

Six or even Seven Figure **How to Select a [^]** **Home-Based Business**

Manuscript/E-Book

By Daren C. Falter

The following is a rough manuscript of Daren Falter's best selling network marketing book, *How to Select a Six or Seven Figure Home-Based Business* (previously entitled *How to Select a Network Marketing Company*). This book has sold over 40,000 copies in soft cover in 10 countries. How to Select... is in its 5th revision in 10 years. The information in the book is updated every few years to bring it current with recent events and changes in the home business industry. Please keep in mind this manuscript is in the process of being revised and proofed for errors and inconsistencies. The RED portions are EDITS in the process of being completed, ignore them. However, even in this condition, this current copy is one of the most factual, objective, and complete works on the subject of selecting a home-based business or network marketing company in existence today.

Enjoy this free copy, compliments of Daren Falter at www.dcfalter.com

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INTRODUCTION 1:

Why I Wrote This Book

Creating this book was no easy task. It took years of study, careful thought, and application. Obviously I would not have accepted this challenge if I didn't have some compelling reasons to finish this book. I actually had three reasons.

1. First, I was tired of reading and listening to self proclaimed home-based business gurus review programs and ideas on making money from home with strong opinions founded on nothing but personal experience. Most of these "experts" have done very little research and many have little or no background in business or direct sales. I'm committed to telling the truth about home-based business. I'm committed to taking a closer look at the criteria for selecting the best home-based business. I'm committed to keeping my sleeves rolled up and remaining in the trenches actively building my next successful home-based business while still maintaining total objectivity when reviewing business ideas and opportunities for others. To validate my research and conclusions, I have quoted some of the most universally respected authorities throughout the book.
2. Second, I feel that too many people are selecting business opportunity without doing enough of their own research. Most people simply don't have the time or the resources to effectively evaluate and compare many ventures. So they accept and follow the advice of someone not qualified to give it, like a fellow employee or even an inexperienced friend or family member. Or they follow the first charismatic mentor or business coach they meet without really scrutinizing their backgrounds or character. I decided to do most of the research myself and then provide an objective resource for my readers so they won't have to spend months, or even years, selecting a top home-based business.
3. And finally, I have a passion for helping people succeed in business. This book allows me to share the information that I have gathered over the past decade with others who have the potential to be great in a home business, but are having a tough time hooking up with a good system. By following the principles and criteria outlined in this book, I have been able to make excellent, informed choices that have truly paid off for me. Every time I've FAILED to apply these principles (and believe it or not, sometimes I HAVE failed to follow my own advice) I've failed to select a good business vehicle. Now it is your turn to do your due diligence. Find out if my strategy for selecting business opportunity makes sense to you. If it does, my hope is you will apply the information you read in this book and use this criteria to select a TOP home-based businesses system that you can build and benefit from for years to come.

Opinion vs. Fact

I have spent thousands of hours researching all aspects of home-based business. I try to review every article, book, tape, video, and seminar in order to gain a better understanding of home business. I have interviewed hundreds of people. Much of the information included in this book is well researched conclusions backed up by documentation and details on how I reached these conclusions.

Do The Experts Agree?

To support my opinions, I have also included quotes from articles written by some of home-based business' top consultants, authors, speakers, and trainers. Please note that although many of the most respected authorities are in agreement on many of my opinions, these individuals may not necessarily agree with all of my opinions. You'll also find it interesting to note that although most of the experts quoted in my book would agree with most if not all of my points, many of these experts are involved with multiple streams of home-based business income through a variety of opportunities. We may or may not be pursuing the same businesses. But nearly ALL of these top authorities have selected home-business vehicles and systems that would survive my scrutiny.

No Scrutiny Is Perfect

It's important to note that almost every six or seven figure earner in home-based business has worked with more than one opportunity. In most cases, they have been with several different programs over several years. Why? Because no matter how good you get at selecting a business idea, as an independent distributor there is still a limit to what you can control. You can do all the research you want and although this improves your chances immensely, there is still no guarantee that your company won't make a fatal move OR become the target of an ignorant, over-zealous industry regulator.

How can you, as an independent distributor, have any kind of CONTROL over the direction, and the actions of your parent company? How can you have TOTAL control? For a NEW perspective on this very topic, be sure to read, "The NEW Network Marketing" which I wrote with my friend Brett Rademacher. You can find it at my website at www.dcfalter.com.

However, I will say this... if I could invest my money in the network marketing companies I have chosen as winners over the last 7 years like I invest in stocks, I'd be the Warren Buffet of MLM!

Feel Free to Disagree!

Readers of this book are absolutely entitled to, and even encouraged to, disagree with me. But I must warn you – a significant portion of the beliefs I have formed over the last ten years have been scrutinized against MLM's most recent findings. My opinions regarding many issues have been modified as recently as the date of this book's last revision. If you are reading a two year old copy, it may be out of date already. I'm constantly in the process of updating this information in order to reflect current research and new findings. If you disagree with me, I will simply ask you to check the source of your information first. Be careful that the information you are receiving is not twenty-year-old information that has been recycled through an "old school MLM guru." In network marketing, there are only two kinds of distributors – the quick and the dead. If you want to avoid becoming the latter, you must learn to evolve with this rapidly changing industry.

No MLM Skeptics ... Please!

