

Network Marketing Primer

Is Networking Marketing something that you may want to add to your monetization plan as a primary (or secondary) option, but you know very little about it? Use this short primer to bring you up to speed.

A simple description for **Network Marketing** (sometimes referred to as Multi-Level Marketing or MLM) is...

A direct sales company markets and sells products and/or services directly to the consumer through Independent Representatives (also known as Independent Business Owners, Sales Consultants, or Distributors).

Independent Representatives are paid on re-occurring personal and multi-level sales volumes of personal retail customers and other business-minded people that they recruit to join their business team.

Throughout the primer, we refer to this monetization model as “Networking Marketing” rather than “MLM.”

MLM is *how you are paid* (multi-levels).

Network Marketing is *what you do* (network).

And when you use the Internet to network efficiently and effectively, you are “**InterNETwork Marketing!**”

OK, let’s begin with the...

First Network Marketing Company

In the early 1940's (in the United States), a vitamin supplement company called California Vitamin Company saw that most of their new sales representatives were friends and family members of current sales representatives. These new sales reps were joining to purchase these vitamins at wholesale prices.

The company decided that an extensive sales force actively selling even a small volume of product was much better than a limited number of sales reps selling large quantities.

Based on that conclusion, they created a sales compensation structure to

encourage networking and recruitment for the business opportunity, as well as product sales. Each existing sales rep would recruit new sales reps, usually family members, friends, or satisfied consumers of the company's product -- a "warm circle" of contacts who would become part of his or her group.

Everyone was rewarded or compensated for the sales of their group (network).

This approach to sales/compensation grew in popularity as more companies implemented it. From the 1950's onward, the big push for sales reps or distributors was to find creative ways to meet people, either one-on-one or in groups (ex., house parties), and sell them on the idea of becoming their own distributor of the product line. *Network Marketing* was off and running!

A Network Marketing business is attractive for many because the signup fee is relatively low in comparison to the startup expenditure for a traditional bricks-and-mortar type of business. Compensation plans vary from company to company, but here are the four main types...

Compensation Plans

- **Unilevel Matrix** - Your downline is made up of the people you personally sponsor (frontline) and their people under them. There are no recruitment limits. Your downline, in turn, can sign up as many people as they want, too. And so on.

It is possible, depending up your situation, to receive commissions on sales volume as far down as 7 levels. Some companies, though, only pay you down as far wide as you are. So, for example, if you have 3 people in your frontline who are building a business, they will only pay you 3 levels down. Once you go wider, they will pay you deeper. Retail commission on your downline and/or bonuses (ex., a car) are also provided in some cases.

- **Forced Matrix** - This plan is similar to the Unilevel Matrix except that your frontline is limited. (For example, 5 people might be the cutoff.) Once you reach the limit, any new recruits go to someone in your downline who still has room.

- **Binary** - In this case, the plan only allows 2 people in your frontline (unless the company allows the "buy in" of more). Once you meet the limit, new recruits are placed in your downline. Both legs of your frontline must match each other and meet the level of payout. So, for example, when Leg "A" and Leg "B" both have 500 in sales volume, the company will send a \$100 check.

- **Breakaway** - When recruits reach a certain level in the business, your frontline and the people under them can break away and become their own group.

The company will then pay a percentage of this group's commissions to the original sponsor. However, this percentage does not fully compensate for the loss of potential income/bonuses due to the break.

A discussion about payment usually leads to the next key question...

Are Distributors Making Money?

Most Network Marketing companies still train new distributors based on the old-school approach of the 1940's... sell to and recruit your friends and families (i.e., your warm circle) to grow your business network. Training materials, business meeting, books, digital products, and large-scale conventions are all designed to motivate you to get out there and start talking!

However, the business world has seen big changes in the last 60 years...

- Increased product availability
- More competition and affordable prices in stores, offline and online
- Increased number of computer and Internet users
- Retail purchases on the Internet
- Disappearance of door to door salesmen
- And the list goes on.

Network Marketing old-school principles need to adapt to the current reality. ([See how in this article.](#)) Old-school “golden nuggets” are leaving a huge majority of distributors with a feeling of...

