

Network Marketing: The Benefits and Disadvantages

Everyone has been exposed to what's either called Network Marketing or Multi-Level Marketing (MLM) at one time or another. You likely have had friends or family ask you if you wanted to join an opportunity they were selling.

The opposing views on this form of marketing are fascinating. Some people love it. These are usually the successful marketers who have discovered the real brilliance behind the model. In fact, this group even includes top celebrity authors/millionaires who not only advocate MLM, but they are actually doing it. They include:

Robert Allen, author of *Multiple Streams of Income*

Mark Victor Hansen, author of *Chicken Soup for the Soul*

Robert Kiyosaki, author of *Rich Dad, Poor Dad*

Warren Buffet, billionaire investor (owner of Pampered Chef network marketing)

But there are even more people who view MLM negatively, either because they tried it and failed, or because they know someone who has and therefore they assume it's bad.

One reason it gets a bad reputation is due to its pyramid shape. We've all heard stories about illegal pyramid schemes that only make those people at the top of the pyramid rich. There have been some disreputable MLM companies who set up their businesses as illegal scams, but the majority of MLM opportunities are just that, real opportunities.



The fact that MLM is in a pyramid shape is not what we should take issue with. The pyramid itself is a very sound structure. In fact, every corporation is set up as a pyramid structure. You have the CEO (Chief Executive Officer) at the top followed by the President, Vice President, Middle Management, and so on. Of course the CEO makes the most money and everyone below him or her makes less.

The compensation plan for sales people in most corporations is set up in a similar way as the compensation plan in an MLM company. The sales people get a commission for everything they sell, and everyone above them; the sales managers, sales directors, VPs, President, and CEO get paid overrides or bonuses based on how much the sales people sell.

But there is an inherent weakness in the structure of typical corporation that you won't find in the structure of a good MLM opportunity. In a corporation, the CEO makes money by leveraging the time of other people. As we discussed earlier, leveraging your time and money are the only ways to truly get wealthy since there are only so many hours you can work in a day.

The weakness in the corporate pyramid structure is that the sales people have no way of leveraging their time. They can't hire people under them and get a portion of what these people sell as the CEO can. The only way the sales people can make more money is to work harder. Or the sales person can leave and start a competing business and hire his or her own sales people.

This is often what real estate agents do. They become brokers and start their own agencies. So the broker who initially trained the agent loses a top sales person and the revenue he or she brought in. But even worse, the broker also gained a competitor that he or she trained!

With MLM you want to train the people under you to "start their own agencies" so to speak. You want them to bring more people in to sell the products or service. Of course, you don't get as much commission as your "trained agent" does from everything he or she sells, or as you would as if you brought people in directly, but you're leveraging your time.

And the people you bring in under you actually can make more money than you if they develop a larger organization under them. That's one of the motivating factors of the MLM compensation plan. Since I only get a small percentage of the profits from the people under me, anyone who signs up more people than I do can actually make more than me. But as a consequence, I don't have to work as hard and money still comes in. My time becomes highly leveraged.

In an MLM opportunity, the people you bring in under you are essentially your employees. You leverage your time every time you bring in someone new. Even better, in the best MLM opportunities you also get paid when the people you bring in bring in people of their own. You essentially become the CEO of the organization under you. And the people under you become the CEO of their organization and so on.



That's one of the great things about the MLM "employees" underneath you. They aren't like regular employees. Regular employees have no "ownership" in the business they work for. So they're less motivated to work as hard as they can.

Since everyone in an MLM opportunity can grow their own organization under them, people have ownership and are more motivated to work harder.

So why then do so many people fail in MLM? It's not the MLM business model that's the problem. Unfortunately, it is the people it attracts.

MLM is like owning a "micro-franchise" without having to pay a huge franchising fee. Its very low cost of entry with the potential for large income draws a lot of people who have high expectations of making money with little work. But it does require work.

So the things that make MLM attractive tend to draw people who are either not qualified or not prepared to become business owners. It attracts people who:

- who have no experience in operating their own business
- who have no money for marketing- have no experience in selling
- have unrealistic expectations on how long it takes build a business
- are not willing to put effort into getting trained

Don't become discouraged if you see yourself in the first three issues on the list. There's a first time for everything and there are few business opportunities like MLM that allow someone with absolutely no experience and little money to get started. If you are willing to put forth the effort to get yourself trained and give your business time to grow, then MLM is a great first business.

