

A Philosophical and Historical Perspective of Compensation Strategy

The Science Behind The

4Life™ Pay Plan

By Mike Akins

The following is an expository on the 4Life™ compensation program and pay plan. During my 32-year career, I have found that the *majority of networkers do not understand the dynamics of compensation programs*. This is not a reflection of the individual's intelligence level but is *due to the lack of statistical information* available in our industry. I employ a staff of statisticians who compile data for my use in marketing strategies. In order for you to understand the significance of each feature in 4Life's™ compensation program, I have included in this analysis an overview of industrial statistics, marketing trends, historical precedents, the effect of present and past marketing philosophies, along with the fundamental principles by which our industry functions. *Only when you understand the dynamics that control results in this industry, can you measure a pay plan effectively.*

In order to understand the merits of the 4Life™ compensation program, you will need to understand the dynamics of "true" network marketing. *There are market forces and business principles that determine what works in this industry.* Sometimes these factors are not obvious but very subtle. For an example, our surveys revealed that, in the past 2-3 years, more than 2 million networkers have been victims of failed network marketing programs. They were working against factors that they did not fully understand. During this period, another 2 million have switched programs. A majority of these programs were flawed from their beginnings. A great number of these individuals have repetitively made the same mistake in their selection. They simply do not have a complete picture of what to look for in a viable program. Our research discovered that a number of these individuals left viable (good) programs because they didn't know how to recognize or how to work a viable program. Again this is not due to a lack of intelligence or skills on the behalf of the distributor, but the lack of statistical information and "trade specific" training.

During my first eight years of network marketing I suffered from identical circumstances. Repetitively, I would build only to lose. I was literally spinning my wheels. In this synopsis, I will share what I have learned during my 32 successful years in this industry. Also, I will share information that I have obtained from Research & Marketing Consultants and ABM Marketing, which are statistically based conventional firms that I own. These firms have studied the network marketing industry extensively. Recently, these firms completed a *study of more than 300 programs*. Marketing trends, attrition factors, compensation strategies, product philosophies, support strategies, growth patterns and many other issues were carefully researched. Now you, the networker, can have the same statistical support that other industries have enjoyed for years.

Generally, when a networker analyzes a program's potential to produce compensation, they look to the pay plan. In reality, it requires more than a theoretically lucrative pay plan in order to produce adequate compensation. In network marketing, *the equation for success contains several factors*. The pay plan is one of these factors. Each of these factors influences the effectiveness of the other factors. For example, a great pay plan may not produce great paychecks because of inferior products or ineffective marketing systems and strategies. A great product line may never produce great sales due to poor marketing strategies or lack of pay incentives. A program with both quality products and a lucrative pay plan may fail to "fly" because of the company's failure to keep up with the growth and provide quality service. A program can have certain strengths but contain weaknesses that attract the wrong type of networker, causing stagnation and excessive attrition. A pay plan may be imbalanced, awarding one segment of networkers at the expense of another.

The purpose of this expository is to share general information on the dynamics of compensation and specific information on the potential of the 4Life™ program to produce compensation. I believe that the 4Life™ pay plan is in the top 5% of pay plans in the industry and is potentially the number one compensation producing opportunity in the industry. *In order to capture the full potential of this opportunity, there are certain dynamics you must be aware of that affect the ability of the program to produce compensation for a broad base of its members.*

In order to determine the potential of a program to produce income you must understand the difference between a compensation plan and a pay plan. A "paper" pay plan is primarily a schedule through which commissions and bonuses are theoretically paid. *A compensation program includes all factors that produce actual compensation.* There are several factors that are important to a program's potential to produce income that are not included in a pay plan. For example, a "hot" product or a toll-free hotline may make it easier for distributors to enroll a greater number of prospects.

These factors would be considered compensation factors but not pay plan factors. *You cannot determine the real potential of a program to generate income without understanding the concepts and principles upon which the industry is founded.* Your understanding of these fundamental principles will affect the criteria by which you select a program and judge its potential. These factors determine which features will affect actual compensation. Also, your marketing philosophy will affect your marketing strategy as well as influence your stamina, which is vital to long-term success.

A pillar to success in network marketing is the *geometric growth factor*. Understanding the principles that relate to geometric growth will assist you in selecting a viable program and structuring your organization for long-term success. Because of the geometric growth factor, *it is important to attract a combination of the right types of networkers into your organization and place them correctly.* This principle is called *tier structuring*. I will expound on this principle later in this synopsis. One of these tiers consists of the end product users. There must

Total for first seven levels 97,655

How many new distributors will these 390,625 have to sponsor to earn an income

be individuals who are primarily interested in using the product, who are not interested in earning income through the product. Without tier structuring, your program or organization is destined to fail in spite of how brilliant you may be.

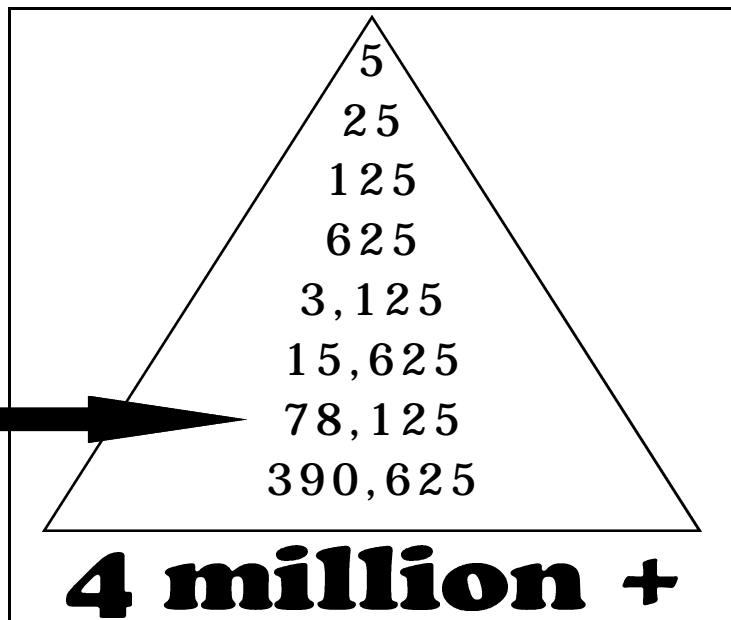


Figure A

In order to understand this principle explicitly, consider the following example: If you follow the geometric growth of a 500,000 member organization, you will find that approximately 390,000 of these total distributors will be on the bottom level (see illustration A). In traditionally structured programs, it requires at least 10-15 individuals purchasing product (equal to the qualifying dollar amount) in order for one distributor to break even on their personal qualifying purchase and get into profit. In the highest paying programs it will still require at least 4-6 purchasers. With either of these extreme approaches, *there will always be from 75-90% of all distributors not breaking even on personal qualifying purchases or earning a profit. It is vital to your success to understand this principle.* Failure to address this issue has been a major reason that a number of leaders in the industry have not been able to maintain a consistent degree of success. They are always in a rebuilding mode.

