

NETWORK MARKETING – A BUSINESS MODEL FOR THE 21ST CENTURY

With a modern image and internet techniques, network marketing has become an ideal opportunity for those wishing to establish their own home-based business.

AN ESTABLISHED INDUSTRY

The network marketing or MLM (multi-level marketing) industry is now well established in the UK with consumers being very used to buying products by direct sales.

In the UK by the end of 2006 there were 419,500 people involved in direct sales generating sales of £2063.5 million.

Many well-known entrepreneurs have seen the opportunity, such as Richard Branson with his MLM company, Virgin Vie, and Warren Buffett with The Pampered Chef. Network marketing is even included in the curriculum at the Harvard Business School.

Yet despite this, the network marketing industry still has a 'bad' image and is often seen as 'pyramid selling' or a 'get-rich-quick' scam.

SO WHAT IS NETWORK MARKETING?

Network marketing offers people the opportunity to start their own business with a minimal investment in time and money. As an independent agent of the company, they do the sales and marketing of the products or services provided by the company and they invite other entrepreneurs to join them as independent agents too. The company, in turn, handles research and development, customer service, business systems, technological support such as websites and online retailing. Most companies also provide training and promotional support.

The company does not spend money on mass advertising and promotion. Instead, it makes these funds available to its distributors in the form of commissions and bonuses to recompense them for their efforts.

Distributors earn money in two ways. Firstly, they make money by selling the products and making a retail profit. Secondly, they make commissions and bonuses from the company based on the volume of product sold, not only the volume generated by their personal sales but also the volume generated by the

other agents they have enrolled in the company. The income from personal sales is limited by time and selling skills but the income from volume generated by all those agents in your organization is unlimited. Thus, agents are rewarded for introducing, training and supporting other individuals who also want to run their own successful business.

It sounds pretty simple, doesn't it? So why in most network marketing companies are there usually only a few top distributors who are making substantial incomes while most others are lucky to make a small profit?

WHY DO MOST PEOPLE WHO TAKE ON A NETWORK MARKETING BUSINESS FAIL?

The answer is quite simple. So many people fail in network marketing for the very same reasons that people fail in anything.

- They don't do the appropriate market research and so they choose the wrong company for them.
- They aren't passionate about the product and so they lose interest.
- They don't have any focus or discipline to follow through.
- They don't acquire the necessary selling skills.
- They don't allocate sufficient time for education on the product and the company.
- They listen to people who tell them they won't succeed.
- They don't have a big enough 'why' to see it through.
- They isolate themselves from the very people who could support them.
- They have poor time management skills so that they never really 'do' the business.
- They grossly overestimate what they will do in the first year and grossly underestimate what they could do in five years if they would just stay with it.
- They don't take advantage of technology because it is overwhelming and new to them.

In my opinion, the main reason that a person fails in network marketing is because they don't approach it as a true business opportunity. This may be because the investment level of buying a distributorship is usually very low - you could call it buying a franchise without the price tag. But this does not mean that is the only investment you need to make.

If you were setting up a new restaurant business, you might have to invest £250,000 of your own money. Would you then sit back and wait for the customers to come to you? Or worse still would you rely on just telling your friends and family and expecting them to provide you with all your future business, particularly as some of them don't even like the style of cuisine you are offering?

HOW DO YOU CHOOSE THE RIGHT COMPANY FOR YOU?

When you know that you want to run your own business and you have funds available for that investment to include not just the purchase of the business but also sales training, if you need that, and marketing, then start your search.

- Do the products or services interest you personally? You will find it a lot more rewarding if this is an area which is important in your personal life.
- Check out the company. If they have been around for years, are they still spending on researching new products and are their training techniques up-to-date? If they are a new company, are they in a growth market and do they have the systems in place to help you develop your business?
- Look at the training and support they offer. Are there regular meetings, training calls, systems in place to harness the power of technology?
- Is the person who has introduced you to the company the right person for you. Could you work with them, do you feel comfortable with the way they have presented the opportunity to you?
- Look at the compensation plan. What ways are there for you to maximize your income? What share of the retail sales does the company pay out in commissions and how easy is to achieve the necessary qualifying sales?
- How much paperwork and administration is involved?
- Would you feel proud to part of this company?

If you feel comfortable with the answers to all those questions, then you have found your company!

MODERN METHODS FOR THE 21ST CENTURY

The network marketing industry was established in the 1980's and the systems and techniques were established to suit the buying methods and attitudes of those times.

That was well over two decades ago and a lot has changed in the world. Some of the methods introduced then are not effective today. Also the network marketing industry does still retain some of the negative images earned from those days such as 'pyramid selling' and 'get-rich-quick' schemes. So it is vital that we build up an image of being a professional industry where the majority of people who get involved are successful, rather than the minority. We need to attract people who are serious about building a business and anyone else, who is just interested in the products, becomes a customer.

We need to 'ditch' the methods which have given us a bad name, like seeing everybody we meet as a prospect; telling people it is the opportunity to make huge sums of money with very little effort, no sales skills and no marketing

budget; using outdated sales and marketing techniques such as a scatter-gun approach to find prospects, relying on the old “friends and family” method and not making the most of technology. You, personally, may not like using the internet, mobiles, webcams, but this is the way the young generation communicate and you need to embrace it all if you are running a business in the 21st century.

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