

Network Marketing:
How To Play By Your
Own Rules and Win

Network Marketing: How To Play By Your Own Rules and Win

A practical guide to earning money
through ethics and common sense

Charles F. Amick

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To the many people who inspired me to write this book

A fool and his money are soon parted.

-- English proverb

The Truth About Marketing

No one will ignore a lifetime of resistance simply because you speak highly of a product. Royal Crown Cola consistently beats Coke and Pepsi in taste tests, and is priced competitively to boot, but only holds a 2% share of the soft drink market. The soft drink giants' astronomical advertising budgets have made sure of that. Perhaps RC Cola should be more popular, but that's not how the world really works.

If you are told that a product “sells itself,” you are being led to believe that the art of selling is much easier than it really is.

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Forward

The rules to network marketing are simple: follow your upline's instructions to the letter. You'll soon be wealthier than you ever thought possible. Attend every meeting, seminar, recruiting, and rally. Recruit your family and friends, and their family and friends. Sell your products to everyone you meet. Live and breathe your network marketing company. Prosperity is just around the corner.

Question: Have you gotten rich yet? Do you personally know anyone who's gotten rich through network marketing?

Answer: No, and probably not. And it's not because you skipped a function or two. It's because the more closely you follow your upline's instructions, the *less* likely you are to get rich. And even if you manage to beat the odds, you'll have lost all your old friends, estranged your family, and hurt a lot of other people along the way.

While it may be a hard truth to face, it's an unfortunate reality: your upline has an incentive to squeeze every last penny out of you, *whichever way they can*. They may truly wish to help you, to be sure, but they can also pressure and intimidate you to bend to their will. Your upline is more apt to tell you what you want to hear, instead of what you need to hear, because it gets them closer to the same goals they're promising you.

While network marketing offers you a truly awesome opportunity to build wealth, it's also a very risky proposition: your upline has free reign to use whatever methods are necessary to achieve a higher sales volume.

They'll falsely promise you the world if it helps them reach higher levels of commissions and bonuses. Distributors such as yourself are simply pawns in someone else's revenue building game.

But not anymore.

Network Marketing: How To Play By Your Own Rules and Win offers an alternative to the traditional plan: an alternative that encourages you follow your own path to success. Together, we'll journey through your indoctrination into network marketing, from your first meeting through to your prospecting campaigns. We'll discuss what works and what doesn't, and we'll confront controversial subjects that "experts" are reluctant to address. You'll also learn what warning signs to watch out for and how to skillfully avoid being manipulated.

By applying yourself to learning the principles behind how network marketing truly works (and not how network marketing companies want you to think they operate), you'll be taking positive steps to win the game of network marketing.

-- Charles F. Amick

Section 1

An Introduction To Network Marketing

Chapter One

Common Misconceptions About Network Marketing

Network marketing is referred to by a myriad of names, including direct marketing, direct selling, and the most popular term, multi-level marketing. They all refer to the same concept of selling. For simplicity's sake, I will refer to it exclusively as network marketing, because the term “networking” best describes how the “marketing” is accomplished.

Most folks are relatively unfamiliar with the concept of network marketing. As a result, there exists many rumors and false truths that only serve to confuse them further. Some of these include:

“Network marketing is a pyramid scheme.”

Network marketing companies are not pyramid “schemes.” They are, however, “pyramids.” Pyramid schemes are illegal; network marketing is not. Just as Bill Gates of Microsoft earns money because of the people working for him, network marketers have the opportunity to earn money because of the people working for them, their “downline.” The more products their downline sells, the more money their downline earns, and the more money they earn as a result.

In the 1950s, the general consensus was that franchising was a scam. Congress nearly outlawed it; franchising won by a mere 11 votes. Franchisees now generate over \$800 *billion* in revenue every year in the United States alone. Of course franchising isn't a scam. But people also once thought that the earth was flat. Just as any new form of anything threatens the establishment, any new form of business threatens established businesses. People once feared franchising for being different; they now fear network marketing for the same reasons.