The difference between the number of distributors earning a profit in the best paying program and the worst paying program is only about 15-20%. *At best, only 25% of your distributors will be earning a profit or breaking even* on their qualifying product purchases. What are the other 75% going to do? If they are networkers involved to make a profit, they will drop out. *You cannot escape this ratio.* This dynamic is a foundational principle built into the very concept of network marketing. There has to be end users who are not earning an income. The program that you are involved with has to be able to attract non-income earners. In illustration A, in order for the 390,000 distributors to break even or earn a profit, they will have to find from 1½ million to 4 million new purchasers. Can you imagine what the requirements for the next level will be? A program will begin to *unwind* from the bottom up when they reach this theoretical threshold illustrated above. Actually, this principle affects the unwinding process very early in the building process. If you never understand anything else, it is vital to your success that you comprehend this principle. In order for one person to break even or make a profit, there must be 4-6 people who do not! Write this down on paper. Work through the figure over and over again, until you capture a vision of what I am sharing with you. This factor must be considered when selecting a program.

The unwinding process can begin before an organization reaches this size. Small organizations of only a few hundred or a few thousand can experience the unwinding process as they build. There are many factors that affect the growth and stability of an organization. These forces are affecting the growth process from the beginning stages. *Only when a majority of these factors work in unison, can an organization experience solid growth that will last.* Many times what creates explosive growth initially will be the very factor that creates excessive attrition later. Certain strategies attract certain types of individuals. The type of individuals your program attracts will, in part, determine the long-term attrition

and retention rates. It is not a matter of “good” or “bad” people. It is a matter of certain “mindsets” that respond to certain factors in a program. ***The features that stand out in a program or that you primarily promote will attract networkers who value those particular features.*** Each distributor’s paradigm toward network marketing is shaped by their personal experiences, skill level, work habits, expectations, personality traits, and their perspectives that have been influenced by the information they have been exposed to. This paradigm will affect their performance and determine their value to your success. In emphasizing the wrong features, or selecting a program that has misplaced priorities, ***you may attract an imbalance of a particular type of networker who will predispose your organization to failure or a high attrition rate.***

It is important for a network marketing organization to contain a balance of tier participants as well as a balance of the different types of individuals. You can control this balance by selecting the right program, with the right features, and by promoting these features correctly. ***A great number of networkers waste a tremendous amount of time promoting programs and features that will defeat them in the long run.*** You can overly promote a positive feature and create the wrong expectations in your distributors. For example, you may overly promote a system that could have been a support to the efforts of the marketer. ***By over-emphasizing the system, the marketer fails to develop his skills because he depends on the system or support to create success for him.*** You can overpromote a pay plan to the point that the marketer has unrealistic financial expectations. The marketer may drop out because of these expectations, whereas, he may have stayed in the program and achieved success if the program was promoted correctly.

The right program promoted correctly will naturally build a strong organization. First, the program should have organizers, strategists, and foundational members. These individuals influence overall company direction and strategy. Secondly, there must be senior and junior leaders who are the “movers and shakers.” These leaders provide “in the field” leadership and motivation. Next come the moderately experienced networkers and part-timers that represent a broad range of income requirements from a few hundred dollars to a few thousand dollars per month. This tier of marketers will actually do the majority of the sponsoring. Each will only enroll a few new distributors, but as a group the numbers are significant. Other tiers will include product users, hobby enthusiasts, and customers who are involved just for quality products or the social aspect. This group will be the product user base for the income earners and should be the largest segment. ***The product user base, individuals who are either low or non-income earners, must constitute at least 75% of your organization or eventually excess attrition will occur.*** This is based on the principle explained in illustration A. Only when your organization contains all of these tiers do you have a secure residual income.

It doesn’t matter how lucrative the pay plan is, there must be a majority of individuals in the marketing structure that are primarily product users. In examining illustration A, you can understand the need for this. These product users can be customers or members who are primarily in the program to purchase the product at wholesale. A viable program must be able to attract product users in order to create long-term compensation for the networker. The dynamics of a pay plan will not have a profound effect on attracting or retaining these product users because they are primarily product-minded and not focused on income. ***Actually, a program that is promoted primarily for the pay plan will have a difficult time attracting product users.*** When the money is the main issue, earning expectations are higher. For the 80-90% who will be at the bottom of the matrix, these expectations will result in discouragement and attrition. When a balance of features are promoted, “casual” part-time distributors that may not, for a number of reasons, be “destined” to earn much income will stay as product users. The product line and service will be the key factors in attracting and retaining product users. Also, the quality of service and a simple, “problem free” ordering system will accommodate the retention of these product users. ***Designing the appropriate product and service strategies is vital to a tier structured organization.***

All of the “giants” in the industry have been built according to the “tier structured” philosophy. That is why they have survived in spite of poor pay plans. Amway has 3 million distributors worldwide. With one of the worst pay plans in the industry, they have maintained a distributor base of 2-3 million distributors for several years. How? There are many tiers of participants. Shaklee, Forever Living, NuSkin, and HerbaLife are all billion-dollar companies, and each has developed on a tier structure of participants. ***Until you understand this concept, you will not be able to develop strategy that will produce long-term results.*** Companies that have primarily promoted the pay plan as the main commodity do not understand the basic principles upon which network marketing is based. This is why they are not doing so well in the arena of competition. The pay plan is important, but it is only one of several factors involved in producing maximum compensation and retention.

