

## What is Network Marketing?

Network Marketing, is a method of marketing and retailing consumer goods and services, based principally on building up relationships with people – preferably through face to face contact with customers. It is called a number of things, including direct selling/marketing and multi-level marketing.

Network Marketing is regulated by bodies such as Direct Selling Association and Direct Selling Europe which has a code of conduct and standards which companies must adhere to to be members.

Way Network Marketing organisations are set up:

- Product (usually) or service (sometimes).
- Traders/consultants/distributors pay for a business kit (containing order forms, catalogues, marketing material etc) and sometimes stock. Current law stipulates that individuals can't spend more than £200 in the first seven days and they must have 14 days cooling off period.  
(Note I'm using the term Trader to describe those involved in the business – other terms such as consultants or distributors are also used)
- Usually there is the opportunity to buy initial stock at much reduced prices.
- Sometimes you are given a certain period within which you earn the money to pay for your initial stock.
- Depending on the company there may be incentives to achieve certain targets/sales – holidays/seminars, cars, gifts etc.
- Some companies require a set number of sales over a set period to remain a part of the organisation.
- Some companies require a renewal fee (although this can be waived in given circumstances).
- Traders are self-employed though they receive training, materials and support from their upline and/or organisation.

### Making money

- Traders buy stock at wholesale price and sell at retail (sales commission).
- Traders also earn a percentage of their sales in retail commission (usually above a set lower limit).
- For those that grow their business Traders will also earn commission on the sales of their team members. This is not money taken out of the team members' earnings but commission paid to the Trader by the organisation as a thank you for introducing the team member.
- Many organisations also pay a bonus for training etc once the team size gets to a certain size.
- Traders usually have to be 'active' to earn retail commission and training bonuses. This usually means they must put through orders at or above a minimum level each month.

Companies that come under this umbrella include:

<ul style="list-style-type: none"><li>• Tupperware</li><li>• Kleeneze</li><li>• Avon</li><li>• PartyLite</li><li>• Amway</li><li>• Nutrimetics</li></ul>	<ul style="list-style-type: none"><li>• Forever Living Products</li><li>• Betterware</li><li>• Jamie at Home</li><li>• Body Shop</li><li>• Usborne Books</li><li>• Herbalife</li></ul>	<ul style="list-style-type: none"><li>• Virgin Vie (Vie at Home?)</li><li>• Anne Summers</li><li>• Pampered Chef</li><li>• Wikaniko</li><li>• Utility Warehouse</li><li>• Captain Tortue</li></ul>
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Slight difference between them – some work on catalogue drops and order collection (e.g. Kleeneze, Betterware and Avon) and some work through party plan – i.e. running demonstration events in people's homes/offices/village halls (e.g. Pampered Chef, Captain Tortue, PartyLite).

## **What can you earn?**

That depends on you – from nothing to turnover of six figures and more! Levels of running a network marketing business:

1. Hobby – will cost you money but you will have great fun (and when did we ever expect a hobby to earn us money?).
2. Pin money – will earn some money perhaps to give yourself the occasional treat.
3. Lifestyle income – to pay for holidays, your car and so on.
4. Serious income – your main source of money.

No right or wrong way – and you can swap between them all.

**Statutory Notice:** Do not be misled by claims that high earnings are easily achieved. It is illegal for a promoter or a participant in a trading scheme to persuade anyone to make a payment by promising benefits from getting others to join a scheme.

## **Advantages of network marketing (in no particular order)**

1. Low set up costs.
2. Low risk investment.
3. No geographical restrictions – sometimes even across countries.
4. Self development and skills training – often for free or at much reduced costs.
5. Recognition.
6. Rewards directly linked to the effort you put in.
7. Not held back by those 'above' you.
8. Don't need to buy stock up front (though you may decide you want to).
9. Can enjoy it even if it's a hobby.
10. Potential to earn significant income.
11. Security of a large organisation that has set up the systems etc and the flexibility of doing what you want (within reason!).
12. Flexibility to do as much or as little as you like – fit around family commitments. Go up or down the scale of earnings.

## **There are obviously downsides – most the same as any other form of self-employment:**

1. Need to be self-motivated.
2. Only earn if you (and your team) are selling.
3. Whilst you can relatively quickly earn money it can take a couple of years before you're earning serious money - typically two to three years for those who are focused and dedicated.
4. Company will take products 'off-line' and introduce new products. Whilst this is a good thing to keep things current, you may have little say over what's kept or not.
5. If the company withdraws from network marketing then you have no business! (Very unlikely to happen though).
6. Can be tempting to buy stock just to get yourself into 'higher' categories of earnings/bonuses.
7. No pay if you're not working.
8. Network marketing is still little understood so you'll have to deal with people's suspicions and, sometimes, negative views.

Before you join any networking company research it thoroughly. Speak to the person who introduced you to the product or service or if it's a company you don't have a contact with contact them through their website and they will put you in touch with your nearest team building trader. If you do decide to go ahead then it's definitely worth giving it a go. Good Luck!

### **What should you look for in selecting a Network Marketing business\*?**

- You should select a business that markets products or services which appeal to you and which seem fairly priced. If you are enthusiastic about what you're selling sales will be much easier to achieve.
- Also be sure that you like the company – their support systems, incentives and earnings structure. This is particularly true if you're looking to recruit – you have to feel certain you're encouraging people to join a business you feel sure of.
- Check out how much you realistically need to spend to get set up – over and above your initial business kit.
- Check out how much you need to spend to keep going. For example, if you're a demonstration business, how often are new products brought out, do you need to buy each new product and, if so, how much will this cost?
- Be motivated by the incentives, or lack of them.
- Look for a business that is a DSA or Direct Selling Europe Member. This gives an assurance that the business opportunity is legal and has agreed to abide by codes of conduct. If they are a new business not yet members, ask about progress towards membership or why they aren't members yet.
- Check out what training and support is available from your Upline (sponsor) and the company.
- Look for a product which is not easy to get in the shops – then people have to come to you to buy.
- Definitely helps if you like your Upline (though it's not essential).
- The best products/services, in my view, are consumable – in other words, those products or services that people will use up. People will get to the end of a bottle, box, month and need to buy again.

\* This is my personal view

### **Why Network Marketing is not the same as pyramid sales**

It's not the shape people object to (after all, most organisation structures are a pyramid shape!), it's the way in which people earn money.

Pyramid sales involve schemes in which investors make their return not through the sale of a product or service, but through encouraging others to invest.

Large numbers of people at the bottom of the pyramid pay money to a few people at the top. Each new participant pays for a chance to advance to the top and profit from payments of others who might join later. In some companies people are encouraged to buy thousands of pounds worth of stock to move them up to the higher level which entitle them to extra bonuses. In other companies there are no products being bought just money invested. In this case the mathematical reality is that only early investors recoup their investments.

Pyramid schemes are based on simple mathematics; many losers pay a few winners. They are also illegal. There is a real risk that any pyramid operation will be closed down by law enforcement and that participants are subject to fines and imprisonment.

Network marketing on the other hand is a lawful and legitimate business method that uses a network of independent distributors to sell consumer products or services. Traders don't earn money unless products or services are sold.