Taking into consideration the title of this book, and based on the fact that you are still reading it, I'm assuming that you do not have any hang-ups with network marketing, or at least not serious ones. If you do have a problem with MLM, please put this book down right now, contact the person who sent it to you, and request a different book. The person who recommended this book to you obviously did not ask enough questions to figure out what information was the most appropriate for you. There are many powerful tools on the market that will help you gain an instant appreciation for network marketing. However, this book is not designed to convince you that MLM is the greatest opportunity on earth. It is designed for those who are already able to see past the prejudice surrounding network marketing and realize the potential of this form of business. Are we on the same page? Good! Let's continue.

How To Use This Book

If you have never been involved in network marketing previously, this book will assist you in discovering what to look for in a top network marketing program. If you have been involved in network marketing in the past, you may find the following information revolutionary. It will help you overcome the obstacles that have kept you from experiencing success in network marketing. If you are currently involved in network marketing and you are happy with your current program, simply use this book to scrutinize your current venture to see if there is room for improvement or if it is time for a change.

INTRODUCTION 2:

Everyone may be reading this book for different reasons. The question is... **why are YOU reading?**

1. You may have been casually dabbling with different ideas for creating cash flow and are now ready to take action.
2. You may already be involved with a home-based business and you're curious to see how your business compares to other business vehicles.
3. You have never been involved with a home-based business and you are in the process of evaluating various opportunities in order to select one.
4. You have given your home-based business your heart and soul. After spending more time, effort and money than you could afford, you have little or nothing to show for your trouble. You want to know how to avoid the pitfalls and finally select an opportunity that is going to last.

Right Here! Right Now!

No matter your reason for acquiring this book, you've come to the right place at the right time. All of your experiences in life or in home-based business or independent distributorship, good or bad, have been preparing you for what I'm about to share with you. What you're about to read may change the way you think about money forever!

Doing your due diligence

Before you become a six or seven figure home-based business owner, you need to pick the right vehicle for the right reasons. The key to selecting the right business is "doing your due diligence." This is a popular phrase that has caught on in the last decade as people have started to realize that not all business opportunities are created equal. People are beginning to understand that the smart way to select the best business venture is to thoroughly scrutinize a business vehicle before getting involved.

Better to have loved and lost...

Right now you may be thinking, "But I've already tried and failed at a home business!" You may feel like I did several years ago – that you are doomed to failure in your own business. Believe me, I have been there, done that, and have burned more T-shirts than most people will ever buy. I know what it feels like to refer friends to a business venture that goes out of business, or a product that is pulled off the market. I have walked on eggshells with my spouse when she didn't see the dream of business ownership, and I was struggling to try not to spend more than we made each month. I know what it feels like to be alone in a business with no support. I know what it feels like to pump hundreds, even thousands of dollars into a business that doesn't seem to be going anywhere.

A Better Way

I'm going to invite you to do something very different. I'm going to invite you to give home-based business one last try. However, this time, before you choose a business opportunity, I want you to first understand the principles behind selecting the best business system. After all, this isn't a roulette wheel...this is your financial future! Don't throw a dart to select your opportunity. Learn how to choose a business and a support system based on the facts. We want to teach you how to avoid the 90% failure club.

Everyone claims to be the best. Who can I trust?

There are so many voices out there, it is hard to know who to trust. As FBI Agent Fox Mulder of the X-Files says, "Trust No One." Now does Agent Mulder mean don't listen to your family and friends, or don't listen to your own father or your own child when they're addressing you about anything? No. He means "question authority!" Don't just take information at face value. Don't believe something because it is in print. Don't listen to the opinions of people who are unqualified to give those opinions. Learn to verify, quantify, and validate information. Stop listening to hype and learn to do your own research. Once you

have all of the facts, study them out in your own mind, meditate on it, pray about it if that is an appropriate practice in your family, and then trust the answers that come to you. You're the only person who doesn't have a hidden agenda. You're intelligent enough to find and research the facts, objectively review the data, and even to call on divine help. Only then can you make an intelligent business decision.

The Study

Now if you're anything like I am, you're probably wondering what resources are available for you to do research on home-based business. The answer is... not many. This is one of the main reasons I chose to embark on this research project. I couldn't find anything to help me scrutinize and select new home-based business vehicles. I originally did my research to help myself.

Secondly, since I was involved so heavily in home-based income, I was making recommendations to others who were interested in pursuing the same course. In many home-based business program, such as direct sales and network marketing, there is actually incentives built into referring new business owners to specific opportunities. I decided that if I wanted to refer people whole-heartedly to a good business, I had to know it was truly the very best! I knew I had to take the time to do the research so that business associates wouldn't have to. I have conducted one of the most comprehensive studies of home-based business opportunities in order to determine which criteria are important in scrutinizing and selecting a vehicle. Over 400 business opportunities were included in this study. My objective was to narrow the field to the top 50, then the top 10, and then to select one. I have repeated this process every year for the last ten years to update this information and to stay current on my recommendations.

Wow, what a project! At the completion of this study, I selected the #1 opportunity in network marketing and I'm now building a strong international business with this company. My work is done. Now it is time for you to do your due diligence. If you are truly committed to learning the principles for selecting the best company in network marketing, please follow the directions below. Following your review, please get in touch with the person who referred you to this book and share your questions or comments.

Enjoy the study,

Daren C. Falter
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Introduction 3

I caught the home-based business bug years ago when, while enjoying a delicious plate of chicken cordon blue at my college dormitory cafeteria, I received a compelling sale pitch from a fellow student. He invited me to a business opportunity presentation and even offered to arrange to pick me up as my only form of transportation was a hand-me-down Schwinn 10-speed with half the gears missing. No, that night my cafeteria buddy and I hitched a ride with my soon-to-be mentor, Paul. He picked us up in his brand new, fully loaded Pontiac Grand Am purchase with home biz cash. The temporary license plate was still on the back window. He proudly displayed and demonstrated all of the features and high tech bells and whistles as we rolled through the hood (neighborhood that is) in style, cruising to our business opportunity meeting.