The purpose of pyramiding laws is to protect innocent distributors from the consequences of the ***mathematical realities*** involved in geometric growth. Legislators realize that you cannot build a secure networking business on only networkers who are each expecting to earn an income. Legislators call this structure a “house of cards,” which will collapse under its own weight. That is why there must be end users who are not involved for an income. Just as in a conventional business, where you have general managers, department managers, staff members, foremen, common laborers, and customers, in

network marketing you must have various tiers of marketers and product users. Network marketing will not function effectively any other way. ***Eventually, individuals at the bottom of the pyramid will drop out initiating the unwinding process that will work its way up to the upper levels of the structure.***

As I shared earlier, the equation for success contains several factors. ***The percentage of distributors who will achieve success in any particular program is determined by these factors.*** A few of these factors include the security of the company, the paradigm of the company leaders toward their distributors and the industry, effective marketing and compensation strategies, the product philosophy, the potential of the products to retain product users, the support tools in place that accommodate the “grassroots” networker (who may have limited experience and time), the type of training available and, of course, the degree of personal effort invested by the networker (this can be influenced by what you promote). ***The strategic balance of these factors will determine the amount of compensation produced by a program.***

Company leaders must proportion the proceeds between the various areas of operation. They must balance their investment between the following: the products, packaging and marketing materials, product research & development, management salaries, salaries of service and support personnel, investment returns, facility, equipment, commissions to distributors, and marketing support systems such as toll-free hotlines, and Internet tools. ***A strategic balance of these investments is vital to long-term success.*** You must invest in quality corporate leadership that can create the right strategies and provide the visionary leadership that will be best for the overall opportunity. At the same time, the company must invest enough money into the compensation plan so marketers can earn incomes that are competitive at various levels with programs within the same marketing arena. The competitive issue here is not the theoretical pay plan but the actual incomes earned at various levels within the distributorship.

The pay plan is one of the factors involved in producing compensation. There are two fundamental aspects of a pay plan that determine its effectiveness. First, you have the structure of the pay plan. The breakaway, binary, matrix, Australian two-up, multiple phase, and the uni-level are examples of the different pay structures available in the industry. Secondly, ***how the bonuses are appropriately placed throughout these structures is important.*** Each of these structures have features that favor the heavy hitter, the company, or the part-timer. Pay structures that balance the potential commissions between these three categories provide a more secure income for all three. Traditionally, pay structures have favored the company and a few heavy hitters. Gradually, network marketing is maturing and a number of programs are providing a better balance between these segments. In my personal opinion, I believe the uni-level provides the greatest opportunity and balance for the majority of its participants. I will thoroughly expound on the different pay structures in another expository at a later date.

When reviewing pay plans, look for balance. An effective pay plan should place a significant percentage of bonuses on the first two levels to support the less experienced part-timer. A significant percentage of the commissions should be placed on the next couple of levels and into the infinity bonuses to adequately compensate the moderate part-time to full-time marketer. There must be deeply penetrating bonuses to sufficiently compensate the leaders. The bonuses at the beginners' levels should be easier to reach, while the bonuses at higher levels must be protected by qualifications that restrict the number of individuals that can obtain them. If higher levels are too easily reached, the experienced networker will be blocked from deep penetration and will migrate to another program. ***Balance is the key to overall success. Imbalanced programs lead to attrition and failure.*** If too much money is placed at the beginning levels, the program will attract an imbalance of inexperienced networkers. Without a sizable number of experienced leaders who have previously achieved success, your organization will be weak. The marketing strategies and training skills they bring to the program can be very important.

The largest segment of part-timers and the least experienced networkers will benefit more from the first two levels. Within our industry, there is a wide range of payout on these levels. Traditional programs generally pay 5-10% per level on these levels. Recently, “compressed” pay plans have appeared in the market paying 15-50% on the first two levels. There are serious drawbacks to each of these extreme positions. Smaller percentages up front create an unfavorable break-even ratio. Placing too much money in the first two levels will attract a greater number of networkers who are more likely to drop out. Secondly, examine how many levels are guaranteed. Traditional programs guarantee 5-7 levels. A program that guarantees more levels generally will pay less per level. ***This will create a poor break-even ratio that can lead to higher attrition.*** Programs that pay too much on the first couple of levels, generally include appropriate “breakage” and BV factors that disguise the true payout. These programs “steal back” the misplaced percentages from other levels within the pay plan. ***The most effective pay plans will balance the first two levels with deeper levels.*** A pay plan should allow the part-timer to get into profit with 4-6 purchasers. There must be enough income available to the experienced networker in order to attract quality leadership into the program and produce the type of checks that will hold them.

When examining pay plans look for “**breakage**” and BV features which affect true earnings. The term BV (sometimes referred to as CV, PV, and LP) ratio refers to the figure from which you are actually paid in relationship to the actual cost of the product. The term breakage generally refers to qualification requirements within the pay plan, which “not so obviously” affect the true payout of the program. In response to competition, **there is a trend toward offering high bonuses and then diluting these bonuses with low BV and excessive breakage**. In order to find the true bonus, divide the BV by the wholesale price. For example, a BV of \$30 divided by the wholesale cost of \$40 gives you a 75% ratio. If the plan claims a 40% payout, multiply the 40% by 75% and you find that the true payout is 30%. To discover how breakage affects true payout, find out what percentage of individuals can achieve that bonus level. For example, if a bonus requires \$50,000 volume to achieve, divide the \$50,000 by the expected average purchase. This will give you the total number of individuals required to reach that qualification. If the average purchase is \$100, in the above example, the \$50,000 qualification will require 500 people to reach it. Overlap can be figured by dividing 500 by the width requirement.

Once you carefully analyze the pay plan and understand its theoretical potential, **you will need to analyze the potential of other compensation features to influence earnings and retain distributors**. As I stated earlier, there are several factors other than the pay plan that influence actual income potential. In order to clearly understand the balance between the dynamics that affect success in network marketing, we must examine the history of our industry. **History teaches us that a great majority of networkers respond to products and other related factors before they consider the pay plan**. This is a reality that must be addressed in order to select a program that will produce residual income. **Since 75% of a healthy organization will primarily be product users, the fact that the majority of networkers are attracted to the product first is a healthy scenario**. One such reality is that products in network marketing have a tendency to cost more than products in the conventional market. In order to keep product users, the company will have to offer unique products that are not easily duplicated in the conventional industry. **With the inevitable ratio of three out of every four networkers not breaking even on product purchases, a balanced product and marketing strategy becomes vital to attracting enough product users to maintain success**.