At the same time, unscrupulous distributors can use network marketing to defraud other distributors of their money. Yes, there are network marketing companies who are blatantly illegal. But there are also crooked stock market scams. There are crooked telephone scams, fraudulent postage stamp scams, and illegal merchandising scams. Unscrupulous people exist to take advantage of every aspect of life. But because network marketing is still in its infancy, people whose money is invested in competing interests use fraudulent network marketing companies as an opportunity to ruin the reputation of the entire industry.

It would be naïve to think that network marketing is free of fraud. But some people act as though it should be, and that, in itself, is naïve. (The remaining nineteen chapters in this book will help you protect yourself from less than honest network marketers.)

“You have to be a good salesperson to succeed at network marketing.”

True, but... no one ever has experience in anything until they actually do it. Whoever the best salesperson in the world is, there was once a time when he or she had never sold a single item. But as his or her experience increased, so did the skills and confidence that good salespeople require. The more “stuff” you sell, and the more people you talk to, the better a salesperson you will become, and the more successful you can be at network marketing. It may in fact be the world’s only true equal opportunity industry.

“Only certain types of people can join a network marketing company.”

Network marketing companies are for everyone. Doctors, lawyers, and research scientists have succeeded at it. So have factory workers, ditch diggers, and housewives. A few people still in their teens have done very well for themselves, as have many senior citizens. If network marketing had a hall of fame, its inductees would include people of all ethnic backgrounds, religions, and creeds. It truly *is* the world’s only equal opportunity industry.

“The products are worthless; otherwise, they'd be in stores.”

The existing system of manufacturers, wholesalers, and retailers is highly politicized. Nobody sells a product because they think it's a good product: they sell it because somebody is paying them to sell it. And with a growing

number of companies vying for a diminishing amount of shelf space, coupled with the high costs of advertising and marketing, the opportunities for new manufacturers are extremely limited. While there are network marketing companies that do sell worthless products, most do not.

Even more importantly, network marketing offers a company much higher profits than it could ever accumulate using a traditional businesses approach. Let's follow the example:

Scenario 1: The Yellow Submarine Corporation manufactures 100,000 toy submarines at a cost of \$50,000. They decide to sell them for \$10 a unit. Their goal is \$1 million in revenue.

Using a traditional marketing approach, they pay \$100,000 in salary and bonuses to their sales director and \$50,000 in salary and commissions to each of their 15 sales persons. After paying for manufacturing and sales costs, their net profit is **\$100,000**. Everybody wins.

What if they shunned a traditional marketing approach in favor of network marketing?

Scenario 2: The Yellow Submarine Corporation manufactures 100,000 toy submarines at a cost of \$50,000. They decide to sell them for \$10 a unit. Their goal is \$1 million in revenue.

Using network marketing, the Yellow Submarine Corp. recruits 10 distributors who buy 100 toy submarines at \$10 apiece, or \$1000 per distributor. Each distributor recruits 10 of their own distributors and sells them 100 toy submarines.

These 100 distributors recruit 1000 more distributors between them. When they sell 100 toy submarines to each of those 1000 distributors, their sponsors will earn a five percent commission. Total revenues for Yellow Submarine Corp. are \$1 million.

The result of their network marketing campaign?

The third and bottom layer of their company has 1000 distributors, each of whom paid \$1000 for 100 toy submarines. The second level has 100 people who broke even. They sold their 100 toy submarines to new distributors, but they did not earn a commission. The top level received a 5 percent commission on sales by the next level. Since each top level distributor had 10 immediate distributors who each sold \$10,000 worth, for a total of \$100,000 in sales per top level distributor, each of the 10 top distributors received 5 percent of \$100,000, or \$5000.

After paying for manufacturing costs of \$50,000 and sales commissions of \$50,000, the Yellow Submarine Corp. nets **\$900,000**. IF their bottom level distributors can sell all of their toy submarines to consumers, they'll break even. If not, they'll lose their money. In the Yellow Submarine Corp., as in most network marketing companies, the "Yellow Submarine Corp." is owned by the top distributors, the folks who earned \$900,000 in this example.

