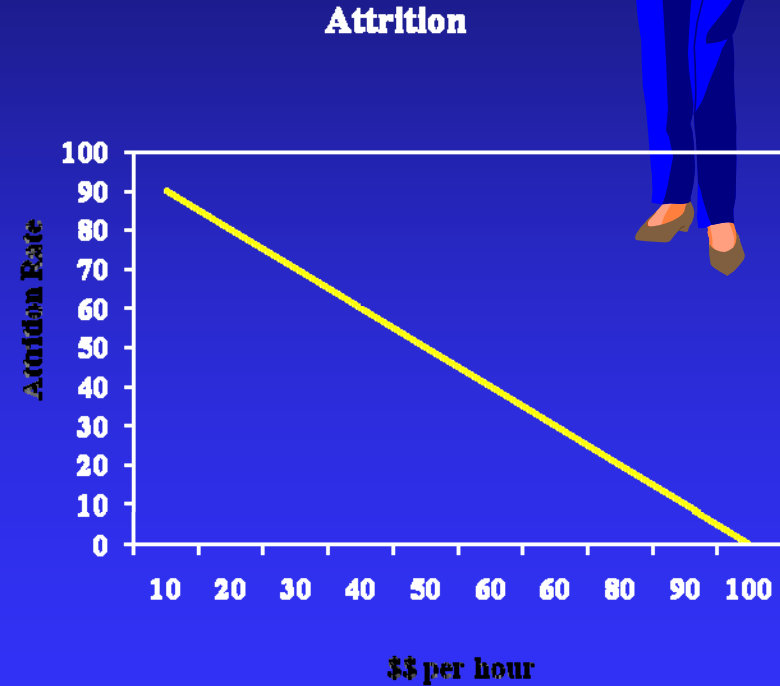
- Sales Leaders build managers and leaders
 - ◆ They teach them to be independent
- Leaders work outside their group within their downline
 - ◆ They leverage their time with their rising stars
- Competent leaders are always the result of building competent Managers

Managers & Leaders



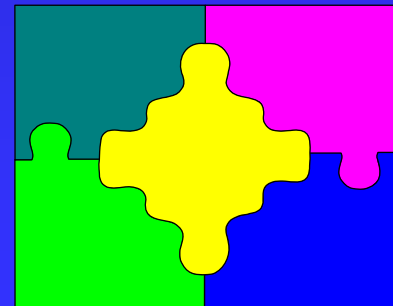
Retention

- Key to growing your business
- Early rewards build commitment
 - ◆ \$25-\$35 / hour minimum
- Gradually build golden handcuffs



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