In reviewing 40 years of network marketing history, we find that the majority of successful programs are focused on the products and service. Amway, Shaklee, NuSkin, and Herbalife each have more than a million distributors and each have very poor pay plans, yet they maintain the greatest number of active distributors. More recent “success stories,” such as New Vision, Mannatech, and Morinda, are product focused programs. Each of these three companies have exceeded all records for quick growth, enrolling more than one-half million distributors within three years from being founded. Cell Tech and Life Plus, which were around awhile before they “exploded,” grew from 30,000 to 500,000 distributors in three years after finding a popular flagship product and an effective marketing strategy. Both of these companies are product and service focused. All of these programs have pay plans that are considered to be in the low to moderate-paying category. As you can see, the dynamics of growth are complex. The more you understand about these dynamics the better you can develop strategy and select the program that will best fulfill your goals. I am not promoting a poor pay plan, but I am using these examples to bring a sense of relativity to our perspectives.

A benefit to programs with pay plans in this category, is that they attract individuals who seem to have a broader perspective of network marketing and will stay in a program long enough to give it a chance to succeed. They generally do not have exaggerated expectations and know they have to learn how to work a program to be successful. This type of networker is more likely to include product users in their recruiting efforts and interact more with their downline, resulting in a more solid foundation. Even with poor pay plans, these nine programs have produced more incomes and higher incomes than the “sum total” of all the other hundreds of programs in the industry. **Amway alone has produced 2200 millionaires**. I agree that if they would have had more lucrative pay plans there would have been even more successful “grassroots” distributors but, from these examples we can learn principles that can effect our futures.

These principles must be taken into consideration when selecting a program. Pay plans do not attract the masses but are important once the individual is involved. First, you must be able to attract the right type of prospects to your opportunity and then be able to retain the distributors once they have joined your program. Pay plans are not the only factor that is involved in retention. The majority of companies in the industry represent two extremes in compensation philosophies. The traditionally structured programs place the majority of commissions outside the reach of the part-time distributor. The company and the more aggressive networker benefit most from this imbalance. The other extreme is the “hyper compressed” pay plans. 4Life™ represents a middle ground between these two extremes.

Let’s take a closer look at these compensation strategies and learn from them. The traditional 5-10% paid five or six levels deep created a situation where it **required 10-20 distributors in each marketer’s business to break even on qualifying purchases**. **Each new distributor that enrolled faced the same challenge**. **Therefore, as the organization grew, the problem intensified**. The result was more attrition at the “grassroots” level. In spite of the flaws in the pay

plans, these companies have produced a great amount of compensation. Because of certain other compensation factors outside of the pay plan, these programs survived and are viable in today's markets. ***The company retained enough product users and passive part-timers to support a number of successful serious networkers.*** These traditional companies have been able to survive and thrive because they were product and service focused and were built on a tier structure. The networkers with low skill levels, but with higher ambition, suffered in these programs. This is the segment that suffered more attrition. Programs with more balance are finding more distributors at the beginning levels earning more income.

A reaction to this imbalance is the compressed compensation pay plan. In a compressed pay plan, the company places a greater percentage of the commissions within reach of the majority of its members. Theoretically, this encourages a higher rate of retention. In order to understand the dynamics of these philosophies, I invite you to read my synopsis, "Cold Facts Revealed." Typically, the compressed pay plan will pay out, 30-50% (after adjustments for BV) within the first two levels. Traditional programs pay out a total of 10-20% within the first two levels. ***Additional pay up front allows the part-time marketer to earn more with fewer people in his downline.*** The inexperienced marketer will have more difficulty sponsoring other distributors and developing a customer base. The first level is the least important level because you should have fewer people on your first level than on your second and third levels. With the assistance of your first level distributors, you should have more marketers on your second level. Occasionally, inexperienced networkers will desire more immediate income on their first level, but this is not wise. Whenever you place more commissions on any particular level it must come from another level. It is best for the marketer to have the commissions placed on the levels that are most likely to have more members, but still within reach of the part-timer.

When compressed programs first appeared, they generally paid 15% and 45% on the first two levels. Infinity bonuses started on the third level. ***Marketers were blocked too easily in these early models*** and there was not enough incentive to build deep. Later models offer more guaranteed levels with fewer blockages. Now that compressed pay plans have been around four to five years, challenges have surfaced. ***A majority of companies that are using the compressed pay plans have overreacted to the traditional, flawed pay plans.*** Companies that have gone too far in the compressed pay plan "paradigm switch" ***are experiencing slow growth*** and similar attrition problems that the traditional pay plans have experienced. These companies are having difficulty attracting a great number of experienced networkers who can bring to the company a wealth of wisdom and leadership. Many of these companies have over-invested in the pay plans. This creates a shortage of funds, not allowing for investment in product research and development, state-of-the-art service, competent leadership at all levels of corporate management, and effective support systems. ***The end result is inferior products, a lack of innovative products, poor service, inadequate inventories, and the creation of a financial scenario that sometimes threatens the company's survival.*** 4Life™ offers a more moderately compressed program with potential for deep penetration. It contains a better balance, allowing both the lower skilled marketer and the highly experienced leader to benefit more evenly.

Observe this principle at work. As I shared earlier in this synopsis, product focused companies, such as New Vision, Mannatech, Morinda, Life Plus and Cell Tech, each grew to a distributor base of approximately 500,000+ within a period of 2 to 3 years. Each of these programs has a very poor pay plan, averaging less than a 10% per level payout. ***Heritage Health, LifeForce, and Changes, which represent "exaggerated" compressed pay plans, are growing at 1/10 the rate.*** LifeForce has, at one time or another, had 80,000 distributors. In the spring of 1999 they had approximately \$700,000 in monthly sales. If each active distributor purchased from \$50-\$100 per month, that would translate to be only 10,000-14,000 total distributors in the company. The attrition rate is high.