So riddle me this: based on these hypothetical figures, would you rather head a traditional business or a network marketing company? Many entrepreneurs examined the numbers and made the same decision you just did.

“Network marketing takes too much time.”

There's a lot of gonzo network marketers who work 60+ hours a week promoting their distributorships. Their intensity is so great that they often influence other network marketers into pretending that they're just as intense.

You don't have to follow their lead. In fact, despite what you may have been told, there is little correlation between how much time you put into network marketing and how much money you'll earn. It's the quality of time you invest that counts. One hour a week of productive work is much more beneficial than twelve hours a day of trying to convince everyone else that you're on the fast track to success.

Summary

There are many more misconceptions about network marketing, enough to devote an entire series of books to. It's important to remember that such rumors are spread by people who have absolutely no experience in network marketing; they are only repeating what they hear in an attempt to impress other folks with their knowledge. As a network marketer, who will soon learn from experience which misconceptions are true and which are really not misconceptions at all.

Chapter Two

A Basic Overview

We discussed what network marketing is not. But what exactly *is* network marketing?

Network marketing is a form of sales which eliminates wholesalers and retailers and delivers products and services directly to consumers. Every single member of a network marketing organization is a commission earning salesperson. Products or services are sold exclusively through individual salespersons to end consumers. There is little or no advertising as every sale is word of mouth.

Participation in a network marketing company involves two primary activities: selling and recruiting. Members sell products to earn revenue and they recruit new members who in turn sell products to earn revenue and recruit new members who in turn... (etc., etc.). Through aggressive recruiting, organizations can experience periods of rapid, exponential growth. It is during this period of intense growth that entrepreneurs can make their fortunes.

A network marketing organization grows stronger when a member recruits, or sponsors, another person into the organization. Every new prospect that a network marketer sponsors becomes a part of their downline, and helps to earn commissions and bonuses for their sponsor and his or her upline. A network marketer can be “promoted” to a higher level of commission based on the sum of their sales

plus the total of their downline sales. They'll receive an impressive sounding title, and become eligible to receive higher amounts of pre-determined bonuses. Some organizations require members to pay a fee for their promotions; others are automatic.

In most network marketing companies, members buy products directly from the company at wholesale prices. They then resell their products at a price of their choosing. For each item purchased from the company, the network marketer and his upline earn a commission. The higher the volume of the group, the more commissions and bonuses that can be earned.

A wide variety of products are sold through network marketing: golf equipment, health products, candy, exercise equipment, water filters, and many more. Services are also sold via network marketing, such as long distance telephone service or prepaid gasoline cards. Some of these products are manufactured by the network marketing company that sells them, while others are purchased and resold to distributors. If a market exists for a consumer good, chances are that someone has tired to sell it directly to end consumers.

While the concept looks good on paper, network marketing has yet to live up to its potential.

The Problem With Network Marketing

Network marketers are not employed by the company they represent. They are independent contractors, which means that they can do almost anything they want without

fear of consequence. Many network marketers abuse their autonomy by lying to other distributors for their own financial gain. Because of this, the network marketing industry has earned itself a lot of detractors who've compiled an extensive list of drawbacks. While most of them have some merit, all of them can be generalized into a single phrase. The biggest problem with network marketing, and the biggest obstacle that you will face as a network marketer, and the greatest impediment to your chances of succeeding, is this: it is too easy to cut corners.

“It is too easy to cut corners.” By cutting corners I don't mean procrastinating. I mean that it is too easy for a distributor to exaggerate his or her income ever so *slightly* to impress an indecisive prospect into joining. It's too easy for distributors to tell prospective recruits that they have ten distributors in their downline when they only have one. It's also too easy for an upline to tell new distributors that the only people who ever succeeded in their company did so by purchasing the maximum allowable amount of product the first day.

Why do distributors fudge the truth? Because it's easy. And they find that it's easy to continue telling their downlines what they want to hear instead of what they need to know.

Whether it's a generalization, a lie, an exaggeration, or a false claim, it's much too easy for network marketers to take the easy way out. They're not accountable to anyone. Uplines can use just about any method they can think of to influence their distributors. It's easy and it's profitable.