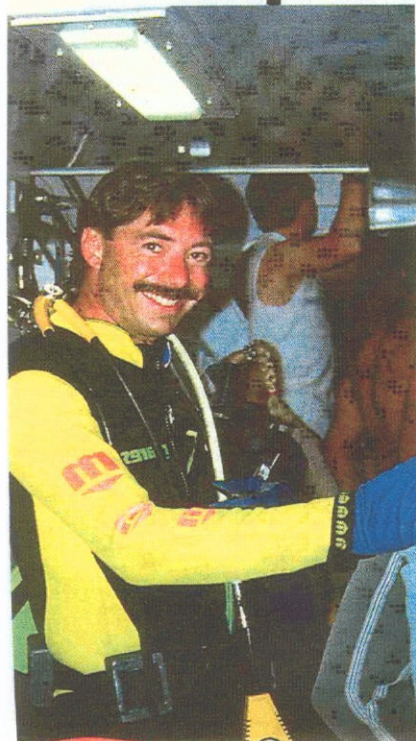


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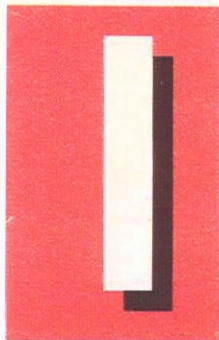
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UNDERSTANDING NETWORK MARKETING

Direct Profits



It's a business opportunity known by many names: multilevel marketing, direct selling, network marketing, or person-to-person marketing. Whatever you call it, it's big business. According to the Direct Selling Association (DSA) in Washington, DC, in the United

States alone, there were more than 5 million network marketing distributors last year, with total sales in excess of \$14 billion. This is an increase of 400,000 people and \$2 billion over 1991.

Is network marketing for you? It may be—if you are willing to keep your eyes open, prepared to invest a little money, and ready to roll up your sleeves for some hard work.

Simply stated, network marketing means distributing goods or services to consumers through networks of independent distributors. Some of the best-known network marketing companies include Avon, Mary Kay, Shaklee, Amway, Fuller Brush and Tupperware.

Network marketing as we know it today evolved from traditional direct selling companies, which sold goods to distributors for resale, or paid distributors a commission when they sold products to consumers. Either way, the distributors (door-to-door encyclopedia salespeople are a classic example) made money only through their direct sales. In today's network marketing companies, distributors not only make money through the sale of goods or services to consumers, but also earn commissions or bonuses on the sales of the distributors they recruit—their "downline" sales organization.

For example, suppose Distributor A recruits Distributor B, Distributor B recruits Distributor C, and Distributor C recruits Distributor D. In a multilevel marketing company, Distributor A receives a commission on sales by Distributor B, C and D. Because Distributor A receives commissions at multiple levels, this is referred to as a *multilevel marketing* (MLM) or *network marketing* company. Today, most sales in the direct selling industry are made by companies with a multilevel or network marketing structure.

MLM PROFILE

Because many of the dominant companies such as Avon, Tupperware

and Mary Kay cosmetics have traditionally focused on female customers, some 90 percent of direct sales distributors are women. However, much of the recent growth in the industry has come from newer companies where distributor ratios between men and women are fairly equal.

For most distributors, network marketing is a source of extra income, not a full-time job. Approximately 89 percent of network marketers work part time; 11 percent are full-time distributors who average 30 hours a week or more, according to the DSA. Almost 50 percent of all distributors make less than \$50 a week; only about 3 percent bring home more than \$750 a week.

What are all these distributors selling? Since one-on-one selling is key in this industry, any product that benefits from demonstration or personal testimonials is a good candidate. Though traditionally dominated by cosmetics, nutrition products, and personal- and home-care products, the MLM industry has sold everything from encyclopedias and vacuums to water filters.

By Jeffrey A. Babener

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In recent years, "designer" toys and home and personal security devices have become hot products; top-selling services include discount buying clubs that offer consumers savings on a variety of goods.

CHECK IT OUT

Network marketing is popular partly because it's a very inexpensive way to get into business. The only cost to join most network marketing companies is the purchase of a modestly priced sales kit (\$25 to \$100). Since most MLM businesses can easily be run from home, the cost of operation is low as well. And because it can be run part time, a network marketing business is a good way to test the waters of entrepreneurship while still holding down a full-time job.

