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MLM Reward Plan

The Key to Motivate Your Distributors

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Introduction

Offering generous compensation can keep your distributors motivated for a while. But, over time, the excitement may fade away if there's nothing new to challenge them.

They are selling the products, earning the commission, and it keeps on repeating, but what's next? Your distributors want a sense of achievement as they move forward. And an MLM reward plan is the perfect way to do that.

Introducing rewards and awards in addition to commission works better in keeping people motivated.

According to a study published in the Retail and Marketing Journal, 55.2% of the distributors agreed that an attractive compensation plan that includes bonuses and rewards motivated them for MLM marketing.

Therefore, we can at least conclude that having an MLM reward plan useful for better sales and a better network.

Let's start with the basics here. First, we'll learn what an MLM reward plan is, and then, we'll deeply understand the bricks that you can put together to develop it.

What is an MLM Reward Plan?

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The MLM reward plan is a part of the overall compensation plan that includes the complete details regarding:

- ▶ Bonuses: Personal Volume (PV), group sales, etc.
- ▶ Rank or post advancement as a promotion in the company
- ▶ Non-cash rewards: Jewelry, event tickets, trip tickets, etc.
- ▶ Awards and recognition: Top sales, largest network, new market penetration, etc.

In a practical scenario, an MLM reward plan will include some or all of the above mentioned rewards. For instance, a plan can provide bonuses as distributors achieve certain milestones. Along with bonuses, they can also get recognition, keeping them motivated.

In addition to rewards, companies often provide a higher commission percentage as the distributor completes the target to keep them motivated. It's a reward in its way!

Now, before you jump directly into creating your MLM reward plan, you'll first need to set the stage.



Things to Do Before Creating an **MLM Reward Plan**

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When you start your MLM Business, there are several things that you need to do before rewards even pop up as a thought.

By now, we are assuming that your products are ready and the market is selected where you want to sell them. Your commission model is set, whether you want to go for a unilevel, binary, or matrix MLM plan. If not, read out detailed guide, explain various types of MLM plans.

Based on your expected profit margin, you'll need to determine the base commission percentage.

For example, if a product costs \$20 to manufacture and sells for \$100, you must decide how to divide the selling price between your business and your distributors. For instance, you allocate 30% as commission to distributors and retain 70% to cover manufacturing and profit.

Keep in mind, as your distribution network grows with multiple levels, you'll need to account for additional compensation across those levels.

Now, when all this has been decided, let's see what to include in the reward program.

What Should be Included in Your MLM Reward Plan?

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Here, we are going to explain everything that you can add to make a comprehensive MLM reward plan. Based on your preference, you can select distributor rewarding methods that align with your business.

Let's start with bonuses.

Bonus-based Rewards

You'd think that providing a bonus is the simplest way to reward distributors. Perhaps, you can motivate them with some additional amount for making higher sales, or recruiting a higher number of members, but bonuses are not limited to these methods.

We can categorize bonuses under **personal sales** and **group sales**.

Personal Sales Bonus

Picking the straightforward one first, many MLM companies offer a monthly performance bonus on total personal sales in addition to basic compensation.

So, let's say a company offers a commission of 10% on a \$100 product. Your distributor sells ten pieces and earns \$100.

$$[10\% \text{ of } (100 \times 10 \text{ pieces})] = \$100$$

However, if the distributor sells twenty or more products, the commission becomes 15%. Let's say a distributor sold 20 products, then the person earns:

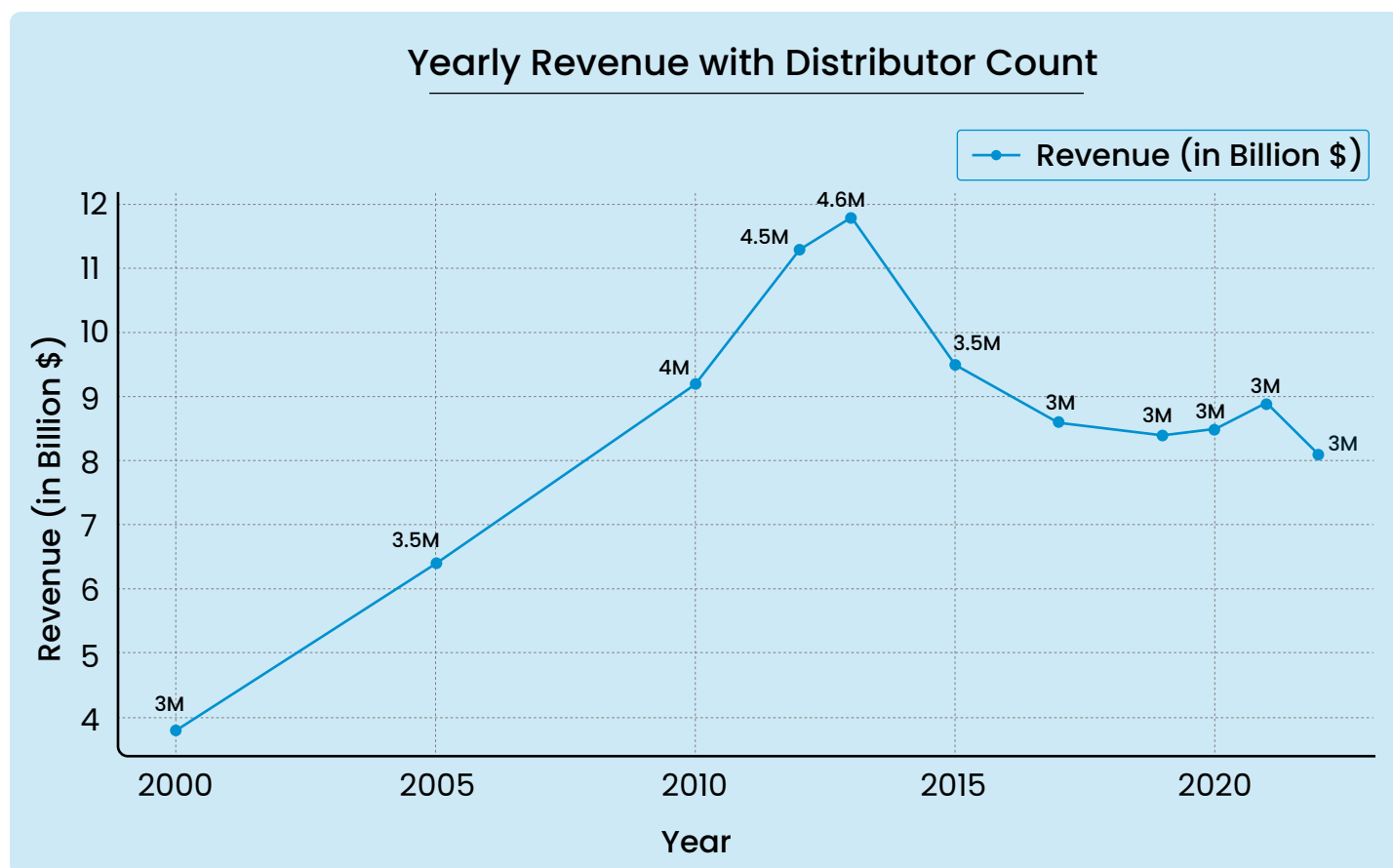
$$[15\% \text{ of } (100 \times 20 \text{ pieces})] = \$300$$

With the previous commission percentage, the distributor would have made \$200, but now makes an extra hundred.

And how does rewarding your distributors benefit you? They stay confident and energized to cross the milestone for better commissions, better earnings.

Group Sales Bonus

It's no hidden fact that building a network is an important pillar of an MLM business. Obviously, as the network expands, sales expand too. You'll have more and more distributors to market your products and increase revenue.



The graph above displays Amway's revenue and the number of distributors over the years, revealing a positive correlation between the two; when the distributor count increases, revenue tends to rise as well.

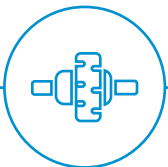
This suggests that no matter what, you have to motivate your distributors to grow their teams. And what could be better than including group sales bonuses in your MLM reward plan?

There are multiple ways you can include group sales bonuses:



Shared Commission

When distributors lead teams, they earn monthly bonuses by combining their personal sales with “pass-up” volume from distributors that group leaders recruited. Bonuses increase as the total group volume increases, without reducing the team’s earnings.



Differential Bonus on Personally Sponsored Volume

This is the best way to incentivize and reward leaders for their mentorship. Group leaders earn a differential bonus that’s calculated by finding the difference between the performance bonus level percentage of the leader and the performance bonus level percentage of each of the distributors working under the leader, and multiplying all of these by their respective business volumes. This mostly works for the level 1 distributors.



