

MLM or Networking Myths Legends and Misunderstandings

Important note

I hope you enjoy this book and find some useful information or ideas in it but please bear the following in mind.

This report simply provides one man's perspective on many of the common claims about MLM or Network Marketing, it is for informational purposes only and does not offer or constitute either legal or financial advice. Be sure to consult qualified professionals should you require any advice or assistance in financial or legal matters.

Introduction

The following pages address many of the claims made about Multilevel Marketing (MLM) or Network Marketing by both sides of the argument. The purpose of this book is to examine each of the claims in detail from an independent stand point. It is my hope that it will assist those contemplating entering into business using this model as well as those already involved. The claims are not listed in any particular order of preference, rather in the order in which they have been found or re-called.

While I have included the terms myths, legends and misunderstandings in the title I make no attempt to assign those properties to any of the claims listed. Quite simply there is a certain subjectivity to such an action. Some would claim that myths and legends are the same. Equally what one terms legends or myths another may consider to be nothing more than a misunderstanding. Debate on this depth of detail would do nothing to enhance the publication.

Networking is Multilevel Marketing.

This is a modern mis-use of the term. The Oxford English Dictionary carried the following entry for Network

“• **verb 1** connect as or operate with a network. **2** Brit. broadcast on a network. **3** interact with others to exchange information and develop contacts.”

As you can see there is no indication that it is a business model, it has always been a

contact building and interacting activity not a business operation in its own right. Calling Multilevel Marketing Network Marketing is relatively new and I believe it was aimed at avoiding the stigma that had become attached to MLM. Of course regardless of the real meaning of the word it is now firmly entrenched in peoples minds that networking and MLM are one and the same.

MLM is a scam

This is not true as a stand alone statement. In fact MLM is a legitimate business model that has been misused and abused.

It is true that the vast bulk the current "opportunities" in MLM can probably rightly be classified as scams but that is not the fault of MLM it is the fault of those who have corrupted the business model to their own ends.

I would like to add here that many people are currently promoting MLM businesses that should be classified as scams and they are doing it in all innocence. They honestly believe the hype they have been fed and expect success. It is the originators of the programme who are at fault really, not the members who have joined in good faith.

We need to remember that there are scams operated under the guise of many legitimate businesses. It is the perpetrators who are at fault, not the business model. A properly structured MLM can be successful for all whereas a badly structured one will be a failure for over 90% of those who join.

MLM is taught (as a three year degree course) at Harvard.

This claim is usually made to give credibility to the business on offer, using the concept that if it is taught in Harvard it must be good. It is false, in fact my research indicated that Harvard have requested MLM companies to stop making this claim.

MLM was developed at Harvard.

Also false, MLM was developed from direct selling in the early to mid 1900's. The first recorded MLM plan was in 1945 with the Nutralite company.

MLM is direct selling.

This is part of the story. Direct selling is the process of distributor selling to the final

customer without the use of retail premises. Many forms of direct selling exist and one common example is mail order. MLM is only one form of direct selling.

The product sells itself or practically sells itself.

No product sells itself. Think of one of our most essential items, water. While everybody uses water every day there is no certainty that they will buy YOUR water unless you actively promote it to them. People have choices in all products and need to be influenced into buying a particular brand and so the product has to be sold.

Each "no" gets you closer to a "yes".

Every person spoken to will effectively make one of three choices "yes", "no" or "maybe" and this is an individual choice that has no connection to the choices of others.

Each "no" you get is a "no" , each "yes" is a "yes" and there is no connection between any of them. 50 "no" in a row does not guarantee a "yes" in the next 5 to 10 contacts. It is similar to flipping coins. Each flip has three possible outcomes, heads, tails or stand on edge, and previous tosses have no bearing on the current result.

Duplication, do what I do.

In my limited experience of MLM my proposed sponsors never disclosed their income to me. They did talk about how much money could be made and the "leaders" talked about how much money **they** made (unverified of course).

So if your sponsor is making no money why would you want to do what they are doing? Furthermore why would you want to put your promotional efforts into the same area as your recruiter and all his other recruits. That market has probably already been well saturated with information overload.

Finally you can certainly duplicate many activities like placing advertisements, search engine submission link building. Do not forget you are an individual with your own personality and beliefs. You may well feel uncomfortable with some aspects of duplication and that will clearly show through to your prospects. I have tried duplicating a salesman's patter and performance in an effort to close a sale. It was a miserable failure because I was not being myself and anybody could have clearly seen my discomfort.