MLM is simply the best hope for those without business experience to actually start a business. Not everyone is doing it to build a \$30,000 a month income. For instance, for a divorced woman with two kids, earning an extra \$500 a month can have a huge impact on the way they live.

MLM is a real business and if you want to have success at it, you'll need to do all the same things as you would do in any business. That means learning how to advertise and sell, to manage money, to provide support, and everything else you have to do in any business.

Regardless of the business type, a large percentage fail because they simply don't do what needs to be done. MLM is really no different than most other business opportunities in terms of failure rate of new participants.

Want evidence? Just talk to the broker at any real estate agency. He or she will tell you that most of the real estate sold is done by a fraction of the licensed agents in the city. The same would be true of life insurance agents, car sales people, mortgage loan officers, or just about any direct contact sales field.

If you're interested in an MLM, then be realistic about your current capabilities and how much work you'll have to apply to improve yourself. If you're serious about building a business you must be reading and learning about business fundamentals. If you are serious about MLM then you need to learn strategies for networking and business development. You must act like a small business owner.

One thing is for sure, you will fail at 100% of the things you don't try. You can learn to succeed at anything if you are willing to try and put in the continuous effort. Persistence is one of the keys to success in any business opportunity you choose.

By not taking the time to get the proper business training, many network marketers are either inaccurate or deceptive when talking about their business. They inappropriately discuss business in social situations and they come across as desperate. They also focus so hard on bringing in new recruits that they fail to properly support the people underneath them. Helping the people underneath is an important part of being successful in MLM. But before you can help, you must get trained.

But people who have no business experience are not the only ones who are diving into MLM now. Thanks to the economy and job instability, MLM is now drawing more downsized corporate workers who have more business skills. I am an example of one of those people. I realized that an MLM is an excellent way to add another stream of income to my life. As a result of the influx of business people, MLMs are being infused with new ideas and new methods of marketing that help everyone.

In the next section, I will talk about how to choose a good MLM opportunity.

How Do I Choose A Good MLM?

If you decide that joining an MLM is the right way for you to go, choosing the right one is one of the main keys to success. There are about as many MLM opportunities as there are products and services available. Choosing the right one can be an overwhelming task. But, this task can be made easier by answering the following questions:

Is there a genuine need for the product or service?

You never want to get into a product or service unless there is a large market of hungry buyers for it. Sounds like common sense doesn't it?

If you owned a hot dog stand what would be the number one thing that would help you sell a large number of hot dogs? Simple. A starving crowd.

That's what you want for your MLM opportunity too. You want a huge starving crowd who are just waiting to buy what you have. They may not be fully aware that they need what you are selling, but once you introduce it to them, they see that it solves a problem they want solved.

The product must also be unique and sold at a fair price. If they can go down to Wal-Mart and buy pretty much the same thing for less, you won't be selling anything. You want a product that provides a tremendous value so they truly win by purchasing your product or service. The business opportunity should come second to the product or service. If you have a good product or service, the business will fall into place.

There are MLMs that just focus on selling the business opportunity and the product has no value at all. The only way to make money with these programs is by signing up other people. The MLM opportunity you choose must have a product you and others actually want to use. In fact, any MLM that focuses too much on the business opportunity and very little on the product could be suspect. This is the way pyramid schemes operate.

Not everyone wants to start a business so you won't be able to sell everyone on the MLM business opportunity, and that's definitely not a bad thing with the right MLM. If you have a product or service that provides a fantastic value, they will buy it. And you make money on commissions of the product.

NEVER sell a product you don't believe in. If you do you'll feel like you're pushing the product or service on the people you sell to and you'll feel guilty when you make a sale. You want to sell a product or service because it makes people's lives better in some way. Any good business is good only because its owner believes in the product or service he or she is offering.

Another benefit of having a good product or service is that you will be more likely to stay in the program longer while you learn how to sell it. A successful network marketing business is not built overnight. It can require a lengthy process of personal growth and business development.

Go back and review the section on "Evaluating Business Opportunities". It also covered what a good product or market should have.

Is the product or service trendy or a fad?

Seldom will you get rich overnight with an MLM. The big income from an MLM comes after several months of work. If you are trying to build a long-term residual income, which must be our goal, then you don't want a product or service that's a fad.