Leadership Bonus

When the team grows, this differential bonus decreases as they become eligible for a higher bonus percentage. To compensate group leaders, they are rewarded with a leadership bonus for their efforts in other distributors.



Annual Bonus

Every year, MLM businesses save a specific amount or PV from their revenue to reward distributors at various ranks. So, for each rank, an amount is selected. Let's say one million dollars for diamond rank holders. Then, it's equally divided amongst all the members. The amount may vary every year, depending on the revenue generated.



Profit Sharing Bonuses

Whenever distributors working under leaders advance to a higher rank, they get a share of the revenue they generated. This is sometimes applicable for individuals, and other times, the entire group or multiple groups need to advance for a leader to earn the profit-sharing reward.



Depth Bonus

Depth bonus is introduced to reward group leaders for their team's downline. It's mostly received from L2 onwards. A certain percentage of qualified distributors' earnings is provided to their group leader.

These are some of the bonuses you can include in your MLM reward plan. However, you don't need to stick to these bonuses. For instance, USANA offers pacesetter bonus and matching bonus, which are time-bound bonuses, uniquely structured as per the company's requirements.

You can explore your own ways to craft the bonus schemes. In the end, what matters is that it should solve the purpose—retaining, motivating, and growing your distributors.

Rank-Based Recognition

Bonuses often come along with rank-based recognitions. Whenever a distributor achieves a milestone, the bonus or cash drives the ambition. And when this achievement is recognized and appreciated, it drives a sense of belonging and emotionally invests the person, assuring retention for life.

As per the Incentive Research Foundation 2017 Trends Study, 84% of the US businesses offer non-cash rewards and recognition. This number would have increased by now as more businesses realize the importance and power of appreciation.

So, how can you include it in your MLM reward program?

Let's take the example of Herbalife. The company presents its distributors with **twenty-eight** ranks, starting from the **Member** and going all the way up to **10 Diamond**.

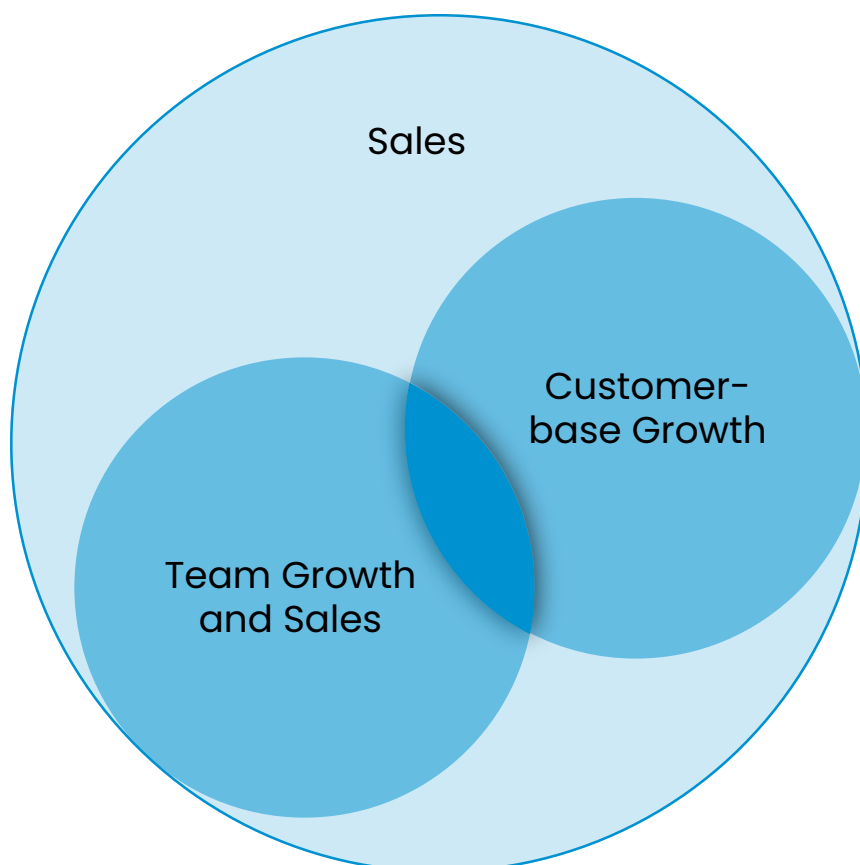
Whenever a rank is achieved, it's taken as an opportunity to acknowledge distributors' efforts, not just by the business but also by peers. It helps your business build a strong community, and a distributor gets a place in it.