We are not a Pyramid, we have a product.

Whether or not they are a pyramid depends on the structure and operation of the organisation, not the existence of a product. Indeed most of the MLM “opportunities” I see on the Internet these days do have a product and yet they are clearly pyramids if you study the structure and operations carefully.

The product is irrelevant.

This claim is aimed at re-assuring you that MLM is a great system but it should really ring loud warning bells for two reasons.

Firstly if the product is irrelevant then they are telling you it is a pyramid. They are saying you do not need the product (except to try to prove they are not a pyramid).

Secondly if it is a genuine business it must have a worthwhile product or service to succeed. You cannot succeed long term in any real business selling a product or service that nobody wants so the product must be important.

All businesses are pyramids.

They point to the organisation structures of most businesses starting with the General Manager at the top and working down through increasing numbers of lower level managers and supervisors to the general staff. They will also often link it to the compensation plan. As you go higher in the company so your income increases.

There are serious flaws in this claim!

Firstly they are comparing their business **model** with an **organisation chart**, about as good as comparing apples with fish (yes I think it is worse than comparing apples to oranges). The organisation chart is about levels of authority and lines of communication, it is **not** the business model.

Secondly the people in this organisation chart are not directly contributing, from their own income, to the higher salaries of those above them.

Furthermore the businesses they are using as examples are not continually adding to their workforce regardless of need nor are the members as a whole charged with the duty of recruitment, that is left to the few recruitment specialists.

There is no similarity and no basis for such comparisons.

We will do it for you.

The first question is why would they do it all for you instead of doing it for themselves and so reaping greater rewards? In my experience one of the greatest complaints about MLM is lack of support from the upline even after such promises have been made. This may indeed happen in some cases never-the-less. After all if you succeed your sponsor will profit longer term. The unanswered question does remain. Which will benefit the sponsor more assisting recruits or self?

Get in on the ground floor.

If you are getting in on the ground floor you are in a new business with all the inherent risks. Statistically worldwide most new businesses fail within the first 5 years. If it is a real and worthwhile business opportunity you do not have to be in on the ground floor as it will be around for a long time.

Do you think the people who came along later in Pizza Hut, KFC and McDonalds are at a serious disadvantage to the first franchise holders in these organisations? I can assure you they are not and these businesses continue to issue new and successful franchises many years later.

Anyone can do it.

Not true we all have different skills and abilities and if we do not have the right set we will not be able to do it or at least we will be unable to do it very well. I met a guy once who assured me anyone could do it, after all he was a fisherman and he could do it. Believe me I listened to him for an hour. He was a salesman! He had been making his living fishing until Herbal Life found him but he was undoubtedly a salesman.

The three foot rule.

This assumes everyone you come into contact with is a potential recruit and we have already determined that not everyone can do it. I do not know of any other business model that adopts this line of thinking. Businesses seek to appoint qualified and competent employees and distributors, even where they are not employees. Care is taken in the selection process, they do not appoint just anybody.

In x years 70 % (perhaps only 60%) of product will be sold using MLM.

The original claim was made in the mid 1990's and was that by the year 2000 this would be achieved. In reality by 2000 less than 1% of all products were sold by direct selling of all types. This figure has not risen too dramatically since then even with the introduction of the Internet.

Guaranteed earnings.

This is, of course, an irresponsible promise where income is determined by the effectiveness of the distributor. Find an MLM company that is offering guaranteed income then do a search for complaints against them, I am sure in most cases you will find complaints somewhere out there. What always seems to be missing is the time frame so when you complain they can always say that you need to work at it a bit longer yet.

I have never yet seen an earnings guarantee that is not also accompanied by an earnings disclaimer. They are well covered. They get you in with a guaranteed earnings promise and then can direct you to the earnings disclaimer if you do not achieve the promised income.

It is just a numbers game.

Numbers games are what they play in casinos and lotteries!

It is true to an extent of course, in any business to succeed you must put your product/proposition before many people to get a few sales. The problem in MLM is they link it to other claims such as "the three foot rule" and "every no brings you closer to a yes" and so ignore a basic principle. Your marketing should be targeted so that the successes are a greater percentage of all contacts made.

If we were not legal we would have been closed down by now.