- **failure**
- **loss of motivation**
- **loss of desire to continue with NM opportunities**

Many spend a ton of their own money on additional training assistance but their monthly compensation totals remain low. (Distributors in a sense become another source of income for the companies!)

So then...

What Does It Take To Be Successful?

Successful Network Marketing involves four essential steps...

STEP 1) Relationship-Building /Lead Generation/Recruitment

For the sustained growth of any Network Marketing company, “new blood” must go hand in hand with the monthly retail of consumable, value-priced products.

STEP 2) Sales Conversion

Leads/prospects experience the product(s) and then concretely show a vote of confidence through their wallets.

There are two directions that STEP #2 could take... conversion to the product or conversion to the “business opportunity.” A focus on product, however, falls on the right side of the 80% benefit, 20% effort rule, as you will soon see.

STEP 3) Ongoing Consumption

Converted customers are regular, loyal users of the product line (i.e., satisfied, committed fans.)

The ideal scenario is when your customers' monthly purchases are automatically shipped to them!

STEP 4) Replication

Customers move to the next level of relationship with you, and want to know about the “business opportunity.” They then become active distributors themselves and begin to build their own downlines by introducing members of their families and close personal friends to the products. The four-step process repeats itself over and over again!

This sounds like a simple progression of action steps, right? Not necessarily.

If you have no leads, you have...

- no sales conversion,
- no ongoing consumption,
- no one to replicate.

Offline, it's easy to understand why people fail at Network Marketing. Many people have trouble working up the courage to recruit and generate *new* leads.

They fear rejection.

Offline, it's not easy to approach strangers, those who are outside their "warm circle of prospects" (i.e., beyond friends, relatives, etc.). That's why most offline Network Marketers accomplish very little. Most people just can't cold-sell.

But online?

Generating leads is made for the Net.

Even the most introverted individual can build a successful Network Marketing business without leaving the comfort of his or her home. It's no longer necessary to have a huge and continually expanding circle of social contacts or a powerful, extroverted personality to become successful.

But that's not the way matters have unfolded. Most people in the industry try to force ***offline methods to an online world***. Based on observable results, it's easy to conclude that this approach just doesn't work.

It's time to put the ***Net*** into ***Network Marketing***.

In fact, there's no need to "***push***" (i.e., chase cold calls/prospects) when you can motivate potential customers and business-builders to "***pull***" (i.e., people want to call you to learn more). That's the beauty of the Net in a nutshell.

Let's quickly examine why forcing offline methods on the Net creates a cascading sequence of problems and no success...

Forcing The Net... Why It Does NOT Work!

PROBLEM #1:

Government highly regulates the Network Marketing industry in order to protect people against pyramid rackets. Corporations can be severely fined if distributors make business claims that are not permitted.

Rules also forbid all kinds of claims about all kinds of products, especially those in the wellness industry, making the situation even more difficult for Network Marketers and their companies. Obviously, when it comes to creating your own Web site, you don't want to get into trouble.

PROBLEM #2:

Due to severe government regulations (as well as corporate branding concerns), Corporate Head Office does not want its reps/associates to make claims (on the Web) about product or opportunity or the company. So they do not provide you with the ability to speak with a “**unique voice**” (the key to any success on the Net).

Actually, most reputable companies forbid their associates from creating their own, unique Web sites. Consequently, distributors lack the correct tools and strategies to attract and win new leads and/or sales on the Net.

A unique voice is essential. **It helps you to communicate, to connect, to build relationships with your audience.**

And by talking **to** your prospects rather than **at** them, you set yourself apart from the competition.

All day long, in your offline life, you do exactly that. **You PREsell yourself.** You build your personal offline “**brand of one.**” This is the image that people have of you. Building a “brand of one” is just as easy to do online through your writing.

Effective PREselling on your site creates a warm, open-to-buy mindset in your target group and gets that important click-through to your contact form for direct follow-up. PREsold visitors are much easier to convert into customers. **After all, people do business with people they like and trust.**

PROBLEM #3:

Corporate Head Office tries to come up with solutions. But they don't understand the Net. For example, some companies develop a very good **content site** (i.e., a site that provides lots of helpful information beyond sales copy). If it were the only one of its kind, it would likely do fairly well for one Network Marketing associate. The Head Office, however, replicates the site and makes it available to others, figuring that thousands of associates will do even better with it.