Although these companies pay more money up front than traditional companies, they have similar attrition rates. Why? These programs place an ***imbalanced emphasis on income***, which leads to exaggerated expectations and excess attrition. ***They cannot attract, nor hold onto, the product user and other important tiers of participants that form a solid foundation*** for networkers to succeed. As I have shared in this synopsis, theoretically, the majority of participants in this industry cannot and will not earn a profit because of the geometric requirements for each individual to earn income. In the right program, many of these participants will eventually become product users. In a program that offers overpriced "me too" products, that can be purchased at a local discount store at lower prices, they will drop out. ***These types of programs attract an imbalance of networkers who are only "income-minded" and have not developed the patience, the understanding, or the skills*** (or even the willingness to develop the skills) in order to succeed in network marketing. These networkers are looking for a pay plan or certain feature to make the difference in their success. ***Programs that attract these types of marketers may produce short-range success for a few, but so far have not shown the ability to maintain that success.***

Programs that focus on “easy money” instead of sound business principles attract a majority of individuals who are not realistic in their expectations and do not have a realistic perception of their skill level. They will not be satisfied with the success that their skill level will produce. Generally, these programs ***attract a greater number of disgruntled networkers*** who are skeptical and carry a low level of anger toward the industry. ***These types of networkers become discouraged easily and will drop out of whatever program they select.*** These types of marketers will lean on “self-propelled” systems that require very little of the individual. This approach robs the marketer of the experience and training that is necessary for real lasting success. ***This segment of networkers has the highest rate of attrition in spite of what the pay plan offers.*** The best approach for these networkers would be to select a program that is designed on principles that have been proven to work over the past several decades, and learn how to market a viable program. Simply put, “money focused” programs do not create more money for the majority of networkers or, in other words, “easy money” doesn’t come easy.

Product focused distributors will generally stay in a program longer as they learn the “ropes” to success. Building a successful business requires a process of personal growth, the maturing of strategy that is “program specific,” cultivating the prospect market, developing and test marketing various marketing tools that have a long-term benefit to the specific program, and the development of a support structure that is tailored to the needs of your specific program. All of these factors are important to “real success” (success that is going to last). There is a current trend to shop for a program that is going to “take off” for you. Sometimes the factors that create a short-term growth wave are the very factors that destroy the “wave” later. History proves this concept to be true. During my 32-year career, not one program or downline organization that has been built on the “money focus” approach has succeeded. I am in the industry full-time to earn a very lucrative income, but I have earned this income by developing a solid organization founded on sound business principles of being “product and service” oriented. There must be enough time allowed for a “tier structure” to develop in your particular organization.

Aligning your strategy with the principles of being product and service focused is a key to lasting success. Finding a true product and service focused program can be difficult. ***There are three types of these companies.*** The first type of product focused company is one that ***directs the attention of the distributors to the product, because they realize it gives their program an image of legitimacy.*** The leaders believe that money is the real focus but realize that they may be perceived as being a “money game,” so they superficially promote a quality line of products or service. There is a wide range of “money focused” programs in the industry, ranging from gifting plans, cycling plans, and one-time purchase programs to opportunities that resemble a “true” product focused program. These types of programs do not have strong residual income potential and only produce short-term growth.

A second type of product focused program places emphasis on the product and service, but does not provide effective features within the program that support the success of that type of program. Product focus does not only refer to emphasis on products. It also refers to marketing strategy that provides marketing features, along with the products and service that support tier structured growth. ***The majority of the time, this type of program is using “sizzle” product propaganda to cover up a poor pay plan.*** This type of program may experience initial growth only to level off as distributors experience the dynamics of the program.

The third type of product focused company is one that ***actually designs the features of the program to naturally attract product focused distributors.*** These programs will have higher quality products and generally have “flagship” products that are more cutting edge and exclusive. These companies will provide marketing tools, state-of-the-art systems, effective literature, credible endorsements, comprehensive customer service, and other features that target tier structuring. ***The end result is progressive growth and lasting success at the distributor level.***

There are a number of individuals who have tried traditional programs and failed to earn an acceptable income. These individuals have concluded that the programs didn’t pay enough. To an extent, this is true. As I mentioned, a number of traditional companies used the product focused philosophy to hide a poor pay plan. Traditional programs have a tendency to pay too little up front. This does make it more difficult for the start-up part-timer. On the other

hand, exaggerated compressed programs have used the “up front” philosophy to hide inferior products or a poor marketing strategy. Remember the break-even ratios that I previously shared in this synopsis. The programs that pay the highest up front still had 75% percent of their participants unable to break even on their qualifying purchases. The traditional programs had a “break-even ratio” of 10/90%. The difference between the two extremes is only 20%. We still have the minimum of 75% of the distributors dealing with the profit issue. Paying more money up front is only part of the answer. Placing too much money up front only worsens the problem as I have already explained. The answer is a balanced marketing plan, more effective training, better support, and tier structuring, which means bringing more product users into the program.

Even the individual who has difficulty achieving success in network marketing can be successful under certain conditions. They should join a program during its infancy that has the type of products and strategy that will eventually attract and retain a great number of customers and product users. ***These networkers must have the type of training available that will assist them in learning to become true networkers who progressively develop their marketing skills.*** Programs that are seriously flawed encourage networkers to reach for “*super systems*” and “*gimmicks*” to compensate for the flaws. Circumventing effective training through gimmicks will spell certain doom. Initially, these tactics will create growth. This growth will be short-lived. Systems can be helpful but cannot generate enough enrollments to create a large number of marketers successfully. A few heavy hitters will be the only ones that benefit from a system alone. Without a viable program and the proper training, the cluster of “well wishers” will eventually perish. Achieving and maintaining success requires participation from a majority of its participants. Success in networking marketing is based on teamwork. Anyone who believes they can ride a system to success without working and learning how to effectively market it, will find that success short-lived. ***Downlines must be nourished and “cultivated” or they will not last.*** Everyone must learn to do his or her part. ***Systems are tools that do not stand alone but must be designed to compliment sound business building techniques.***

Once you understand these principles, you will know what to look for in a program. Companies that have developed marketing strategies that address each of these factors will become giants in our industry. There has been a tendency for traditionally structured companies to neglect the pay plan factor. This has led to unnecessary attrition of networkers who could have otherwise been successful. Many of the large traditional companies have addressed the other factors well enough to attract these multiple tiers of participants. There has been a need for improved pay plans. ***4Life™ is a leader in this arena without compromising the other vital components.*** Companies that have overreacted to this need and placed too much money into the pay plan have done their distributors a disservice and produced inferior overall programs. Distributors in these “hyper-compressed” programs are experiencing difficulty in building successful organizations.