The year was 1990, I was a full-time student working a minimum wage job that I didn't like in order to pay for dates with my soon-to-be bride, school expenses, and the basic necessities of life, in that order. Needless to say, I was very open to suggestions on how to make more money in less time, and find more time to enjoy the things I liked to do with the people I enjoyed doing them with. Besides, I just didn't feel like I was earning what I was worth at my job, even though I was attending college to hopefully remedy that situation. Prepared for any suggestion, since I had nothing to lose and everything to gain, I agreed to attend this, my first, opportunity meeting.

This meeting changed my life in every way. Even though I never experienced any substantial success with that specific opportunity, this was my first exposure to what I call a "modern-age home-based business". Not unlike a franchise, this home business plan was a streamlined business building system complete with competent management and leadership, easy-to-sell products, a lucrative compensation plan. Most importantly, it provided all the free training and support a poor college student could ask for. I spent a few months with this company and learned much before I was lured into my next home business opportunity. However, I never regretted the experience and think about it often. It was through experiences like this that I gained the necessary knowledge to make the right choices later in my career. This was my beginning.

From 1991-1994, I worked hard at several home-business opportunities but got nowhere fast. I tried and failed at everything. Frustrated, I started reading many books on successful business strategies, reviewing a tremendous amount of training material, and, most importantly, seeking out successful mentors for advice and coaching. By the end of 1994, my problems revealed themselves in crystal clarity. I was taking advice on home business models and strategies from people who were not qualified to give such advice. You've heard the popular expression "the blind leading the blind". I was playing the fool, blindly following other fools from one business model to the next. I had no system for selecting a winning opportunity, nor did I know specifically what to do even when I felt I had found a top program. Like many others who have been exposed to home-based business without any level of true success, I become discouraged.

But one thing that kept me in the game while other fell by the way side, is that I never blamed my failure on the industry. I still believed whole-heartedly in home-based business. I knew it was just a matter of cracking the code. I also had a supportive wife, who endured the hardships with me even though she did not yet believe in home-based business.

I stayed the course, and in 1994, I had a major breakthrough. I finally started having success in one of my businesses. Having gained most of my knowledge from books and seminars, I began applying the principles I had learned and started having great success for the first time in my life. I began taking successful home-business owners to lunch to pick their brains and discover their secrets. I desperately wanted to know the principles that governed their lives and businesses. I once heard renowned trainer Brian Tracy say, "success leaves clues". I had finally collected enough clues that I started putting together the home-based business puzzle and the pieces were finally fitting together.

Suddenly, the second bomb dropped on my short career as I entered an even more frustrating and financially challenging stage of my business. Even though I now had developed some business building skills, I was having a really hard time picking a home business vehicle that would still be worth pursuing

six months from the time I started with that program. My difficulties can be summed up in with the following story that you may have heard before if you've been pursuing home-based opportunities for any length of time. It goes like this...

A man died and went to the pearly gates. He met St. Peter there and the he greeting by saying, Sir, I know you're expecting to go to heaven, but I've been instructed that based on new regulations, I must, in all fairness, allow you to view both heaven and hell before allowing you to make your final decision as to where you would like to spend the rest of eternity. The man said, "well, I see what heaven looks like, lots of puffy clouds, angelic music, peace and happiness. This would be fine, but I guess if its policy, you might as well show my hell." So St. Peter took him into an elevator and they both plunged down to the depths of hell. Finally, the elevator opened into a banquet room filled with live music, dancing, delicious foods and drinks of every kind, and thousands of charming and sophisticated people welcoming him. He says, "Wow, I never expected it to be like this!! I have to say, St. Peter. If I have to make a choice now, I choose Hell." St. Peter replied, "as you wish!" Instantly St. Peter snapped his finger and disappeared. The room became dark, all of the food, dancing, music dissipated and was replaced by evil pipe organ music. The room's temperate increased 30 degrees and it started hailing fire and brimstone. Hooded guards flooded the room with chains and shackles to bind the ankles of all the party goers. The atmosphere had become gloomy and hopeless. The man spoke up and asked one of the guards, "I don't understand, just a few minutes ago I saw a banquet room filled with music, dancing, food, and fun. What's all this." The guard relied with a hearty laugh, "Oh, that was just the Hell Opportunity Meeting, we have those twice a week! Back to business as usual."

The first time I heard this story, I just about fell off my chair laughing. Anyone who has been through the experience of trying to evaluate a home-based business venture by attending an opportunity meeting can relate to this. All they want to tell you and show you is, "all of the good, and none of the bad." In other words, it's a completely unrealistic look at what the company was REALLY like. But it can take new distributors as much as six months to figure out whether or not that initial opportunity meeting was truly accurate or not. I must admit, that I was suckered into many different opportunity with this kind of hype and fluff only to feel my dream slipping away from me at the end of six months. The music and dancing was replaced with frustration and regret, not to mention wasted time, effort, and money.

By 1995, I was fed up. I knew I could be successful in a home business. I was surrounded by people younger than me earning hundreds of thousands of dollars per year and more. Yet, I could not find a decent company to work with that matched my abilities and my values. I decided that if I was going to be successful in home-based business, I had to select the BEST home-based business. And if I was going to select the best home-based business, I was going to have to review every home business available and then make an objective decision based on the facts. No more opportunity presentation. No more hype. I knew that if I was going to truly successful, that I had to look at every opportunity from the inside out. So that is exactly what I did.

