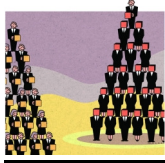


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Multi Level Marketing © 1998 – by Neal McKenna

Depending on how you look at it, MLM – multi level marketing – is the sales scourge of the 20th century or the magic bullet that can deliver you from rags to unimagined riches in the new millennium. These days, it seems just about everybody has had some interaction with a multi level marketed product or service, either as a customer or as a would-be distributor. Today’s movers and shakers sell USANA, Melaluca, Nu Skin, or the new kid on the block, Lifestyles products. All these companies have one thing in common – they preach the gospel of financial freedom.

MLM has actually been around for an incredibly long time. Primordial multi level companies sprang up in the 1930s. However, compared to their modern day counterparts, these ventures were dinosaurs in concept and presentation. By the mid 1960s, MLM had gained international prominence primarily because the marketing system was adopted by Amway Corporation. In the early 80s, MLM really took off with other corporate giants like Shaklee, Mary Kay, and Herbalife boarding the multi level bandwagon. The stage for exponential growth was set and by the end of 1985, new product sales through MLM exceeded five billion dollars!

In the early 80s, MLM was predicted to be the maker of future millionaires throughout the 1990s. In some cases, that portent seems to have been borne out. A lot of people have earned serious bucks making new, superior quality products available to voracious niche market consumers. Case in point is Jim Fitzpatrick, a former restaurateur from Kelowna , BC, Canada, now lives on the Florida Gulf coast.

“I was really getting tired of the long hours and never having any free time,” Fitzpatrick says. “I was exchanging my time for dollars. I didn’t have any leverage. Then, quite by accident, I stumbled upon a Canadian company called Lifestyles International. It offered me a home based business opportunity selling a nutritional line of products. ...And although my wife and I had never sold anything like this in our lives, we earned a little over \$3,500.00 in our first 45 days. Within twelve months, we’d earned \$120,000.00. In the seven years working with Lifestyles, we’ve generated over two million dollars in personal income, selling a product most people don’t know anything about.”

That's the sound of big-time success the yarn spinners want everybody to hear and believe. However, for every person who has made it to the financial promised land, legions more have not. The trouble is, most people don't like having their names attached to failed attempts at grasping the golden ring. It's the old self image thing – they don't want the embarrassment of publicly admitting defeat – especially when they're talking to a writer who wants to put it in print.

On the other hand, if I promised not to name names or identify companies, they were quite vocal. Over all, their MLM bids failed for some less than obvious reasons. Sometimes the companies grew too fast and internal problems led to corporate collapse. For others, business was so brisk the manufacturer had trouble keeping up with the orders. When those orders were delayed, customers became disgruntled, and in a short time, distributors grew disillusioned with the whole business. Taking a lot of flack gets old real fast. Even when product was available, distribution often turned into a horror story. ...But nowhere, was there ever a word about poor product quality or the integrity of the company. Of course, a few did finally admit that they got into MLM to buy product at wholesale and didn't ever really seriously try to work the business.

For all the hype, smoke and mirrors, multi level marketing is a legitimate and respectable method of moving quality products from the manufacturer to the consumer. MLM courses have been taught at the Harvard School of Business since the beginning of the 1980s. Studies conducted by Stanford University and the Wall Street Journal have estimated between 50% and 65% of all goods and services sold today are sold via multi level methods. Those numbers are expected to continue growing well into the 21st century.

MLM is often described as an industry. Certainly it's not an industry in the same sense as the auto, computer, or construction industries. Strictly speaking, it is a distribution system which moves products from factory to consumer. It eliminates several of the typical middlemen like wholesalers, jobbers, distributors, shippers, retailers, and of course the Madison Avenue advertising executive. This kind of marketing can be applied to almost any service or consumable product. Manufacturing of product is usually the realm of the big guns like Herbalife, Amway or Mary Kay.

However, MLM can also be the great leveler of the playing field. It allows fledgling companies like Nature's Herbs for Better Living to go toe to toe with the multi-national big guys. "When we first started out," says Marketing Manager, Mark Edis, Nature's Herbs was strictly a mail order operation. We hadn't even considered multi level marketing until several of our best customers suggested we look into it." From the outset, the Nature's Herbs product line has been manufactured and packaged in the Okanagan Valley, the south central interior of British Columbia. "The reason we manufacture our own products is quality control," Edis explains. "That way we know exactly what goes into the product wearing our label."