The ultimate and only test of legality is in the courts. If they had been taken to court and found to be legal their claim is valid. Many illegal pyramid schemes are operating right now and they continue to do so only because they have not been tested in the courts yet, that does not make them legal.

20% of the world's millionaires are network marketers.

Absolute rubbish. For a start MLM heartland is USA and not even 20% of USA

millionaires are from network marketing. Millionaires come from oil, minerals, industry/business, real estate, share/forex/futures trading and of course inheritance. I have yet to hear a genuine millionaire make this claim. Furthermore I show in my book how unlikely this claim is in relation to the structure of modern MLM. I would also add that millionaires could be made with a **correctly structured** MLM business.

Get a warm contact list (friends and family).

Firstly "if you were opening a shop wouldn't you tell your friends and family". Of course you would tell them but you would not ask them to open a competing shop across the road which is what the MLM people want you to do.

Secondly "wouldn't your friends and family want you to get them into a good money making business?" Yes of course they would but most of them, quite rightly, will want to see it making money first. They want to get into a good money making business, not the dream of a good money making business. Of course they would expect to still be able to make money if they get in one year later. Good businesses have durability.

Fake it till you make it.

In other words lie to your prospects about how well you are doing. Of course once they find the truth your credibility is gone for ever.

An even worse suggestion is that you visibly live the fake life (expensive cars, exotic holidays etc) to be more convincing by using up hard earned savings that you will get back when you do make it. That is a quick one way ticket to the poor house.

It's not about the product it's about you.

While it is very true that the success otherwise of a venture is heavily dependent on the person or people involved that is only part of the story.

Firstly if the product or service is not in demand or not of an acceptable standard or price the business will fail in the longer term. They will quickly run out of customers if they ever get any at all.

Secondly this would seem to suggest that you can succeed in MLM even if you are promoting a product that you do not believe in. Trust me, the number of people who can succeed promoting something they do not believe in is very small. Furthermore

most people would find this a highly stressful activity and in these times we do not need to increase our stress levels

Finally if it is about you because it is your ability to recruit that matters then you are again in a pyramid where they are telling you the product is not important recruiting is what counts.

Only the desperate join

This, of course, is not true many ambitious people join MLM with a real desire to improve their lot in life.

Additionally many desperate ones do join as they are sold the dream. There is an opportunity to generate a real income with a relatively low start up cost and so the chance to lift them from their desperate situation. If they become involved in a correctly structured business they have a real opportunity to achieve the success they desire. Unfortunately there are few correctly structured opportunities offered on the Internet in recent times and choosing the wrong one will make their situation worse.

Do it once and get paid forever.

Just what is it we can "do once and get paid forever"?

Certainly it cannot be payment of the monthly/quarterly/annual fee/product purchase as that must be repeated by those who wish to remain active in the programme.

What about recruitment? If we only ever have to recruit one person that could happen but believe me that will not work. Even if the programme only needs one recruit there are drop-outs from every opportunity so another recruitment will probably be needed. Of course every networking business I have seen requires more than one recruit and so recruitment is an ongoing task. This is true even when the matrix is filled as replacements must be found for the inevitable drop-outs.

Sale of product? It would be a strange business that required a single sale to generate income forever.

The other interesting thing is that this claim seems to be in direct conflict with some of the other claims (e.g. "it is a numbers game", "every 'no' brings you closer to a

'yes'") so which are we to believe?

I cannot think of any task that can be done once only and so produce an income forever so if you find one do please send me the details.

Donald Trump endorses mlm.

For a long time this was a catch cry of MLM promoters with no hard evidence provided.

My most recent research indicates that he may be involved with or endorsing ACN so I looked a little further. I would stress here that I have no proof of any sort that this claim is true but it has been made and that prompted me to research ACN.

Here is a Fox 11 news item on ACN that is would encourage you to watch.

<http://www.myfoxla.com/myfox/pages/Home/Detail;jsessionid=104EE12D55DA958EA0F2DD2B0474948A?contentId=7939281&version=5&locale=EN-US&layoutCode=VSTY&pageId=1.1.1&sflg=1>

Please note the following points of interest:

The company throws Fox News out of their meeting for asking questions of the members. This amazes me, they supposedly have a great product/opportunity and they do not want the free publicity they could get from TV news?

The lawyer for the company states quite clearly that most of the distributors "probably do not make any money". Think about that carefully, do you want to join after you have heard the official spokesman for the company state that?