Wrong assumption. Replicated content sites don't work. Since they do not provide any unique value to a visitor, the Search Engines (SEs) ignore them. It's worse, actually. The engines consider them the equivalent of spam since these sites just clog up their databases and degrade the quality of their search results.

Quality relevant results are the backbone of **their business**. It's how SEs build a loyal fan base of surfers and, in turn, attract and keep a huge stable of advertisers who are their true customers.

Working with the Search Engines is absolutely critical for all online businesses, including Network Marketing. Search Engines drive the best traffic to a Web site... **free**, qualified traffic.

Online advertising is expensive (especially in the highly competitive Network Marketing industry), and most small business owners do not have the finances to sustain such a campaign. So for you and most other distributors, using the free Search Engines is the smartest and most cost-efficient way to attract the largest number of new, interested, open-minded leads.

Other variations of replicated sites also exist... and fail. For example, some companies provide in-house Webmasters to create sites for their Diamond Level associates. The Diamonds then provide copies of these sites to their downlines. Not a wise decision. Same thing happens as above. Search Engines compress these sites out of existence. They will obliterate anything that compromises quality search results. Back to "Square One" again.

What about replicated stores? This is a slightly better idea. It's a useful tool for tracking product sales, *if you and your downline can find someone to send to your stores.*

The more typical reality is...

- Replicated stores don't build traffic because they have **near-zero content**. (And if they did have content, the Search Engines would hate them anyway because most of it would be sales copy.) As a result, they do not draw fresh, new leads and consumers, vital ingredients in the recipe for success.
- Most people do not approach people outside their warm circle of prospects and, therefore, cannot divert a large offline audience to their online stores to make purchases.

Result? No traffic... no leads. No leads... no business.

You are still at Square One, trying to build traffic and find leads.

PROBLEM #4:

The final phase is the "vulture phase." This is the inevitable scenario in an industry that holds so much promise, but is floundering. Here are samples of actual sales copy from recently published ads...

Highest Quality - Lowest Prices - MLMs Number One Lead Source

Explode your business with fresh, MLM Leads

Legit MLM leads. Not shared. \$69.95 for 125.

The **Get Rich Quick** Marketers sense the desperation in the industry. An endless number of online lead providers offer “immediate, easy, powerful” answers to the industry's #1 problem. But these answers simply do not work. How could they? There are only two kinds of lead-sellers ...

1) Leads are cheap, on a per-lead basis. You are buying the same old, tired lists.

OR...

2) Leads are expensive. You *may* (who really knows?) be getting unique leads. *But how unique or warm are they?* (For example, were they merely paid a certain amount to join a list?)

There is simply no other way for lead-sellers to make a profit.

One more important point about lead-generators... **when you stop paying, the leads stop coming.** You own your business once you own your leads. Otherwise, the lead-generators own you.

It's amazing, but sad, how many people never figure out that there is simply no such thing as “**get rich quick.**” **There are no shortcuts to building a truly profitable business with equity.**

So what is the solution?

The C ➡ T ➡ P ➡ M Process

CONTENT ➡ Online, people search for information. They look for solutions. They are **not** looking for you or your downline. People are **not** looking for your company's products. And they are **not** looking for a business opportunity.

Convert your own knowledge into high-quality, in-demand **CONTENT** which **OVERdelivers** what is being sought by your visitors. And you do it with a “been there - done that” voice and flair.

TRAFFIC ➡ Build a theme-based topical content site that ranks highly (in the Top 10-20 search results) at the Search Engines, attracting **free, targeted TRAFFIC**... interested, open-to-being-converted visitors.

PREsell ➡ Develop trust and confidence (“**PRESELL**”) by OVERdelivering relevant, original, high-value information to these motivated pre-customers. Build your reputation as being an “expert” in your field.

Many Network Marketers flounder because they are too eager to convert their visitors into income (which is the **last step** of the process). These owners do not take the time to build a friendly, trust-worthy relationship. Visitors will not heed their recommendations without this critical prerequisite.