During my 32-year career, I have developed organizations in both traditional programs and compressed programs. I presently have approximately 75,000 in existing downlines. In my first nine months, I have engineered the development of a 9,000-member organization in 4Life™ Research. I selected 4Life™ because I believe it has achieved a balance between the two extremes. I find that the members in my 4Life™ organization are experiencing a greater degree of success than members in the other programs, both at the “grassroots” and leadership levels. From a percentage perspective, we have more customers and product users in the 4Life™ organization. This is a very healthy scenario. “Grassroots” distributors are sponsoring more easily and the ones that are building correctly (tier structuring), are experiencing success.

The 4Life™ program is packed with compensation factors to complement the pay plan. These compensation factors allow the distributor to “leverage” the pay plan to the maximum extent. A compensation factor is any feature in the program that assists the marketer in generating more income. I will explain the pay plan and how it is synchronized with compensation features that make the 4Life™ program very unique and positioned to be one of the leaders in the industry.

Science Behind 4Life’s™ Compensation Plan and Pay Plan

Let’s examine the science behind the 4Life™ compensation program. Each feature in the 4Life™ compensation/pay plan is specifically designed to target a goal. The strategists at 4Life™ designed the pay plan so that part-timers, leaders, product users, and customers would all be attracted to the program and be able to accomplish their individual goals. 4Life™ fully understands the principle of tier structuring. The 4Life™ program is designed with features that will naturally and proportionally build into a solid tier structure. This approach will provide the distributors with the greatest possible long-term security. There are several features and factors contained in the 4Life™ program that naturally predispose it to develop according to sound business principles.

Compensation Factors

The following features are considered compensation factors even though they are not considered pay plan factors:

- ◆ Exclusive products, which have a strong scientific background, provide the “grassroots” marketer with the competitive edge. Not only do they attract prospects to the program, they also help retain them. Currently, product users have only one place to purchase Transfer Factor™. The science behind the products encourages the product user to continue consuming them after the initial excitement wears off. The credibility of 4Life™ products has attracted a number of distinguished medical professionals and authors into the program. The credibility of these individuals is a powerful tool in attracting the right type of market and product user to 4Life™. There is more science behind Transfer Factor™ than any other product that has ever entered the industry. A number of physicians believe Transfer Factor™ is going to revolutionize the healthcare industry. You can be apart of this historical event!
- ◆ Toll-free hotlines with medical doctors proclaiming the merits of the product - It is one thing to say that doctors endorse a product, but another to have the doctors themselves sharing these merits. A majority of “grassroots” distributors have difficulty effectively communicating an opportunity or product outside their warm market. Having a doctor to assist them in presenting the program will increase their chances of success. These toll-free lines also add to overall income because of the savings provided to the distributor.
- ◆ V.I.P. customer program - Since at least 75% of the distributor/customer base cannot be in profit, it is very important to have a strong preferred customer program. The majority of customers and product users will not purchase network marketing products because they are too expensive. It is important that a number of these users can purchase the products at wholesale, without becoming distributors. A great number of potential users do not want to be harassed by zealous networkers trying to talk them into being a marketer. It is important to have a system in place which allows the product users to purchase with ease. 4Life™ has a very simple and lucrative preferred customer program in place. The customer can call in on a separate toll-free number and purchase at wholesale. The distributor receives a rapid reward bonus of 25% on each and every purchase.
- ◆ Other compensation factors provided by 4Life™ are: A very friendly and efficient service department, professional literature, toll-free conference calls, several doctor (panel) calls throughout the week, experienced and professional leadership, and a financially sound company. Each of these features supports the distributor in promoting the program, which in turn creates compensation.
- ◆ Company strategy that focuses on product and balance - The strategy and philosophy of the company leaders will set the boundaries within which the marketers can promote the opportunity. The wrong strategy will attract an imbalance of a type of marketer that will not commit to the program long enough to allow success. The right strategy will attract a balance of the types of networkers who will create the tier structure that is vital for long-term success. 4Life™ has in place such strategies.
- ◆ E-commerce and cutting edge technology - 4Life™ offers its distributors the latest in Internet and communication technology. Prospects can enroll through the Internet and by an automated telephone system 24 hours per day. Customers and distributors can also order 24 hours, per day 7 days per week. Through these same systems, members can check genealogies, track orders, and communicate with their downlines. The use of cutting edge technology allows marketers to better manage their businesses and create momentum within their organizations. These features will assist in producing compensation for the “grassroots” distributors.

Science Behind the 4Life™ Pay Plan

1 Uni-level - The leaders at 4Life™ have chosen the uni-level as the structure through which to pay bonuses. In a uni-level structure each person forms a level. Uni-levels allow more flexibility when building in width or in depth. Generally, uni-levels ensure that you are paid on the first person you place in your structure and do not allow individuals whom you have assisted to move out from under you and pass you. This pay structure provides the company with more flexibility in targeting specific levels in paying bonuses. 4Life™ selected this structure because they believe it is the most effective and fair structure for the majority of “grassroots” distributors.

In my opinion, all other pay structures are, to a degree, imbalanced toward the company and “heavy hitter.” During my 32 years as a “heavy hitter,” I benefited more in the “short-term” through the breakaway, binary, and matrix structures. I finally learned that I was benefiting at the expense of the part-timer, leading to excess attrition. Ultimately, these pay structures were not beneficial to myself, or my loved ones, because what penalized the “grassroots” distributor actually wasn’t good for anyone involved. The “grassroots” distributors constitute the majority of all marketers in this industry and when excessive attrition hits that segment, your organization will begin to unwind. The uni-level is balanced between all participants.

For example, the binary doesn't pay the start-up distributor on the first few sales of new participants. As your pyramid structure grows, this creates a large segment of distributors who cannot break even or earn anything. Requiring some kind of a balance between legs penalizes the "grassroots" distributor and unfairly rewards the few heavy hitters who can more easily manage the geometric growth. Because the matrix structure limits width, it requires smaller bonuses paid over more levels. This creates a very negative break-even ratio. The theoretical spillover that matrixes are supposed to generate seldom takes place, and even then it doesn't make up for the smaller bonuses paid per level.

