

# What You Should Know About Multi-Level Marketing

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## What You Should Know About Multi-Level Marketing

### Multi-Level Marketing

Just what are all those thousands of programs and solicitations spreading a swath across the country...called "Multi-Level Marketing"? Well a good portion of them are nothing but chain or pyramid schemes, some completely illegal.

A true Multi-Level plan is one in which there is an agreement between yourself and a manufacturer or distributor to purchase products at wholesale and sell them at retail, also with the right to sponsor others (your down line) thus multiplying your sales base and profits by receiving a percent of the sales made through your downline. Persons you sponsor show others the program and sign them up as members under themselves. In effect you are multiplying your efforts by selling the product through a network of distributors. The downline is usually set up at three to five levels deep although it seldom gets that far, especially if it is a multi-level program being circulated through the mail.

A small initial investment is all that is usually required to become a distributor. You should have a flexible schedule but little experience is necessary. For you and your distributors to have any kind of success, you must handle high quality items which can be sold at substantially below retail store prices.

Distributors are charged for the program packet which includes instructions, literature, samples, etc. To be legal, the investment must be only a nominal amount. Sale or consumption of the product must be the prime objective and no fees should be collected for recruiting endeavors.

A common problem in recruiting people is getting them to "Look at the Plan". If they have seen multi-level plans before they won't give anyone a chance to explain the programs they think they already know all about it. Some get around this by inserting an ad in the local paper, asking interested parties to call about "a good money-making plan". They use a telephone answering machine which advises the caller where and when to attend an "Income Meeting". The machine doesn't give them a chance to ask questions. If they are interested and not just curiosity seekers they may show up for the seminar.

Multi-level selling by large party plan firms are often successful because they keep their members productive

through a series of coaxing, weekly meetings, phone calls and home visits. This stimulates activity and better results are obtained. These elements are missing in Multi-level mailorder programs. There is no motivation, inspiration or force applied to down liners. The meetings and personal contacts that represent strength are missing when the business is conducted by mail. Therefore a good many of the multi-level mailorder programs can't work and are basically worthless, especially on a 4 or 5 level down line position.

A typical multi-level get rich scheme is where you are offered a book selling plan for \$5.00. You are assigned a code number and mail out 500 brochures. When your name reaches the fifth level you are supposed to have collected something like \$50,000 in commission for 100,000 books which sold for a total of \$500,000. This is based on only 10 orders received by you and 10 orders received by each of your down liner's who also mailed 500 brochures.

If only 10 people in the entire United States initially worked this one plan with the same success you are supposed to have, there would be 5,000 brochures out the first level; 50,000 the second level; 500,000 the third level; 5,000,000 the 4th level and 50 million in the 5th level. That would amount to some \$11,000,000 in postage with brochures delivered to over one-half of the 90,000,000 mailorder buyers in the U.S.

This type of program will collapse under its own weight. After one level there is usually a complete drop-out.

Most such plans get started because of exorbitant, dishonest claims. Tell the truth in an ad on Multi-level marketing and there are very few takers. Change the ad to greatly exaggerated claims, such as "Earn \$100,000 a year working from the home part time" and the inquiries pour in. The response on this kind of ad doesn't mean that anyone will make any money!

There are too many ways to make an honest living without telling lies so keep your Multi-level plans level!

As mentioned previously unless the organization you are dealing with offers top quality products at discount prices it is very difficult to make a living with the multi-level marketing concept. A person has to knock on a great number of doors, or send out a massive amount of literature through the mail in order to find qualified people who are interested in pursuing this kind of activity.

If multi-level programs worked as good as many of them advertise the nation would be flooded with solicitations thousands of times over for every plan on the books.

Being able to work a multi-level plan on a part time basis at your leisure, with no pressure from the company as to how much of the product you purchase or the amount of business you must bring in each month, is one of the attractions of this kind of activity but results are usually negative. It's too easy to forget about the business, sit back in your easy chair, and watch TV.

After a hard days work at another job it doesn't take long to forget that you have a part-time multi-level program going. That phone call or that meeting to show the plan is too easy to put off until "tomorrow". Yes; it takes a certain kind of individual to follow through and they are few and far between. You may make 200 calls and show the program 100 times before you get even one member who will take an active part in the program.

Most multi-level plans state that you can make thousands of dollars by duplicating yourself a few times and your down line doing the same. It never works that way. You are fortunate if a small percent of your down line produces much of anything unless you are able to spend a great deal of time teaching and promoting their business as well as your own.

How are you supposed to get prospects and member? Most of the promotional materials suggest you solicit your friends, neighbors and relatives, at least as a starter. Many people are reluctant to "take advantage" of their friends. Of course, if you have the best bargains available "anywhere" you may be doing them a great favor.