So, just like the MLM giants, Natures Herbs, the little company based in the bedroom community of Westbank, has a network of multi level distributors. These self employed marketers eagerly move products on to consumers throughout Canada, and the rest of North America. With a little luck, the entire world will soon be buying elixirs from the Okanagan. With multi level marketing, the sky's the limit!

Now, for some whimsy, here's different spin of the MLM approach. The Sales Party Plan is the most exotic breed of multi-level cat. Tupperware is probably the most famous home party marketer. ...But for those who like to walk on the wild and raunchy side, there's lingerie, massage oil, and sex toys. All of the above are successfully marketed through home parties. Needless to say, these companies enjoy a copious return. They keep their distributor / members motivated and productive through a frenetic regime of coaxing, weekly rah-rah meetings, phone calls, and home visits. These proactive methods compound to keep distributors continually stimulated and the result is a high sales volume. Obviously, this is the fun side of MLM.

But let's get back to basics. A typical multi level plan is one in which there is an agreement between an individual and a manufacturer to purchase products at wholesale and sell them at retail. This agreement also includes the right to sponsor others – your downline.

The key to MLM success is the sponsoring of new people into their businesses, much in the same way sales agents find new retailers to handle their products. As the down line multiplies, your sales base and profits are extended. A percentage of the total sales generated through that downline are siphoned back to you. In turn, the people you sponsor show others the program and sign them up as members under themselves. You multiply your efforts by selling the product through the network of distributors. The downline is usually set up at three to five levels deep. As a general rule, downlines seldom get beyond this point before collapsing.

Multi level marketing is easy to get into. It offers the opportunity for just about anyone to operate their own – usually home based – business. Distributors are charged for the program package which includes instructions, literature, videos, audio tapes, samples, and other goodies. To be totally legal, the initial investment must be relatively small. Sale or consumption of the product must be the prime objective. No fees can be collected for recruiting efforts, so if there's a membership charge to be paid, find the nearest exit and run; it's probably a scam.

So, for fifty dollars or less, you can get involved with a legitimate MLM program and earn from \$100 a month to hundreds of thousands of dollars a year – even millions are possible. Most incomes naturally fall between these extremes, but the earning potential in almost any good company is virtually unlimited.

As an MLM marketer, you should be enthusiastic, self-motivated, and have a flexible schedule. The good news is: experience is not all that necessary, you learn as you go. New distributors in good standing receive newsletters, catalogs, direct mail pieces, and camera ready material which you can have copied or printed locally. Multi level products are usually drop-shipped direct to your customers, which is a true blessing, especially in rural areas. ...And predominantly, MLM organizations are set up to do most of the paperwork and accounting, leaving members more time to do recruiting. Well, there, you see? There had to be an actual upside to something in this game!

Most multi level plans claim the way to financial freedom – the really big bucks – is through duplicating yourself a few times and assisting your down line in doing the same. ...But how are you supposed to locate prospects to become distributors in your

downline? Most companies, in their promotional materials, suggest that you solicit your friends, neighbors and relatives, at least that's where to start.

That may be all-well-and-good in theory but a lot of people are reluctant to "take advantage" of their friends. When it comes to presenting to relatives – well most people just don't want to go there. ...Of course, if you really do have the best bargains available anywhere you could be doing them all a big favor. Ultimately, the decision is yours – but before you pick up the phone, take a moment to think carefully – remember just how obnoxious your brother-in-law can be.

Another common problem in recruiting new blood appears to be getting prospects to actually look at the marketing plan. A lot of people have seen multi level plans before and they are hard pressed to give anyone the opportunity to explain it again. Their prevailing mind-set is: I've sat through this before and I already know all there is to about it. So, to get around this situation, many recruiters place attention getting classified ads in the local newspapers.

Usually, these advertisements invite readers to telephone the number below and learn more about "an outstanding money-making plan." The caller is connected to a voice mail or a telephone answering machine message which gives the caller the initial pitch – usually a rags to riches story. At the end of the sales pitch, there is information advising where and when to attend an "Income Seminar." The machine doesn't give the caller a chance to ask questions. If they're really interested and not simply calling out of curiosity, they may show up for the meeting. More user friendly recruiters have their message systems set up to record incoming inquiries and often request that the caller leave a name and contact number.