The lawyer also states that members are not allowed to make promises or claims about income and yet they clearly do and suggest that within six months you could be earning \$33,000 per month. At least when you do not achieve that they can point you to the news item which warns that they do not allow such claims to be made. If these claims are banned why are they being made?

Donald Trump has been very successful in much that he has done, that does not

guarantee he is an expert on MLM. I doubt that MLM suits his personality type in any event and that would hinder his ultimate success.

The leaders in Network Marketing (big hitters) are flocking to this company.

Listen to the deafeningly loud clanging of the warning bells. In their previous MLM companies they were selling us the dream!

- Earn more money than you need.
- Have the the lifestyle you always wanted.
- Get more time to spend with your family and friends.
- Get more time to do the things you want to do.
- Exotic holidays
- Residual income on autopilot
- Leverage off others

Well clearly the last programme(s) they were in did not achieve these dreams for them or they would not be here now. This calls into question their judgmental ability. If they got it wrong before should we really feel confident about their choice now?

Could it be that they know MLM is a short term business and so they must get in and out quick then take their downline to the next business and profit off them again?

If **they** did not achieve the dream what chance do the members **any** levels below them ever have (chances decline rapidly as depth increases). If the MLM was correctly structured in the first place then anyone at any level would have the opportunity to make a good income. Correctly structured MLM companies are an endangered species now days.

When they tell me how this new programme is different and so more likely to supply the life they are selling then I would be interested in listening (only listening, I need a lot more to convince me to actually join).

Copyright or patent pending pay plan.

I am not an expert on either of these laws however I have read up and come to the following conclusions:

Copyright protects the written word so it does not protect the pay plan as such, only the wording used to describe it. So anybody may use the detailed plan as long as they describe it differently and that certainly is not difficult to do.

From my reading on patent I have some doubts that it is possible to patent a pay plan but it may be. If it is possible there is a clear requirement that any new application for patent must be significantly different to that of any application that has already been lodged and that may be difficult to achieve. By the way patent protection applies in the country in which the patent is granted. If you have a US patent anyone in another country may copy and use your patented item. For worldwide protection you need to register in each country.

The significant thing is that in reality "patent pending" has no legal standing and is misleading. It would suggest that patent has already been approved and they are just waiting for it to be issued. In truth it is generally used to suggest a patent has been applied for. If a patent has been applied for there will be an application number which can be quoted and that, to me, is far more convincing. I have never seen any promoters provide any sort of evidence that a patent has in fact been applied for when they use this claim.

Finally I do not see the need for all this "protection" of the pay plan. In a real business what is important is the product and service, not the process of distributing funds after they have been received. Even if somebody did steal and use the pay plan where is the problem? They will be applying it to a different business, different product and a different pricing structure.

If the MLM company believes that the most crucial item they have is their pay plan then it simply leads me to the conclusion that they have a pyramid as it is distribution of the money that they emphasise not the product or service.

Join now and get spillover

This is an appealing opportunity especially for the poor recruiters but, as with so many claims, it tells only part of the story. It suggests a rapidly growing organisation with lower levels filling quickly. Often the spillover is coming from the "big hitters". I have never seen these "big hitters" named nor have I seen any data on the real numbers they will recruit. Furthermore their location in the structure in relation to your position

(or potential position) is an important key to the likelihood of success. Statements are always very general and vague but offering great promise.

The reality is that very quickly spillover becomes thinly spread. Even in a two wide matrix by the time 6 levels have been filled 64 new members are needed to fill the next level and this number doubles as each level is filled. If you are not in the higher levels of the network the benefits of spillover to you will probably be small and slow in coming. Of course if spillover is indeed happening, as suggested, then vacant positions in the structure are moving down to lower levels rapidly.

The other even more important consideration is where are the "big hitters" in the matrix compared to you. If they are not at the very top the spillover will probably only flow down into their downline. Even if you and the big hitter are both in number 2 level his spillover will probably only go to his leg of the matrix. So you could be left on the side that is achieving little or no growth and with no spillover whatsoever into your side of the business.

The missing piece of information usually is just exactly where spillover is going and an indication of how far it will really spread, or has already spread. Before I learned to identify the real problems I joined a couple of organisations offering the promise of spillover. To say the actual results were a disappointment would be a gross understatement. Spillover simply did not happen for me and for many others.