Herbalife also leverages other ways to recognize the efforts by offering lifetime achievement awards and anniversary pins.

So, how can you implement rank-based recognition in your MLM reward plan?

- ▶ **Sales-focused:** What matters for the rank advancement is only numbers i.e., the revenue you generate for the company. The distributors bring more and more sales and get upgraded to higher and higher ranks.
- ▶ **Sales + Team Growth:** The sales and revenue still plays a significant role, but rank advancement happens when the distributor recruits a minimum number of members. It mostly works for companies whose growth highly depends on network building, such as Young Living. After a certain rank, the organization's group volume is compulsory to proceed further.
- ▶ **Sales + Customer-base Growth:** Sometimes the focus is towards growing the customer base along with the sales. So, rank advancement takes place when the distributor brings sales along with adding new verified customers.

Venn Diagram of Rank Qualification Criteria in MLM Reward Plan



Product-Based Rewards

What can be more motivating than a \$60,000 car? Mary Kay's Pink Cadillac is one of the top product-based rewards talked about in the MLM industry. Over a thousand Mary Kay Independent Beauty Consultants have received this reward for the hard work and years they have contributed to the company.

Rewards are usually associated with ranks, like when you achieve a rank, you get the product-based reward along with it. The same is the case with Mary Kay. But, as we mentioned, only a few people received this reward—only the ones who became Independent Sales Directors.

Rather than this approach, you can also provide a product-based reward for various mid and higher ranks. However, you must avoid such rewards at lower ranks, as they can reduce profitability. Also, it takes away the thrill of getting started from the members if you award them early in their journey.

Herbalife strikes the right balance between the ranking and associated product-based rewards.

Check the table below:

Rank	Product-Based Rewards
From Member (1st rank) to President's Team (9th Rank)	No Rewards
15K President's Team	Gold and Diamond Cufflinks and Earrings
20K President's Team	N/A
30K President's Team	N/A
40K President's Team	Herbalife-branded Movado Watches
50K President's Team	N/A
60K President's Team	White Gold and Diamond Necklace and Cufflinks
70K President's Team	White Gold and Diamond Signet Rings
80K President's Team	White Gold and Diamond Ring and Earrings
90K President's Team	Piaget Herbalife-branded Diamond Watch† and White Gold Diamond Logo Bracelet

First, they selected jewelry as the distributor reward, which perfectly symbolizes success. Then, they don't reward distributors till they reach the 10th rank. Just imagine when a distributor finally receives the gold and diamond cufflinks and earrings. As they waited and made tremendous efforts to win these rewards, they'll treasure them as the most valuable items, more than just material.

Lastly, after they reward distributors once, they don't reward them every time they move forward. They keep some gaps to maintain the thrill and profitability and ensure that the rewards are not taken for granted.

Travel Rewards

Travel and lifestyle rewards are often considered secondary rewards, as distributors are more inclined towards recognition and product-based bonuses.

However, if they get a travel or lifestyle reward in addition to bonuses and other non-cash rewards, who'll say no?

So, what exactly comes under travel rewards?

- ▶ Fully paid trips to relaxing destinations, which include luxury hotels, flights, and VIP treatment.
- ▶ If not fully paid, distributors at least get heavily discounted travel packages.
- ▶ Free Cruise stays or periodic cruise credits that can be used as discounts
- ▶ Experience trips where distributors not only travel but also learn

These rewards are popular amongst travel companies such as **DreamTrips** and **InCruises**. That's because travel rewards are comparatively affordable for these companies as they are operating in the same domain. Hence, if you are a travel MLM business, travel rewards must be a part of your MLM reward plan.

However, these rewards are not limited to travel companies. Other MLM businesses, such as **MONAT** and **Herbalife**, also offer trips and vacations. But in their case, such rewards are limited to higher-ranking distributors.



Exclusive Events and Training Access

If you organize an online training program, how many distributors can join it? Well, as many as you want. If your local leaders organize such events in their cities, you can still accommodate a huge number of participants.

Now, let's say you are going to organize a national or an international-level conference or exclusive training event; how many can join?

Perhaps everyone would want to join if you sponsor them. But it's not healthy for the company's stability, as it would require a huge expenditure. Also, it's not worth including everyone, as you don't even know if lower-ranking members will continue with your business or not.

Therefore, companies are providing access to these events as rewards.

Let's take an example of Amway here.