During most of 1995, I dedicated myself to searching the world over for information on every available home-based business opportunity. I found lists and lists of distributorships, franchises, network marketing companies, home-party plan programs, and internet-based affiliate programs. I wrote hundreds of letters requesting detailed information. I sent emails, faxes, and made hundreds of phone calls to the founders of every kind of business concept imaginable. And then, the responses started poring in.

At the time I was borrowing some space in my parents' basement to run my part-time office. Luckily I was able to intercept the mail every day before my mother saw her oversized mailbox filled to capacity with company literature, audios and videos, distributor kits, product samples, and who knows what else. I began filling large boxes and storing these materials under my father's 4 large drafting tables, in the closet under the stairs (move over Harry Potter), and in other storage closets and locations throughout the house. It took me the better part of a year to go through all of the material carefully and gather the data for my home business study.

By the end of 1995, I had compiled a list of over 200 top home-based business programs on which I had files full of substantial information. Using a list of 5 key criteria, and 50 sub criteria I had developed over the year, I started scrutinizing and eliminating companies from my consideration.

Soon I had narrowed this list of 200 down to a list of 50 popular programs. These finalists had to be in business for at least one year and they had to have a positive track record. From these 50, I chose my top 20, then my top 10, and then I narrowed it to only 5 companies. In retrospect, I can honestly say that I could have chosen any of these 5 programs in 1995 and they would have all been fantastic choices. As a matter of fact, they're all still in business today.

When the dust settled, I selected one of my top 5 programs and the rest is history. For the first time in my career, I launched a successful business that took me to a solid income that provided financial security for my family for years. This income and the time freedom that can only come from developing a home-based business allowed me to publish the first version of this book in 1998 as a soft cover. I sold over 40,000 copies of that first book without the help of a single publisher or book store. I stopped actively building this business in 1998 and started researching, consulting, training, and I spent a lot of time on the internet learning what it was and how it worked.

I actively participated in building this business from 1995 to 1998 and then I took my business in a different direction. However, based on the residual nature of the income I generated back then, I still receive a weekly income from the efforts I put forth as much as a decade ago. This is one of the key messages I want to get across in this book. The message is, "if you select the right company, you could work hard for a few years and generate income for the rest of your life!"

The Truth About Your Chances for Success in Home-Based Business

“Over 90% of home-based businesses FAIL within the first 24 months!”

Is it true? Is the failure rate really that high? Actually its probably a bit higher. **But that’s not the most important question.** The most important question is... WHY is it so high, and is this something to really be afraid of? After all, think of some of the world’s most effective and respected leaders throughout history such as the Dalai Lama (Tenzin Gyatso), Abraham Lincoln, Mohandas Gandhi, Martin Luther King Jr., Margaret Thatcher, John F. Kennedy, Albert Einstein, Eleanor Roosevelt, Pope John Paul II, Thomas Edison, and even Mother Teresa. They all had major failures in life. You could even say they failed at over 90% of their endeavors. But do we consider them failures? Of course not. They’re considered heroes, winners, individuals who have overcome incredible odds and adversity to make an incredible impact on all of humanity. By the definition of most people, these individuals have lead very successful lives. Those who have researched their lives would agree that they all embraced failure as a teaching tool and a necessary part of daily life. Overcoming the fear of failure allows ordinary people to excel in extraordinary ways.

So what is this “90% failure” business really about? From what I have gathered from my research, its mainly about people feeling OK with mediocrity. The idea of starting a business sounds a bit risky for the average Joe and Jane, so when common people see the “90% failure” stat, they embrace it and use it as an excuse for not taking chances, thus avoiding the risk of failure, embarrassment, and hurt feelings. It brings to my mind the popular Simon and Garfunkel Song – *I am a rock*. I’m sure you remember these lyrics. “...If I never loved I never would have cried, I am a rock, I’m an Island ...And a rock feels no pain, and an island never cries.”

WHY NO RISK?

The masses love the “90% failure rate” statement. They would have you believe this is a truly scary statistic. This statement helps most people justify their own decision to avoid any kind of risk or uncertainty in life, or anything that might push them out of their comfort zone. It makes them look like they’re making the prudent choice for not getting wrapped up in a high risk venture. It definitely makes a home-based business sound like something to be avoided at all cost.

Furthermore, people love to hear about other people failing. This is dirty laundry worthy of the six o’clock news. You might hear a news reporter using the “90% failure rate” statement to lead into a prime-time story about some foolish individual who had some kind of entrepreneurial spasm one day and decided to start a business without first acquiring the knowledge and skills necessary to tackle such an undertaking. Of course, they don’t bring up the fact that this individual was doomed to fail before he or she even started. Instead they imply that because yet another person recently failed, its obvious that business start-ups are “too risky” and should be avoided at all cost. They usually treat the failing business owner as a victim of a scam instead of looking deeper at the real reasons for failure; the individual themselves.

But you can’t blame the reporters. Their job is to give the masses what they want. These kinds of stories are very popular and can boost rating. There’s nothing the apathetic masses would rather see on the tube than a real life story that further justifies their choice to remain safe and comfortable while the adventures, relationships, fortunes, growth opportunities, and the other joys of life pass them by. The masses want to

feel better about their decision to settle for salaried employment or an hourly wage instead of pursuing the road less traveled, or the “performance based” income. You’re probably getting a hint by now that this book was not written for the masses. It was not written for conformists. It was not written for people who like to spend 5 hours or more per day in front of the boob tube.