- 2 LP ratio** - The term LP refers to the dollar credit that is given to a product for bonus purposes. The amount will be the figure upon which bonuses are paid. The majority of products in 4Life™ provide an LP to wholesale ratio that is very close to 98-101%. A great number of programs have very wide margins between the wholesale price and the actual bonus value. This procedure distorts the true payout and confuses the "grassroots" distributor. 4Life™ pays 101% on its most popular product, T-Factors Plus™, and 98% on several of its other products. There are situations where a wide margin is justified, but many companies aren't even close. When all of a company's products are below 90% of wholesale, one has to wonder if the company is trying to "spin" or misrepresent the pay plan. Companies such as Higher Ideals and LifeForce have BVs that range from 66-80%. In order to evaluate these programs, you must convert the percentages to the actual bonus that is being paid.
- 3 No entry fee** - The no entry fee feature allows the product user easy access into the program. Any feature that makes it easier for the product user to be involved is essential to tier structuring.
- 4 Three pay periods per month** - 4Life™ pays rapid reward bonuses bi-monthly and the regular bonus monthly. Paying the distributors more often will attract and retain a segment of the industry that must focus on immediate income.
- 5 Rapid Reward bonus** - The first two levels of the pay plan are reversed on the first purchase of a new distributor. From the second purchase, the pay plan returns to its original pay schedule. The Rapid Reward is figured on purchases from the 1st through the 15th and from the 16th through the end of the month. The bonus is paid on the 5th and 20th. The purpose of the Rapid Reward is to provide an incentive to the new distributor for immediate action. A new distributor that moves into immediate action is more likely to succeed. Another reason for the Rapid Reward is to bring the earnings generated through network marketing into the distributor's primary income arena. A great number of individuals in the network marketing arena live from payday to payday. Traditionally, network marketing companies paid once per month.

By paying three times per month, the networker can meet immediate financial needs through their networking efforts. This can be a source of short-term and continuous motivation. The goal was to stay in the "middle of the road" in this area. A few companies pay every day or once a week. Generally, these programs are leaning to the "money game" arena or are programs that are short-lived. They attract an imbalance of a type of networker who is impatient, jumps from program to program in search of a better deal, and does not develop a primary loyalty to any particular company. Attracting a large number of these marketers is not desirable because it creates an unstable foundation for managing solid and progressive growth.

- 6 Qualification requirements** - As with any industry, there must be a system of rewards that fairly compensates its participants. We must recognize that there are different skill levels and various levels of involvement in any industry. In other industries these differences can be compensated for through differences in salaries, retirement and medical benefits, stock options, etc. Due to the geometric growth factor in network marketing, these differences must be rewarded through a system of qualifications. Through attaching volume and sponsoring requirements, the plan can fairly reward each distributor according to his or her actual achievements. Residual income is an important benefit in this industry. Volume and sponsoring requirements can be used to protect the full-timer's residual income. Generally, these requirements are easier at the lower levels where the part-timer is more vulnerable. First level enrolling is required so that you and your sponsor are not circumvented on commissions. With a larger second level bonus, it could be tempting to place the majority of enrollees on the marketer's second level where they would receive the greatest return. This practice would penalize the marketer's sponsor who invested time and money in enrolling and assisting the marketer.
- 7 Guaranteed pay levels and flexible pay levels** - Every program has a mixture of guaranteed levels of pay as well as potential levels of pay. The deeper the guaranteed levels penetrate, the lower the percentage that can be paid on each level. There is only so much money that can be paid out. Guaranteed pay levels ensure the marketer that they will be paid for their personal and immediate efforts. Generally, guaranteed pay levels are more focused on the inexperienced and moderately experienced marketers. Flexible or infinity pay levels allow the distributor to benefit from the geometric growth and are more focused on the moderately experienced and very experienced marketers. Infinity pay levels provide incentive from the leaders to set up systems and strategies that benefit marketers deep within their

organizations. This is an avenue through which the company can make the needed skills of the small percentage of exceptional leaders available to the majority of “grassroots” distributors. Infinity bonuses must be designed with a series of qualifications that carefully distribute these funds to the various leaders according to their benefit to the program. Without these “hoops” leaders could sit back and withhold their valuable talents from the masses. 4Life™ has carefully articulated its pay structure to accomplish all of these goals.

8 Compressed feature- As I have previously stated, 4Life™ has a moderately compressed pay program (more pay in the first 2-3 levels). At 20%, a 4Life™ distributor can break even with 6 purchasers; and with 25% on the second level, the marketer can break even with 5 average purchasers. The highest paying programs in the industry require at least 4 average purchasers to break even and they do not have the exclusive products and other compensation factors for long-term stability. Traditional programs pay 5% and 10% on this level, which could require 10-20 average purchasers to break even. 4Life™ has achieved an important balance that will usher it to the top of the industry. Also, the 4Life™ pay plan contains a “compression” feature wherein all “level gaps” are closed for pay purposes.

Bonus Schedule

The bonus schedule is designed to reward all distributors fairly for their accomplishments. Also, the bonus structure is designed to create incentives to encourage distributors to progressively achieve their potential. Each step has been carefully structured to encourage the marketer to reach a little higher. The first four positions are focused on personal efforts (sponsoring) and encouraging the marketer to use a variety of products (personal purchases). One of the most effective tools for growth is your personal testimony. The next two positions are focused on rewarding and developing the marketer’s leadership skills (group volume). The bonus pool is focused on rewarding and encouraging the exceptional leader to develop leadership in other individuals.

Personal sponsoring and group volume requirements are important in encouraging leaders to assist a greater number of individuals in achieving higher levels of success. Another important goal of the 4Life™ management is to protect the incomes of the leaders, who have worked hard to develop them, through group volume requirements.

9 Distributor position - The first step in the 4Life™ pay plan is the distributor level. In order to qualify at this level you need to order 50LP in products per month. There are no sponsoring requirements at this level. ***This position was designed to target the product users*** who are not primarily interested in building a business but may, on a low key basis, occasionally sponsor someone. The low LP requirement allows the individual to get started with the minimum investment and work their way up the “ladder of success.” Individuals at the Distributor position receive 5% on the first level and 15% on the second level. It is important not to overpay distributors on this level or they will have a tendency to stay at this level. They must be fairly rewarded according to their accomplishments and encouraged to take another step forward.