When a distributor qualifies for PLATINUM pin level status, they also earn an invitation to the New Platinum Conference

As Amway describes it:

"A two-day, expenses-paid business seminar with world-class training and the opportunity to connect with Amway staff and executives, and entitles you to participate in our annual discretionary rewards program."

This reward is further clubbed with a **one-time cash incentive payment of \$1,500** to boost the motivation. As the distributors move forward, they qualify for the annual Achievers conference.

Now, event-based rewards are useful in several ways:



Allows the community to interact in person and brainstorm new ways to grow the business.



Create memorable moments that help distributors build an emotional connection with the brand.



Open doors to partnerships and joint ventures with like-minded individuals.



Reinforce the company's culture and values in a tangible, engaging format.

Challenges in Developing an MLM Reward Plan and Their Solutions

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Challenges

Solutions

Overcomplicated
Reward Structure

We mentioned multiple reward types in this guide. You don't need to include all of them in your MLM Reward Plan. Smartly study the compensation plans of your competitors and see how they have structured the rewards, and select the ones that align with your business.

New or lower-ranked
reps feel left out and
lose motivation

If distributors are expecting rewards as soon as they join, trust us, they won't contribute to your growth. It's OK to let them go, but ensure that the ones who make real efforts get rewarded. After they make a certain amount of sales or build a team, reward them with bonuses. As they move forward, you can upgrade their rank, give them product rewards, and so on.

Giving away too
many products,
trips, or swag can
cut into profits

Yes, providing rewards will indeed reduce your profit, but you'll benefit in the long run by retaining and motivating distributors. It's necessary to strike a proper balance between rewards and profit; neither should be too much nor too little. You need to calculate the profit margin for various products. Based on that, you can keep a certain profit percentage for rewards, and create an MLM reward plan in such a way that rewards get distributed all over the different levels, only given to members who are worth it.

Challenges

Solutions

Members may not value non-monetary rewards like badges or merch

That's true that badges and merch are not valued the same as bonuses or product-based rewards. Therefore, you need to offer both monetary and symbolic rewards.

Reps may exploit reward loopholes

This may happen, but you'll learn about these loopholes too when members exploit them. You can always revise the MLM reward plan and strengthen it on the go. One thing you can do is test the complete compensation plan even before it is launched in the market.

Delays or missing rewards hurt trust and morale

Tools such as Global MLM Software can help you track distributor ranks and payouts. You'll exactly be able to calculate the sales and even automate the payouts based on the company's compensation plan requirements

Conclusion

In this guide, we mentioned what an MLM reward plan is and what you can include while creating one for your business. We also highlighted the challenges that you'll face as you create an MLM reward plan and how you can overcome them.

So, what should be your next step?

Now, it's time to create a reward plan for your MLM business. Start by selecting the rewards you want to include and ensure they align with your profit goals.

Before you launch it, test it with pseudo distributors and see how it works. While doing it, you'll identify the leaks and will be able to take the required action on them preemptively.

After having a reward plan in place, you'll notice a positive change in attitude and growth of existing members. Besides that, it will also help you attract more people as the business grows.

MLM Reward Plan:

Frequently Asked

Questions

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How successful are MLM reward Plan?

MLM rewards programs are highly successful as they help in motivating distributors and retaining them in the long run. Overall, it positively impacts team building and revenue.

How to maintain the right balance between MLM reward plan and profit?

To maintain the right balance between the MLM reward program and profit, you need to calculate profit margins for each product. Then, check the rewards expenditure and alter it to align it with your profit goals.

About Global MLM Software

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Global MLM Software developed by Global MLM Solution is a robust and comprehensive solution designed specifically for the multi-level marketing (MLM) industry.

Trusted by over **100+ global clients** across **25+ countries**, Global MLM Software has successfully completed **300+ projects** in **12+ industries**, earning a strong **4.7 average rating**. These numbers reflect its credibility, versatility, and commitment to delivering high-quality MLM solutions on a global scale.

With its advanced features and customizable modules, it empowers MLM businesses to streamline operations, enhance distributor management, and maximize profitability. The software offers tools for commission calculation, replicated websites, e-commerce integration, distributor onboarding, and more. It supports

multi-language and multi-currency functionality, enabling businesses to expand internationally.

With mobile optimization and social media integration, distributors can easily manage their business on the go and leverage social networks for promotion. Backed by secure payment gateways and data migration capabilities, Global MLM Software is a game-changer for MLM businesses aiming for growth, efficiency, and success.



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