The Two Reasons for Failure

If you still want to use the 90% figure, here’s a better headline that hits closer to the mark...

**“Over 90% of people who start home businesses
are either *ignorant* or *stupid*,
...or maybe a little of *both*.”**

Now before you accuse me of being conceited and cruel, I need you to understand three things. First, having much experience with ad-copy writing and direct response media, I knew the “ignorant and stupid” phrase would grab your attention quickly and pull you into this text. Am I correct? It’s such a burden being right all the time (joking). **<PICTURE Hillbilly TEETH>** Second, having tried and failed in business several times before I got it right, I lump myself into the “ignorant and stupid” category with no reservations what-so-ever, or at least I did for years until I learned what I’m going to teach you now. And third, you must first understand my definitions of “ignorant and stupid” before you judge me a tyrant.

Daren’s Definitions:

Ignorant: Lacking sufficient knowledge, or, in other words, simply “not knowing”.

Stupid: Acting foolishly, against common reason, willfully remaining in an ignorant state.

Ignorance and stupidity are the home-based business KILLERS. They will suck the life out of any ‘would be’ home-business success, setting you on a path that leads to financial destruction and regret. Dealing directly with these two killers right now at the beginning of your business is your first giant step towards financial freedom.

I did it, so have millions of others, and so will you if you ignore this information!

The truth of the matter is clear. Most people go into business start-ups with high hopes of gaining financial independence and time freedom but they have no clue what they’re doing. You’d think an aspiring entrepreneur might at least try checking out several books from the public library about owning and operating a successful business and actually study them before launching that business. But instead they rush in and run up several high interest credit cards before they realize that maybe they could have done a little more research and planning prior to launch. It seems most people are doomed to repeat the mistakes others have already made in the past. I know I did. And millions of people before and after me will do the same thing, unwittingly initiating themselves into this “90% failure club”. I don’t want you to become a statistic. Allow me to help.

Here’s how the headline should read...

In the interests of eliminating the myths that surrounds the topic of business start-ups, I decided to get rid of the “90%” statement altogether. I have written a new headline with its accompanying statistic to replace the old. My new headline reads...

“100% of people who succeed or fail in home-based business deserve to!”

This statement is much more accurate and truthful. It places the responsibility for success with the new business owner, as it should be. Becoming a business owner means you must take “ownership”. You accept all ownership for the results of your business activities, good or bad. No more excuses, its time to take full responsibility for your own success and refuse to dwell on all of the reasons your business could fail.

But before you accuse me of focusing on the negative side of this issue, allow me to restate this philosophy in more positive terms. The following statement will bring clarity to this idea.

“Success or failure in any business in a free market is determined 100% by the person (or persons) operating the business. With persistence, no obstacle can keep you from your goal. If you work hard, work smart, and never give up, success is imminent.”

I will admit to you that I just made up this quote. But that doesn't make it any less true than if I was quoting Benjamin Franklin. Home business owners should feel a sense of complete control over their abilities to create many sources of income, one stream at a time, and continue to grow and maintain these streams of income for a lifetime. This doesn't make failure impossible, but with persistence, it ultimately makes failure improbable. Everyone I know who has been persistent and intelligent in their approach to home-based business is successful today.

The Buck Stops Here!

People who go around blaming unsuccessful home business experiences on anything or anyone but themselves are traveling down a path from which few victorious entrepreneurs ever return. Yes, there are factors beyond our control. Yes, there is an element of risk with any kind of business. But home-based businesses are so easy and inexpensive to start, and there are so many helpful resources (like this book) to help you manage your risks and increase your rewards, that if you simply keep learning and trying, you will prevail. Isn't that an encouraging thought?

I Lost My Shirt in a home-based business!

I'm often talking to people about the benefits of home-based business and they bring up one of my favorite urban legends. I've dealt with this so many times that I have my answer down pat. The person might say, “My brother has a friend who started a home-based business and lost his shirt.” I then try to find out if I can get in touch with this person to discuss this unfortunate event and I have yet to find a single contact number or address. I then respond to this person by stating, “whenever you find your brother's friend who lost his shirt, let me know and I'll buy him 10 new shirts!” I have yet to purchase a single shirt. You just can't lose much in a home-based business unless you're making foolish choices about how you're spending your money. Any home business opportunity that requires the initial investment of tens of thousands of dollars should be avoided.

How To Use This Book To Select The BEST Company

The opposite of ignorance and stupidity is **knowledge and wisdom**. In today's information age, the knowledge and wisdom of the ages is at your disposal. I have borrowed some of this knowledge and wisdom from a variety of sources and have recorded it in this book in a way that should find easy to follow and to absorb. This book will arm you with knowledge, wisdom, and power. If you apply the knowledge you gain from this book, it will empower you and assist you in selecting the right company. Once you have the right vehicle, with proper training you will be able put your business on the fast track to high profits and long-term stability.

Knowledge Conquers Ignorance

Daily, I'm approached by absolutely beautiful, intelligent, well-intentioned men and women from all over the world who are ripe for home-business meltdown. They'll see their dreams waste away to nothing right in front of their eyes before they've even started to earn income from their ventures. At the same time, I'm also in touch daily with people of no special talent or background who have managed to carve out a home business niche for themselves and create a lifestyle that many people dream about but few ever realize.

What separates the dream from the reality?