Remember that designing the business with spillover does not guarantee there will be any measurable benefits. Spillover to you depends more on the recruiting efforts of those in the matrix above you than on the policy of the MLM making the promises.

No recruiting needed.

The lifeblood of by far the most MLM's I see promoted on the Internet these days is recruits. Without them the business is ultimately doomed to fail and mathematically there will come a time, for a business that is so structured, when there are no more recruits available and the death knell has been sounded. Where is the sense in encouraging people who cannot recruit to join such an organisation? Indeed where is the sense in encouraging anybody not to recruit if the structure is dependent on a continuous inflow of members for its very survival?

Of course this type of claim can bring in a flood of new members as recruiting is always one of the greatest difficulties in MLM. If the particular business is one of those that is doomed to fail anyway (most I see on the Internet these days are, believe me) all it will really do is hasten the demise.

We are in pre-launch.

They are not yet in business so if you are being asked to pay and recruit they are building a pyramid. How do you know they will ever launch. I have seen more than one pre-launch company that never launched. Pre-launch is a great way to attract members wanting to get in on the ground floor (which should not be important). It can also generate significant income rapidly for the originators and if they are scamming that is what they want. The only reason I can see to sign people up when they are in pre-launch is to get their money.

Our company has the "best" compensation plan.

Where is the research to show this? Do an Internet search for Pay Plans and see how many millions you have to check out when making the comparison. Have they done that? I doubt it.

Finally what is "best"? The one that gets you into profit quickly but takes a long time to make you rich or the one that takes along time to get you into profit but makes more money on an ongoing basis? It is a subjective choice so what is "best" for one may not be "best" for another.

Failure rates.

I found the following statements being used in relation to failure rates in MLM and suggesting that in view of this data we should consider failure in MLM as normal.

"According to the National Association of Real Estate, over 80% of people who get their real estate license quit in their first year - most never sell one home.

Most people who want to sing at the Opera fail.

Most people who want to play professional sports fail.

Most people who start a business fail.

Most people who want to play a musical instrument quit.

Most people who want to get into shape quit."

I do not know how accurate these claims are but I can say there is a distinction to be

drawn.

Most of the MLM "opportunities" I see on the Internet today are flawed. It is impossible for the majority of those who join to succeed no matter what they do. The items listed above are not so inherently flawed that they will GUARANTEE failure for the bulk of the participants. Failure in these comes from a lack of skill or dedication not from the system itself. Furthermore as far as I know in none of the above endeavours is it claimed that "anybody can do this".

Conclusion

Of course there are bound to be other claims that I have missed so I would invite you to send me any you find so that I may update this report.

I started this document stating that I would be unbiased and I am sure, by now, there are some who doubt this statement but believe me it is true. I have to address the claims that are made and do that accurately, it would be dishonest of me to invent claims that can help skew my comments to an apparently less biased stance. I do not know of any other business model that is promoted with so much misinformation.

Nothing would have given me more pleasure than to analyse such claims as:

- It will be hard work
- Your family and friends will not want you to bother them with this
- Most people who get involved in MLM fail
- You will probably have to buy more product than you need
- You will find a lot of resistance because MLM promoters have used so much misinformation in the past
- Only the very top level distributors will make large amounts of money
- Be selective about who you recruit, qualify them first
- You will have to recruit forever because there will be a high drop out rate
- The faster the business grows the greater will be your competition
- This business is so good attrition rates are negligible
- Concentrate on selling the product not recruiting to make a living
- Limit your recruiting to ensure we do not saturate the market

but I could not find **any** MLM company using even one of these claims.

At the outset I also stated that MLM was a legitimate business model that had been used and abused and not only do I stand by that statement I can build you a legal and workable model if you want one.

So what is needed is to arm yourself with the knowledge required to make sure that the MLM you are planning to join (or the one you are already in) is not a scam, a pyramid scheme or just doomed to fail. Furthermore you need to be sure that you and your downline have a real chance of success if you do join.

One final thing you need to remember. If the MLM you join is later challenged and found to be illegal you are guilty of promoting an illegal scheme. The fact that you did not know it was illegal does not excuse you in the eyes of the law and people have suffered heavy losses from this application of the law in the past.

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Ken Briggs is an accountant with many years experience in business on and off line. His book

"Business Basics for the Internet"

Assists people in applying business basics to on line opportunities. The knowledge gained enables them to identify the programs that are doomed to fail for most and those that have a high probability of success.

Learn more about it here:

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