Remember when Beanie Babies were all the rage? People were paying hundreds of dollars to collect these stuffed toys. When was the last time you heard anything about them? If there were a Beanie Baby MLM that you got involved with you certainly wouldn't be making any money now.

Think long term! Stick with products or services people have always bought and likely always will. It's good to find a product or service that has a unique selling proposition, but you still want one that fills a long-standing need.

Does the MLM offer you tools and systems to help you sell?

Let's face it. Not everyone wants to be a sales person. If that describes you, or even if it doesn't, it is important that the MLM have systems set up that do the selling for you. All you have to do is send people to those systems and then maybe answer some questions.

These days technology has made MLM much easier. In fact, you may be reading this as a result of what's called an auto-responder. An auto-responder is an email tool that automatically sends a series of emails to people who fill in their email address on a simple form.

You may not be the sales person type, but having systems that sell for you make the job a lot easier. You'll still need to talk to people to answer questions, but the majority of the selling can be done by the systems you have in place.

Can you generate immediate income?

Remember the reasons most people in MLM opportunities fail? One of those reasons is that they lack sufficient funds for marketing. There are just so many friends or family you can approach to sell your product or service to. If you want to create a business you'll need money for marketing to expand beyond your inner circle of contacts.

That's why I recommend that almost all of your profits in the beginning go into advertising to bring people into your marketing system. Does the MLM offer quick profits you can use once you sign up your inner circle? Good ones will pay quickly even if you only get back part of your initial investment with your first few sales. But whatever you get back should be applied to growing your business.

Does the MLM have an "upline" committed to your success?

If the MLM has a compensation plan that pays out commissions through infinity, usually you'll get really good support from your "upline," which includes the person who sponsored you into the MLM, and the people above that person.

Your upline is one of the keys to success with an MLM. Find out what sort of systems they have put in place to help you sell.

Is it something you'll have fun doing?

I suspect for many of you that one of the reasons you're looking for a business opportunity is because you're not having much fun now at your current job. So instead of looking for a replacement job, find something you think you will enjoy doing.

Napoleon Hill of the book *Think and Grow Rich* said, "... I wish to convey the thought that all achievement, no matter what may be its nature, or its purpose, must begin with an intense, BURNING DESIRE for something definite." If you don't love some aspect of the business opportunity you choose, you can't develop the burning desire needed to be successful. It could be the product, the team of people you work with, or just being in business for yourself, but you need to be passionate about something.

Does the MLM have a great compensation plan?

Compensation plans for MLMs can get extremely complex. Quite often, the more complex it is, the more potential it has for payout. You'll run into a lot of new terms when you start looking at compensation plans for MLMs. Terms such as binary, unilevel, breakaway, and forced matrix are just a few. Most of the newer MLMs now have a hybrid approach to their comp plans, meaning they incorporate a little of most types of comp plans from the past. While this makes the comp plan more complicated, it also allows for a more reliable and higher paying plan.

Reviewing detailed information that the MLM provides on their compensation plan will give you the basic training you need to better understand the different plans available.

A detailed analysis of MLM comp plans would likely take over 20 pages but below are a few basic things to look for:

- You want a plan that rewards your upline for helping you and everyone else under them. Any good plan provides incentives for the upline to help other people sell the product, service, or business opportunity. This may be in the form of a bonus when someone in the downline signs up a new recruit, or commissions on a monthly subscription fee or product sales, or some other form of bonus.
 - Look for a compensation plan that doesn't require you to qualify every month. Some compensation plans require you to sign up a minimum number of people each month or you won't get compensated for any "spillover" that occurs in one of your legs of a binary plan. Spillover is when your upline places people they sign up in one of your legs of a binary plan.
- You want a compensation plan that allows spillover to wait for you while you are getting ramped up.
- Compensation plans that have no maximums on what you can earn per month in bonuses or any other part of the plan are best.
 - Some plans offer a car bonus for executive level members. You may find this appealing but when you reach that level you'll be able to afford any car you want. So you can decide whether or not this is important to you.
 - Look for a compensation plan that provides a hybrid of unilevel and a binary plan and also pays out bonus pool money. The hybrid plans like this tend to be more solid and pay out more.

Once you find the right MLM that you can get excited about then sign up and get yourself trained. Then take action. Success in MLM only comes if you apply yourself and follow proven marketing methods.

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