The first step towards success in your own home business is acquiring the knowledge necessary to pick the right business vehicle for you and then building massive marketing momentum within that business. Like any other trade or career, home-based business has a learning curve. Unless you've been exposed to dozens and dozens of business start-ups and have experienced a wide variety of successful and unsuccessful business models, it would be wise to allow a mentor or coach to assist you in reviewing and selecting the best home-based business vehicle. Otherwise you're leaving your success to chance.

Why I'm Qualified To Help You

Having experienced massive success in home-based business (and some failure) for the last 10 plus years and due to the fact that I continue to passively earn most of my income today from my home-based businesses, I feel I'm qualified to mentor you to success. Even while I'm writing this book I have thousands and thousands of dollars flowing into my bank accounts. These streams of cash flow are the direct result of using the criteria outlined in this book to select new businesses. Allow me to coach you through the process of selecting the most profitable home-based business. Allow me to mentor you into becoming a home business professional who carries forth the knowledge necessary to select top business opportunities quickly and to build and maintain these successful businesses for the long term. I want you to become the next success story in home-based business. Then, it is your obligation to pass this knowledge on to others.

Here are the FOUR rules of for successfully selecting the BEST home-based business:

Rule #1

Seek out experts and accept their mentorship. It is far too difficult for most people to start from scratch. Good advice from the right mentors can push you years ahead of the pack. Only trust the advice of mentors who are successful. Don't take advice from those unqualified to give it. If you want advice on how to have a successful marriage, seek out a marriage coach who has been happily married for 30 years. If you want advice on how to hit a baseball, seek out the baseball coach with the highest batting average. If you want advice on how to select a winning business home-based business opportunity, seek out a successful home-based business owner who has been making the big bucks for years. Following this advice will change the course of your life. It could also improve your marriage and your batting average over time (more on that in my next book).

Rule #2

Do your own research. Don't trust someone else's facts and figures, even your own mentor's ideas. Find out for yourself. Junk science is everywhere and it's like an infection. Most researchers are paid to produce specific results, completely ignoring the scientific method. This book will teach you the skills necessary to do your own digging.

Rule #3

Follow your intuition. Once educated, you're read to start making your own decisions, even when those decisions conflict with what other well meaning people may be telling you. Remember, almost everyone has a hidden agenda. You're the only one who has your best interest at stake. You're the only one who can objectively represent you, and make the best decisions for you.

Rule #4

Use your head, not your heart. If this statement makes you uncomfortable, you're considered "high risk" for home-based business failure. The red light bulb on the wall of your home office labeled "business failure advanced warning" is blinking and the alarm bell is sounding. Business decisions should always be made when you're rational and sober. Do not make long term decisions in a high emotional state. Examples of the WRONG time to choose a business:

1. Never start a home-business during or directly following an "opportunity meeting"! This is not to say that any company that offers an opportunity meeting should be avoided. If they don't have opportunity meetings, I would be concerned. But don't let someone try to pressure you into signing up "right now" before you can effectively review all of the facts, meditate on the information, or even pray on the matter if this is an appropriate practice in your family. If the opportunity is good tonight, it will still be good in 48 hours. But after you've had time to review the facts, your decision to join may or may not be the same as it is in the heat of the moment.
2. Never start a home-based business on the day you've been fired from your job. Sure, you may consider a home-based business as an option for moving forward after losing your job. But try to make important decisions about your future when you're not fuming about the injustices of life. Give yourself a "cooling off" period.
3. Never start a home-based business after being exposed to the hype and propaganda of a self-proclaimed home business expert. Don't let someone who knows more than you do about various home businesses convince you that they know everything. They don't! Don't rely on my advice in this book. Don't follow one person's advice. Collect verifiable facts and diverse and objective opinions from multiple sources. The only way to reach TRUTH is to take the lead in your education and constantly question authority. This book is a good place to start, but not the final word.
4. Never start a home-based business the day you finish a life altering empowerment seminar, or directly following a religious revival, or while on your honeymoon, or after watching an inspirational movie. Remember, the times you're going to need to be committed to doing "whatever it takes" to survive and thrive in your home-based business are the days when you're emotions may be running low, when you're discouraged, or maybe even depressed. Its during these times when the logic behind your decisions will work as a motivational force to overpower your feelings and set a course of massive action that will lead you to your ultimate reward.

Why am I spending so much time on this issue? Because this is the one I get much too often. Be careful that your emotions do not betray you in business. Do the research and make the most logical choice. There is plenty of room to bring the emotions into your business after you've made correct, rational decisions about the future of your business.

Wisdom Conquers Stupidity

Wisdom is a choice, and so is foolishness. Having access to the information necessary to make the right choices in your business does not mean you will make the right choices. There are several common mistakes made by experienced and knowledgeable home-based business owners. Again, most of these

mistakes are rooted in making irrational, emotional decisions and then trying to justify these decisions with logic and reason.

Stupid Mistake #1: Listening to Ground Floor Opportunity Hype

The term “Ground Floor Opportunity” is possibly the most overused and misunderstood business start-up analogy in the world. So what does it mean? Picture the birth of a huge skyscraper, the kind of building that literally touches the clouds. It could be as high as 80, 100, even 120 stories high or more. Have you ever driven by a construction project where the construction crews are just breaking ground on a new skyscraper? I have. I’ve driven by the site for weeks and weeks peering down into a massive hole in the ground. It seemed as if the builders would never emerge from the abyss. Then, all of a sudden, the crew reaches the “ground floor” which is at ground level. Everything above ground zero is what we see, everything else is below ground. Have you ever noticed how fast a building goes up once it reaches ground zero? That’s why it seems like these enormous buildings are created overnight. But this mega-growth would not be possible without all of the planning, preparations, and massive effort that goes into building a solid foundation below ground. Everything depends on this solid foundation.