10 Builder position - In order to qualify for the Builder level, the distributor is required to purchase the minimum of 75LP in products. Also, the distributor must personally enroll two other individuals who purchase at least 50LP in products. One of these enrollees must be placed on the first level of the enroller. This position is focused on the marketer who is interested in building a part-time business. The Builder position is a moderate step between the Distributor and Leader Positions. By providing incentives for small steps forward in the building process, the marketer is continuously encouraged to reach a little further. ***This is the reason for personal sponsoring requirements, to encourage the marketer to take a step toward greater success.*** The purpose for the increase in personal purchase requirements, from 50LP to 75LP, at this level is to encourage broader use of the 4Life™ products. The more familiar a distributor is with 4Life™ products, the more successful the individual will be. The greater number of members that are successful, the better the opportunity becomes for all. Maximum success requires teamwork. The builder position pays 5% on the 1st level, 20% on the 2nd level, and 5% on the 3rd level. With 20% on the second level, the marketer can break even with 6 average purchasers.

11 Leader position - The Leader position is the foundation to the pay plan. More distributors will be at this level than any other level. With the impactful line of products that 4Life™ offers, many product users will purchase at this level. The monthly personal purchase qualification for this level is 100LP. There are two avenues through which an individual can achieve the Leader position. First, a distributor can achieve this level without any required sponsoring. This is called the “Leader 4Life” program. The prospect simply purchases a Leader 4Life package for \$199 (includes a distributor kit for \$19.95), enrolls in an automatic back-up program, and purchases at least 100LP each month. The second avenue through which to qualify at this level is by purchasing 100LP in products, enrolling in the automatic back-up program, and sponsoring four individuals at the 100LP level (at least two must be on your first level). The Leader position pays 5%, 25%, and 8% respectively. With 25% on the second level, the marketer can break even with 5 average purchasers.

12 Diamond position- The Diamond position is the first position designed for the more skilled networker. The purpose for this position is to encourage the marketer to assume a leadership role. Working with downline marketers to create duplication and momentum is a must. We encourage the Diamond leader to accomplish this through volume requirements within the first three levels. The first three levels were selected so that the marketer would be encouraged to assist the individuals that he is most responsible for. When you sponsor an individual you have a primary responsibility to that person. In assisting your front level distributors, you will be developing a second and third level marketing force. There is a tendency in this industry to primarily work with the most zealous and skilled marketers. This practice will leave your organization weak and “dotted” with cluster growth. Also, this will drive your organizational growth below your pay levels. 4Life™ requires 3,000 in GLP (group life points) within the first three levels. At 100LP per monthly purchase, this would equal approximately 30 purchasers within your first three levels.

Also, at the Diamond level, you are required to personally enroll eight individuals (at least four on the first level) who purchase 100LP of products within the calendar month. It is important to encourage leaders who can sponsor to continue sponsoring as an example to their downline members. At the Diamond position a 6% infinity bonus is added. The infinity is guaranteed on the fourth level and will be paid on each level until you reach another Diamond below you that is receiving the 6%. That should be on that Diamond’s fourth level. You will receive your four levels plus another three levels beyond the first Diamond in that leg. This only affects that particular leg. You will continue to receive the 6% in all other legs until the same scenario occurs. You can purchase a diamond kit within the first month and receive a grace period where you can qualify for all bonuses at his level without meeting sponsoring and volume requirements for up to three months.

13 Presidential Diamond - The Presidential Diamond (PD) position is a leader’s position. At this level, 4Life™ is attempting to encourage the marketer to develop other leaders in his organization. This is achieved through a higher volume requirement of 10,000 GLP in the first three levels. This volume represents 100 average purchasers within the first three levels. In order to achieve this, the marketer will have to train his first level marketers to duplicate his skills. He will have to develop systems that encourage duplication and deep penetrating growth. By requiring this step forward, 4Life™ is ensuring that the marketer has a long-term residual income. The \$10,000 figure was selected so that the PD could maintain a sizable income without easily being blocked. 4Life™ has PDs who earn from a few thousand dollars up to \$20,000 per month. The Presidential Diamond is required to sponsor 12 individuals who purchase 100LP each month (at least 6 on the first level). Width requirements are important so that the leader will maximize the compressed features created primarily for the part-timer and to make his talents more available to a greater number of marketers.

The Presidential Diamond (PD) will be rewarded for his leadership efforts through increased commissions in-depth where there are a greater number of distributors. Beginning on the fourth level, the PD will receive a 12% infinity bonus that functions in the same manner as the Diamond infinity bonus. When a PD reaches a Diamond within his downline, he will share the 12% bonus with that Diamond. The Diamond will receive 6% and the PD will receive 6%. When the PD reaches another PD the infinity bonus will end and the group Quad-Infinity (QI) bonus will begin. The QI bonus is 3% of all sales within that PD’s business down to the next PD. At that point, the first 3% ends and the second QI bonus of 3% begins. With QI bonuses, you are only receiving one 3% bonus at a time. The QI bonus penetrates through four Presidential Diamond positions in each leg. That's deep!

14 International Diamond - The International Diamond (ID) position is the most prestigious position in 4Life™. The purpose of this level is to reward the exceptional achiever and to attract the most talented leaders in the industry. The ID must personally sponsor 24 individuals who purchase 100LP each month. They must create 25,000 in GLP. This would equal approximately 250 individuals purchasing 100LP each month. Divided between 12 legs, that would equal 21 individuals per leg. The rewards at this level include all of the PD bonuses plus part of the 2% bonus pool. Two-percent of all of the gross wholesales of 4Life™ is divided among International Diamonds. The bonus is figured quarterly and paid semi-annually. The ID must qualify at the ID level for two consecutive months to qualify for one share. Each qualified month after that equals another share. If a month is missed, the ID must requalify once again. If an ID achieves 50,000 GLP in a calendar month he will receive two shares for that month. Can you imagine the potential commissions from this pool when 4Life™ becomes a 100 million-dollar company?

4Life™ has carefully designed a compensation and pay plan that is unparalleled in the network marketing industry. 4Life™ is a product focused business. With 32 years of experience, I believe that 4Life™ provides the part-timer and the experienced networker the tools required for success. This program is designed with features that will naturally develop according to tier structuring principles. 4Life™ has created the perfect balance. The timing could not be better for maximum success. We are in the pre-momentum stage. Marketers who pay the cost of success now can be a part of the foundation of a company that will someday be a billion dollar program. For the majority of us there are no shortcuts to success. You must select the right program and the right upline for support, and then begin your journey of personal development. With patience, persistence, and faith, you can achieve your goals and change your life.

See you at the top!