The supreme test of an MLM company – the proof of the pudding, so to speak — is the quality, price and reusability of the product. A good firm is usually founded on consumable products used daily in the home. These items should be of better quality and at least as competitively priced as the similar goods already available in retail stores.

But remember, even with a superior product, you still have to knock on a lot of doors and enroll keen recruits in order to build the kind of business that will move you to Easy Street.

The hook, the thing that entices most people into MLM, is the possibility of earning a generous full-time income on a part-time basis. Recruitment propaganda, industry wide, recounts a dazzling and inspiring story. Business is to be done at the distributor's leisure, with no pressure from the company. No quotas as to how much product should be purchased and no monthly minimum sales volumes, are two of the top attractions for engaging new prospects into this kind of activity. The actuality of life as a distributor is often quite a different scenario.

The road to Hell is paved with good intentions. Doing work at one's leisure is a most unlikely route to productivity or prosperity. A well-defined game plan is a vital piece of the puzzle, but sadly, it is usually the missing component. This is how it is often played out...

You fight traffic, heading home from your day job. Every kamikaze with a driver's license is darting every-which-way around you. None of those Nimrods has discovered how to operate their turn signal indicators. The air conditioner in the car conked out just as you were running the yellow light. Now, traffic is snarled at the busiest intersection in town and you could easily fry eggs on your dashboard.

You finally get home, feeling a whole lot like Homer Simpson. You're really tired. A nasty electrical storm is brewing behind your left eye. You detect the faint smell of burning toast but don't have the energy for an epileptic seizure. You're hot, sweaty, and on the verge of absolute crankiness. At this point, it's all too easy to forget about that little MLM business. So, in the cool safety of your little nest, you crack open a brewski, settle back in your comfy easy chair, and watch Vanna turn letters.

The phone call to that keener you talked to earlier in the day never happens. That meeting to show the master plan to another mark gets put off to some other day in the not too immediate future. Oh yes, it takes a certain kind of individual to follow through, and tonight, that person ain't you. ...And for cryin' out loud, you know it takes 200 calls to earn the privilege of showing the program fifty times. Worse yet, out of that fifty, you might get one prospect who will take an active part in the program. Maybe the lottery is the answer after all!

Perhaps, the preceding vignette is a tad overwrought, but it's not all that far off the mark either. The honest truth is: there are several very reputable multi level marketing firms offering good opportunities for success oriented people. Those who thoroughly enjoy meeting and working with others ...those who are not afraid of long hours and hard work ...those not easily discouraged ...and those who can persevere in the face of unrelenting disappointments, have made their fortunes in multi level marketing. With such attributes, fortitude and the right program, in concert with proper training, yes, you truly can be a financial success in an MLM business.

In a nutshell recap, here are the basic do-be's and don't-be's of multi level marketing.

1. Become involved with an MLM company first as a customer because the product offers substantial quality and savings.
2. Because the products are so good, you tell others about them.
3. Rather than send these people to the distributor you buy from, you become a sponsored distributor yourself and sell to these new people. And if these people – let's say you've found five – know five others who will buy the product, you have twenty-five people buying products from you.
4. If these 25 each know five people, you now have 125 buying directly and indirectly from you. If those 125 know five people, that makes 625 at the fourth level, buying through you in a distributor's network you built from only five people. If each of these people purchased only \$30.00 in products each month, that would amount to \$280,000 in gross monthly sales. ...And so on, and so on, and so on.

5. Commission and bonuses vary with product and company, but most go through four to eight levels, and have two or three levels at which substantially higher commissions are paid. This encourages new distributors to build those levels as well.

6. Some of the networks-inside-of-the-networks will end at certain levels with people buying but not sponsoring new people. Sounds a bit like slavery, doesn't it? And some will involve more than five people. Distributors will always be your best customers and biggest moneymakers.

7. The best companies are the blue chip firms offering a wide range of products such as Amway, Shaklee or Mary Kay. New MLM companies emerge constantly. Flash in the pan outfits vanish quickly. Does anyone remember Olde Worlde Products? ...But remember, even fad companies can make big money quickly for distributors with established downlines.

Well, that's the scoop. MLM is legitimate and it works. It also takes a lot of effort. It requires a special personality type with energy to burn. The bottom line is: There's no free lunch. If you want to make a million bucks, you're still going to have to work for it.