This is why the term “ground floor” is so commonly used in business. It perfectly illustrates the most opportunistic time to get involved with a major venture. If you join a business opportunity after the foundational work is complete, just as the business is swinging into its “momentum” phase, you can enjoy all the benefits of momentum growth without the hassles, delays, and complications of the pioneering phase. (More on this in Chapter **XXX**). The reason the term “ground floor opportunity” has become an industry joke, is that it is used by every company to promote their business as a momentum company, even if that company does not have anything that resembles momentum growth. So here’s a wise proverb that will save you years of grief and potentially tens of thousands of dollars. The proverb states, “most ground floor opportunities will leave you in the basement”. This theory has been proven time and time again.

Don’t be lured into the dark crevasse of “ground floor” hype. Carefully study this book to determine when to move on a new opportunity and when not to. Rather than lose you in the basement of regret, I’d prefer to shake your hand on the observation deck, atop the skyscraper of financial freedom. This book will help you avoid that hazards the may otherwise prevent you from reaching the summit.

Stupid Mistake #2: Failure to do Background Checks on Founders

These days it is so much easier to do background investigations on company founders and executives. With the internet, annual reports (for publicly traded companies), and several other private information sources, you can get the goods on just about anyone. Although we will be covering this topic in detail in Chapter **XXX**, keep in mind that if you’re not willing to go through the trouble to do some background research on the individuals you’re going into business with, you should not be going into business at all. This is one area of investigation where you don’t want to take someone else’s word for it. You’re the only one who has your best interested in mind. Study this book carefully to learn the strategies for investigating the founders of your company. This is time well spent and it might just save you years of otherwise wasted effort.

Stupid Mistake #3: Making Decisions in an Emotional State

Most people don’t like to admit it, but many of us have probably joined different business opportunities based on witnessing some hyped up business opportunity meeting at a hotel or maybe even a one on one presentation over lunch. I have to admit, that I’ve fallen victim to this in the early years of my home-based business career. If you have not experienced this, you’re a rare exception.

You’d think that the author of ***How to Select a Six or Seven Figure Home-Based Business*** would take his own advice every time he selects a new business opportunity. After all, I know all the signs of a winning opportunity. I also know what to watch out for. I know how to spot the warning signs and when to raise the red flag. Even though I was armed with all of this knowledge, just a few years back I made a series of mistakes by letting my emotions get the best of me.

Now that you know, choose to Survive and Thrive in home-based business. You may proceed to the beginning of the book.

Questions every aspiring network marketing professional is dying to answer:

Industry:

- Which product or service industry is the most profitable?
- Should I select a product company or a service company?
- Should I go with a NEW idea or go with something tried and true?
- Which industries are absolutely not viable or high risk in the 2005-2006?
- What role do “trends” play in selecting a product industry?
- Should I choose a baby boomer industry, or does it not matter?

Timing:

- During which phase of growth should I join a company?
- During which phase of growth do most MLM's go out of business?
- During which phase of growth would it be best to retire?
- Should I get involved with a ground floor opportunity?
- Is there such a thing as market saturation?

Distributor Compensation:

- Which distributor compensation plan is the best?
- Is the Breakaway plan a bad plan?
- Is the binary plan being investigated by regulators?
- Is the matrix plan a legitimate compensation plan?
- What is a hybrid compensation plan?
- Can a plan pay out too little or too much?

Company & Management Team:

- How can I tell if a company's management team has high integrity?
- Is it important for the company to be debt free, financially sound, and solidly capitalized?
- Is it important for the company to own its own products and facilities?
- Is it an advantage to be involved with a publicly traded company or a private company?
- How can I find out if the management team is experienced, competent, committed?

Other Important Questions:

- Which of the 200 scrutinized network marketing companies ranked among the top twenty?
- How can I find the time to study and compare all of these companies?
- Where can I find an objective source of information on each of these programs?
- How can I find out if one of these financial opportunities is a scam?
- Which company is right for me?

How can anyone possibly review all of the following products and services?

Seasilver™, Tongan Limu™, Tahitian Noni™, Hawaiian Noni™, Goji™ Juice, Energy Elixors, Free Coral Calcium, Calorad™, BiosLife™, Pyruvate™, Pycnogenol™, Ambrotose™, MSM™, Soy Products, Soygenol™, Melatonin, DHEA, Blue-Green Algae, Parasite Cleansers, Manapol™, Tahitian Noni™, Juice Plus™, Colloidal Minerals (“Dead Doctors”), Vaccuums, Financial Services, Home Accessories, Gourmet Food, Web Hosting, Toys & Games, Cookware, Custom Knives, Crafts, Skintastic, Double X, Chocamaca™, Consumer Benefits & Memberships, Jewelry, Laundry Globes/Disks, Water Filters, Air Filters, Home/Car Security Devices, Car Waxes, Oil Additives, Pre-Paid Legal Services, Pre-Paid Calling Cards, Travel, Business Leads, Stop Smoking, Subscriptions, Debt Elimination, Wealth Building, etc.

You're just a few chapters away from the TRUTH!

Have you been asking yourself the questions in this survey? If not, go back and ask each question and really ponder them. Read every subheading and bullet point. Can you honestly answer these questions right now without doing any additional research?