Phone calls, word of mouth, direct mail pieces and follow-up, and local classified ads are other methods used to get members and sell the products.

Multi-level companies usually offer news letters, catalogs, direct mail pieces, and Camera/Ready material which members can have copied or printed locally. They often have name lists available or advise members how to compile their own lists.

Mail Order multi-level organizations will usually drop-ship direct to your customers if you wish. They also are set up to do most of the paper work and accounting, leaving members with little detail work.

If you decide to try a multi-level program you are usually

required to pay a fee for which you will obtain all the materials and information pertaining to the organization, the products and how the program works. You may also be asked to purchase some of the items you will be selling. You will contact friends and neighbors, explaining how the program works, try to sell them merchandise from the catalogs and sign them up as members if possible. You will compile lists of prospects and make direct mailings. As your business develops you will need to contact those in your downline periodically and offer sympathy, help and assistance in order to make the business grow.

Many other incentives, prizes and extra commissions are offered by some firms.

Make sure the organization you choose and the programs they offer are legal. If it is just a pyramid scheme whereby members are merely signing up others for a fee and little if any merchandise is being sold it could be illegal. In any event, this type of operation will produce little if any money-making opportunity. If in doubt it is advisable to check out the firm with the Better Business Bureau or with the Postal Authorities when it involves direct mail methods.

Remember also, there are some very fine multi-level firms offering good opportunities for success oriented people. Those who thoroughly enjoy meeting and working with others, who are not afraid of hard work, not easily discouraged and who can persevere in the face of many disappointments, have made their fortunes in Multi-level marketing. With such attributes and the right program together with proper training you can be a success in this kind of business.

#### **ILLEGAL MULTI-LEVEL PLANS!**

In certain states most Multi-Level Sales plans can be classified as illegal since it is unlawful to organize a "pyramid club" or to induce or attempt to induce membership in a "pyramid club".

In such states a "Pyramid Club" means a sales device whereby a person, upon condition that the person make an investment, is granted a license or right to solicit or recruit for economic gain one or more additional persons who are also granted such license or right upon condition of making an investment, and who further perpetuate the chain of persons who are granted such license or right upon such condition. Pyramid clubs also include any such sales device which does not involve the sale or distribution of any real estate, goods or services, including but not limited to a chain letter scheme.

A limitation as to the number of persons who may participate, or the presence of additional conditions affecting eligibility for such license or right to recruit or solicit or the receipt of economic gain therefrom, does not change the conditions for a consideration other than personal services, of property-tangible or intangible and includes without limitation, franchises, business opportunities and services. It does not include sales demonstration equipment furnished at cost for use in making sales and not for resale. The items in the sales kit may not be sold to the participants for the purpose of resale. "Investment" covers any amount or value paid for a reason other than the purchase of a sales kit.

Pyramids are illegal because they are inherently fraudulent. In order to achieve the profits that are promised, a never ending chain of participants must be recruited. A saturation point will be reached and no more recruits will be available. When this occurs the most recent recruits can't receive what has been held out to them to cause them to join, and they lose all or part of what they paid to join the scheme. After just a few levels there would have to be millions or billions of participants to keep the chain going.

Chain letters are not the only illegal pyramids. As noted above Multi-level sales schemes can be illegal also. Many of them are nothing but chain letter schemes with the nominal addition of some goods or services to be distributed. Legal multi-level marketing systems are designed to distribute goods or services and are not disguised as endless chains. A pyramid club is present if participants make investments in return for the right to recruit, for economic gain, others who in turn recruit additional participants.

Both the "investment" and "recruiting" elements must be present to constitute an illegal pyramid scheme. "Recruiting for Economic Gain" means if anything is received directly or indirectly as a result of recruiting new participants. Even earnings based on sales made by new participants recruited, also constitutes economic gain.

Evaluating multi-level sales schemes is a difficult process and many considerations must be answered in order to determine the legality or illegality of each multi-level plan or program. Is there more stress toward recruitment than for the sale of the product. Are the claims, as to what the earnings are, based on actual experience of typical participants? (They better watch

out for the entries made in the IRS computers pertaining to their fabulous income claims).

Are there misleading representations? You would have to get your attorney to review specific circumstances of each plan or program in order to determine which ones are legal or illegal! Even then you can't be sure. I am certain however, that if you send any of them that are questionable to the Postal inspectors office you will generally get a negative report back, regardless of whether the plan may be legal or not.

The fact that the Federal Government, through the private, non-governmental agency known as the Federal Reserve, can print and issue green paper out of thin air and cause usurious interest rates across the country, or that the States can hold lotteries that are considered illegal for private agencies or persons, has nothing to do with the way people are not allowed to play the multi-level or chain letter game!