



Multi Level Marketing – The Do's and Don'ts

INTRODUCTION

Multi level marketing (MLM), network marketing, social marketing or whatever else you want to call it, has been around for a long time. The most well known model is AMWAY, but in this age of the internet, there are thousands of different systems out there. Some work, some do not and some are scams.

You only need to be on Twitter, or even reading some of the Google AdSense ads to be exposed to people claiming they will make you rich overnight or you will make money on auto pilot. The truth is, MLM is not a get rich quick scheme and there is little to no chance of you making money on autopilot while you are off sunning yourself in the Bahamas', certainly not in the beginning anyway.

In a nutshell, MLM is a distributorship. You earn a commission on the product you sell and a commission on the product your downline sells. Your downline are the people that you recruit to distribute, just as you were recruited. Of course, the real money in MLM is made by those who have very large downlines.

DO THE RESEARCH

Do not jump in with both feet. Ask questions, if answers are not forthcoming, or worse, if answers require you to make some sort of payment, then alarm bells should be ringing and you should walk away. If the person trying to recruit you to their program is serious about looking after their 'downstream' then they should be going out of their way to not only make sure you understand, but that you are capable of running your own business.

I read an interesting article that suggested MLM was a great way to get into business because it cut out the necessity to do much planning or seek financing. Perhaps this might be true to a certain extent, but as far as planning goes, the same kind of detail and time should be in your business plan as any other business. You may not have to borrow money to get into MLM, but if you are about to quit your job, you had better hope that the numbers stack up, otherwise you will be going to your bank, and begging for assistance.

Trying to find the right MLM scheme is going to take the largest amount of time. Really, you need to be able to compare number of different schemes and figure out which is best, don't sign up for the first one you come across and do not choose solely on how much income you are likely to make; the promise of



big money should not be main draw card. Ask what type of support you will get, what sort of training you will be receiving; ask to talk to others involved in the particular program you are investigating.

Unfortunately, with MLM, there is no industry watchdog; there is no code of practice or ethics that is uniformly adopted and there are no universal rules, so you are largely unprotected. I absolutely recommend getting legal advice and opinions, it might be the smartest investment you could make, especially if you have never been in business before.

IS MLM RIGHT FOR ME

Another way of putting this question is to ask yourself, am I the right kind of person to run my own business?

If you are planning on taking on an MLM scheme in a part time format then you are never going to make any real money, you have to commit to your business and in the initial stages that commitment of time will be significant. Running around after small children, while trying to develop sales leads is not always conducive to good business, so if you are looking for work while raising the kids, are you prepared to get child care for them, at least part of the day?

Are you a risk taker? Any business venture involves a degree of risk. The advantage of MLM is that the risk is somewhat negated by the fact that the outlay is generally much smaller than other businesses, but still, it's your cash, no matter how small, and you should be prepared to lose it. Of course if you have done all of the planning and research correctly then you will have a good idea of whether you will succeed or fail.

If you don't think you could be motivated enough to work from home, with all the distractions that our home gives us, then this is not the right kind of business for you. People who work from home are a special breed; they are generally very good organizers of their time and very focused.

Are you a people person? Do you enjoy meeting new people? The simple fact of MLM is that it is sales based. You will be selling to people who have never met you before and the only way to succeed will be to convince them that you know what you are talking about. Even if you are a confident, extroverted individual I would highly recommend some kind of sales training program, especially if you have never been in sales before and even more so if you have never heard the term 'cold calling' before.



MLM and PYRAMID SCHEMES

Pyramid schemes are illegal in most countries; unfortunately it can be quite difficult to tell the difference between an illegal pyramid scheme and a genuine MLM scheme. However the main difference is, an MLM scheme is designed to sell product and a pyramid scheme is designed to recruit new members.

The questions you need to ask to determine the legitimacy of the scheme should be;

1. Is there a large amount of upfront money required? A legitimate MLM business should not require large start up costs.
2. Will the company buy back unsold inventory? You might not get back what you paid, but you should get back at least 75%.
3. What sort of emphasis is placed upon the market you will be selling to? If there doesn't seem to be much emphasis on customers then chances are their main business is recruitment.
4. Is there a lot of emphasis placed on recruitment? Are incentives or commissions offered to recruit new members? Does the plan suggest you will make more money through recruitment rather than selling?

OTHER QUESTIONS

Find out who the founders, directors, majority shareholders are? A quick search on the internet should uncover any dodgy information about them, and sometimes checking with the Better Business Bureau may uncover a few skeletons. In particular you are looking for criminal activity, especially white collar or organized crime activity.

Is there a net earnings report available annually? This would take the form of a list showing how many members fell into each bracket of earnings or similar.

Are promises of specific incomes made? If so, do they stand behind that promise? What happens if you fall short? Chances are, nothing will happen except for you failing. Promises of earnings should be backed up by promised actions.

Do you have to pay for training material? It's ok, if the scheme suggest taking some kind of business studies, but only if you get to choose where. If it's their own program and they will be charging you for attending, then walk away.



BUSINESS BASICS FOR BEGINNERS

Promotional and marketing material should be supplied at cost, if that assurance can't be given, then the MLM scheme is profiting from you.

Is there a complaints process?

If you leave the program are there any restraints of trade?

Is there a requirement for you to sell too or recruit family members? Personally, I think all MLM Schemes should prohibit their members from targeting family at all, some do and these ones generally are ethically responsible businesses.

What are the rules governing members making misleading claims about the product or service you are selling? It doesn't take too many people to ruin the name of the product you are trying to sell and hurt or destroy your business.

COLD HARD FACTS

According to the Business Students Focus On Ethics, in the USA, the average annual income from MLM for 90% of MLM members is no more than \$5000. In fact the DSA, (Direct Selling Association) who have members such as Avon and Amway, suggest the median annual income for those in direct sales is only \$2400.

I would suggest reading these articles by [Bill Berkowitz](#) and [Laura Petrecca](#).

HOW TO MAKE IT WORK

The simple answer is to work hard, extremely hard.

There are many people who have made a lot of money through MLM, but they did so over time.

Another internet article I read recently showed an example in which there were 4000+ people on the downline within the first year, great if it were true, but on further reading it became apparent that this was a theoretical example. That is exactly the kind of misleading statements that tend to get people into trouble.

The key to success is to be patient and look after those people on your downline and believe in the product or service you are selling.



BUSINESS BASICS FOR BEGINNERS

Lastly, pay particular attention to your own skills. If you have never run a business before, enroll in your local community college and take a small business course, paying particular attention to sales and marketing training. You don't need a degree, just some common sense and the basics.

Good luck!

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