Before you can monetize your audience, you must demonstrate that **you truly have their best interests at heart**. You can achieve this by giving them honest, viable solutions, and steering them away from inappropriate ones. That is the essence of effective PREselling -- **building trust and credibility**.

Pitching an audience too quickly can make them question the motives of the site owner... “Is this information really here to help me, or is it to help make a sale or build a downline?” Even worse, a large percentage of people will leave your site immediately with a bad taste in their mouths, never to return.

Relevant, high-value content creates an open-to-buy mindset. Only after you have PREsold your audience can they smoothly move on to the final step...

MONETIZE ➡ **Convert** your warm, willing-to-buy visitors into various sources of income.

The key is to develop content that pulls in your visitors and leads them to the next click... the one that monetizes. This equation summarizes the concept...

Valuable Content = Credible Recommendation = Turned ON Customer = High CR.

“CR” stands for Conversion Rate, or the number of visitors who “convert” into paying customers. For example, if 4 out of 100 people who click a link to an income-generating source become customers, you have a CR of 4%.

In other words, do **not** push your visitors to the click. Instead, make them **want** to click through. It makes all the difference if your visitors feel that it's their idea to deliver your **"Most Wanted Response"** (i.e., you most want your visitors to contact you so that you can convert them into customers and from there, if appropriate, into distributors).

Earn additional revenue from other non-competitive sources (Google AdSense program, affiliate commissions, finder's fees and other techniques).

Diversification into multiple streams of revenue maximizes online business income, growth and stability.

Diversification also allows you to...

Side-Step The Stigma

Like it or not, there is a stigma attached to Network Marketing, especially online where the get-rich-quick scenario is frequently presented to an increasingly skeptical audience. That's why it's important for you to build high-value content about topics **related** to your company's products... and **NOT** about the products themselves, or the company, or the business opportunity.

There are several reasons for this...

1) "Pitching" products, the company or the business opportunity would break too many government and/or corporate rules.

2) You will instantly lose a large percentage of visitors for whom Network Marketing has a negative appeal. Contrary to popular belief, these visitors are not lost causes.

PREsell the **benefits and solutions** of your company's products and they will become customers/consumers long-term. Then, once they are sold on the quality of your products, a percentage of those individuals will be receptive to the business opportunity.

And you can try to make every visitor count by offering different monetization models on your site. (For example, an individual may not be interested in your product but she earns you income by clicking on an AdSense ad.)

3) A patient information-sharing approach is ultimately the more effective, credible road to long-term success. It establishes you as an expert... one who shares relevant information... someone to approach for additional information

and help... someone who can be trusted.

4) It protects your business from the sometime tumultuous world of the MLM industry. Let's say you base your entire Web site upon a certain company and its products. What will happen to your business if that company should experience difficulties? Exactly right, there goes your business, too.

On the other hand, by writing about issues/questions/wishes addressed by products, you can always switch to companies in the same field with the same type of products, if trouble arises. Your content will still be relevant.

Better yet, if you're treated unfairly, or if you become disillusioned or if anything happens that causes you to question the relationship between you and your company, you can drop them like a sack of wet rags, and move onto something better.

Follow these pointers to profitability...

- **Avoid talking about business on your site.** Provide the helpful information your visitors are searching for through the Search Engines. Make it worthwhile and enjoyable to read.
- **Do not link to a replicated store.** It's too early. Visitors sense a sales pitch. There will be lots of time for that after you and your visitor have chatted on the phone or conversed by e-mail.
- **Stay away from offering free CD-ROMs and other business-like promotions.** Too business-like, too soon.

Instead...

Gently ***leave the door open*** for visitors to contact you via a simple Web form or by telephone. From there, you are ready to take over. All your offline training kicks in and you can present the products effectively.

You have never had it so good. ***Leads are calling you.*** There is no stronger, more cost-effective way to build a customer and potential downline base.

A Slightly Different Approach!

Most people who monetize through Network Marketing focus mainly on selling the opportunity. It's a strong attraction because they feel that they will be more

successful if they concentrate their efforts on building a huge downline, rather than on the sale of individual products.

MLM is all too often about the distribution scheme. For some companies in the industry, their whole orientation is geared towards recruiting distributors.