However, all is not apples and honey. The MLM industry has long suffered from an image problem with the press, regulatory agencies and the public. Some of the bad press is unfair, but some has been rightfully earned by the abuses of hucksters who talk people into buying garage-loads of inventory, then disappear into the night. Some unscrupulous companies lure people into attending meetings, only to pitch them an MLM opportunity against their will.

Applying a little common sense should protect you from most of these scam artists. Beware peddlers of get-rich-quick programs or something-for-nothing schemes. Network marketing is no different than any endeavor: Rewards require persistence and hard work. If a company urges you to buy thousands of dollars worth of inventory at the very beginning of your relationship, or promises you will earn fantastic amounts of money after only a few weeks in business, run as fast as you can in the opposite direction.

Even if a company sounds legitimate, you still need to do a little investigation before you join up. Here are some factors you should consider:

1. *Product and price:* The company offers a high-quality product for which there is strong demand in the marketplace. The product is fairly and competitively priced and is backed with a customer satisfaction guarantee. The marketers participating in the program buy the product enthusiastically, based on its own merits, regardless of their participation in the compensation program.

2. *Investment required:* There is no investment required for you to participate in the program as a distributor, except for purchase of a sales kit or demonstration materials sold at company cost.

3. *Purchase and inventory requirements:* You are not required to fulfill a "minimum purchase requirement" or "inventory requirement" to become a distributor or sales representative. However, there may be activity level requirements—rules requiring that you maintain a certain minimum level of activity to keep your distributor status.

4. *Retail sales:* The company emphasizes retail sales to end consumers—that is, to people not participating in the distribution program. Distributors must meet minimum retail requirements to qualify for commissions.

5. *Sales commissions:* Sales commissions are paid only on products or services sold to the end consumer through distributors in your network. No commissions are paid for the mere act of recruiting additional distributors.

6. *Buyback policy:* The company policy states it will buy back inventory and sales kit materials (in resalable condition) from distributors who leave the program.

7. *Distributor activity:* Distributors are required to participate actively in developing and managing their downline networks. Many laws regarding multilevel distribution companies require distributors to perform genuine supervisory, distributing, selling or soliciting functions in moving the product to the end consumer.

8. *Earnings claims:* The company's literature and training materials make no claims of income potential—that is, promises of specific income levels—other than demonstrating verifiable income (a record of actual past earnings by distributors) for common achievement levels in its program.

KEYS TO SUCCESS

Once you've found the right network marketing company for you, your task has only begun. An honest evaluation of your own skills is just as important to success as finding a reputable company to work with. What qualities do you need to be a good network marketer?

1. *Belief in your product or service:* Many of your sales will be through word-of-mouth, to friends and relatives and their friends and relatives. You'll be putting your credibility on the line, so be sure you stand behind what you sell.

2. *People skills:* Network marketing is a people business. The only way to make sales or find recruits is to get out there and mix with others. If you are not a people person, this business probably isn't for you.

3. *Patience:* Network marketing is like every business: You have to give it time. If you're not happy with your sales, give the opportunity a year to succeed or fail.

4. *Training:* Most companies sponsor training programs that teach you how to sell the product and recruit new distributors. Be sure to attend these events.

5. *Team spirit:* Work with your sponsor (the person who recruited you) and your downline. A network marketing organization is much like a family. You'll find that when everyone else succeeds, you do, too.

6. *A positive attitude:* You'll see a lot of motivational speakers and materials in network marketing. Some of it is useless and frivolous, but much of it is valuable. This is not a get-rich-quick proposition; you need perseverance to handle the hard work and rejection involved.

7. *Organization:* Even if it's a part-time business, it's still a business. Set up a home office and stick to a schedule. Set goals for making sales calls and recruiting new distributors; track your progress on a personal planner or home computer.

8. *Focus:* "Multilevel junkies" who bounce from one network marketing program to another are asking to fail. While some successful distributors promote two or three companies' products at a time, the most successful distributors are those who focus on promoting one company. This way, when they do it, they do it right.

Should you try network marketing? In the final analysis, that's a question only you can answer. If you are motivated to succeed, if you can use some extra income, and if you are excited about a product or service and want to share it with others, this just might be the right industry for you. ◀

Jeffrey A. Babener, a partner in the law firm Babener & Associates in Portland, Oregon, represents many of the leading direct selling companies in the United States and abroad.