However, because the online medium is a cold one, and because many people are prejudiced against MLMs, this approach doesn't work well.

For most Network Marketers, the opportunity is the first and only proposition. They pitch it way, way too soon. And as a result, they fail.

Instead, become a provider of valuable content and an enthusiastic advocate for your company's products (more on this later on). The rest will follow naturally.

In the end, the net result is the same. Instead of chasing prospects, warm and interested people (who appreciate the information provided) approach **YOU**.

Multiple Revenue Streams = Motivated Distributors

Many Network Marketing executives are hesitant about their distributors building businesses that do not focus *solely* on the company's product line and opportunity. While this is understandable, it is also an unfounded concern in the online environment.

Here's why we recommend that every Web site has a diversified source of income...

1) Building a profitable Network Marketing business on the Net, one that generates warm leads 24/7 on a continuous basis, requires several months of start-up time.

You need to complete your research, create the necessary content, and wait for the Search Engines to start driving traffic before the business begins to "snowball." The get-rich-quick scenario is not an accurate reality of **any** business.

2) Conversion Rates on the Net vary from 1-8% depending on the audience, the Web site, and how the Webmaster communicates with that audience.

If your goal is to have visitors contact you through an online contact form for more information, you can expect 1-8 people out of 100 visitors to do so. While these people are qualified leads, the other 92 visitors may not want or need your

products at this time.

By implementing other monetization models (i.e., other means to generate revenue from visitors), you can make those 92 surfers count towards a larger bottom line. Different (but related) offers might interest them.

3) Success breeds motivation.

Many people do not have the patience or the drive necessary to maintain focus for the time it can take to build results. Others are easily discouraged.

Other monetization models (such as participating in the Google AdSense program) can generate revenue almost immediately, meaning you are happy and **motivated**, ready to continue building your business. That first check is a powerful demonstration of success!

Best of all, having a diversified Web business means your growth is more stable and less prone to fluctuations. **Stable businesses will not stop producing new leads and sales.** They will continue to flourish and grow, and you will prosper right along with them!



There is one more essential factor before this primer wraps up...

A Change in Mindset is Crucial To Your Success

You are not a Network Marketer. You are not a Google AdSense partner. You are not a product seller. You are not an affiliate.

Expand your possibilities... think of yourself as being in the "Content Business."

Label yourself as a "Content Provider," first and foremost.

Why is this so important? Quality relevant content is what drives the **C**  **T**  **P** engine.

And this engine delivers high volumes of PREsold visitors who love you. Once you have a solid traffic base, monetization is easy.

Seeing yourself as a Content Provider offers you both flexibility and security.

Should your MLM partner ever treat you shabbily, you can drop them like a hot potato and partner with someone who is honestly interested in working with you.

What if one of your partners declares bankruptcy? No problem! You are only mildly inconvenienced, and when you switch over to a new company, your visitors will never know the difference.

Quality content insulates, cocoons, and empowers you. Since it is your content that attracts your visitors (and not your company's product offers), visitors will continue to arrive at your site, day in and day out, regardless of the status of your partners' businesses.

What's the essential lesson to absorb from this?

Capitalize on the Net's monetization potential by **keeping an open mind** about diversity. There are many lucrative related ways to monetize your PREsold traffic (i.e., affiliate partnerships, Google ads, etc.).

Don't allow other companies to own yours. Break out of their indoctrination. The sooner you realize that you are not boxed in, they will stop owning your attention.

At that point, you will realize that *you own them and their attention*.

Of course as you embark upon totally new ways, you will receive pushback from many "higher-ups." That is when you need to get firm and say...

Sorry, I am not going to take that anymore. I am no longer an MLMer. I am a truly independent business person. **One** of the ways I monetize my site is through the Network Marketing company that I choose to do business with. I also monetize through AdSense, affiliate programs, and I'm planning to write an e-book. In short...

I am a human being whose business and life belongs to me, not you. My life has more value than being pumped up by your next rah-rah session to continue working in ways that fail. I am under my own control, not yours. Please stop the manipulation. So...

I won't be there (the next rah-rah, regular meeting, whatever) this weekend. I have a life, a family, and a business to build.

Do InterNETwork Marketing and become an independent business person.