Don't worry, we know how busy you are and that you have many important responsibilities, so we've done the research for you. ALL of the answers to these questions are buried right here in this book. Time to start digging!

Ready to throw a dart?

Here's condensed list of the most popular network marketing companies that have launched over the last several decades. This only represents a portion of the companies that have been in existence over the last century. Some companies are less than one year old, while others are fifty more than 50 years old. With all of the choices, you'd think aspiring network marketers would spend more time evaluating a network marketing company before joining. Most new distributors simply throw a dart to choose their destiny. Well, if you're going to throw a dart, here's a GREAT dart board! Keep in mind that MANY of these companies are out of business already, so you might have to throw a few more times.

1-800-PartyShop	Avon Products, Inc.	Daystar	ForYou, Inc.
1st Family	Awareness	Debt Free	Free Coral Calcium
1To1Everyone.com	Awesome Specialties Int'l	Delfin	Free Network
2 by 2 Net	Aztech Financial	Designer Fragrances	Freedom One Services
2Xtreme	BeautiControl	Designer Nutritionals	FreedomStarr
21st Century Global Network	Benchmark	Destiny	FreeLife International
21st Century Nutritionals	Better Wellness	DeTech, Inc.	Frozen Lease
21stNetwork.com	Beverly Hills	Diamond Treasures Network	FuelZone
360 Solutions	Big Bang Infonetwork Pvt. Ltd.	Diamond Way	Fuller Brush Company
4 the Good Life	Big Planet (See NuSkin Enterprises)	Diolink	Future World
4-Life	Bimini	Diotek India Limited	FutureNet
5 Star Auto Club	Bio Tech Neutraceuticals Inc	Discount Home Shopping Club	Futurewave
5Linx	BioCrave Health Products	Discovery Toys, Inc.	Gano Excel
8 Point Communications	Biogime	DotAll Travel	GasUpUSA
Achieve Success Team (AST)	BioGreen Systems, Inc	Doncaster	GemCap Equity Management, Inc.
Achievers Unlimited, Inc.	Biometrics	Dr. Glass Window Washing	Genesis
American Communications Network, Inc. (ACN)	Bizarre Promotions, Inc.	DS-Max	Geo Worldwide
AcoMark Concepts Pvt. Ltd.	BizKonnect	DS-MAX U.S.A. Inc.	Get Moving Today
Act If Jewelry, Inc - Lady Remington	Blue Strawberry Bath & Body Products Inc.	Dudley Products, Inc.	Global Communications Solutions Inc.
Active Life Plus	Body Alive	Dutch International	Global Community
Ad-Net	Body Electric Inc	DWG International	Global Daily Pay
Advanced Internet Solutions	Body Extreme	Dynamic Essentials	Global Domains Inc.(.ws)
Advanced Marketing Concepts	Body Systems	Dynamic Freedom, Inc.	Global Essence
Advantage Marketing Systems, Inc.	Body Wise International, Inc.	Dynasty For Diamonds	Global Health
Adventure International	Bodyguard Technologies	E. Excel International	Global Health Trax
Adverworld	Books and Beyond, Inc.	Eagle Express Marketing	Global Network Marketing, Inc.
AdvoCare International, LLC	Brain Garden	Earth Smart	Global Nutrition Network
Aerus Electrolux LLC	Builders Referral Incorporated	Earth Tribe	Global Prosperity
Affinity Just-2	Bulletin Board	EarthCare International	Global Strategic Alliance
Agent Nation	Cabouchon International	EarthNet	Global Travel International
AIM International	Cajun Country Candies	Easy Way	Global Wellness Club
Airlume, Inc.	Calculated Couples	EcoQuest International	Globestar
Alive	Calls For Kidz	Elite Health Products	GMX
All That's Natural	Cambridge	ELIXIR-HEALTH	GNLD
Alliance	Cambridge Direct Sales	Elysee Cosmetics	Golden Neo-Life Diamite
Aloe Vitality	Candlefun	Emerald Coast News	Golden Nutrition
Alpine Ecoquest	Cantralliance	Emerald Passport	Golden Pride Rawleigh, Inc.
AL Williams	Capital Crafts	Empower Net	GoldQuest
Altitude	Carco	Encyclopedia Britannica	Golf Connections
Amazon Herb Company	CardLink International	Energy Savers Alliance	Golf Link Int'l
AMC Corporation	Care Entrée	Eniva Corporation	Good Life International
Amer. Longevity	Carico International, Inc.	Enliven International	Good to Grow Garden Outfitters, LLC
Amera	Carino Nurseries	Enrich International	Gourmet Coffee Club
Americall	Carolina Fine Cookies	Entech	Great Life Products
American Bio Labs Inc.	Carprofit	Envion	Ground Zero
American Dream Nutrition	CD Express	E'Ola International	Gulf Coast / Noah's Ark
American Freeway 100	CDI Telecom	EonDeck.Com, Inc.	H.I.D. International
American Gold Plating Equipment	Celestial Harvest	Epicurean	Hawaii HerbalTech Corporation
American Longevity	Cell Tech	Equinox	HB Products
American Post	CenterSource Life Systems Inc	Equinox	Healing America
American Travel Network	Changes	Escape International	Health Club Network
America's Team Inc	Changes International, Inc.	Espial	Health Dynamics Research Club
AmeriKare	Chantal B. - Paris	Essante Corporation	Health Technologies Network
AmeriPlan USA	Charitable Partners	Essen USA	Health Thru Nutrition (HTN)
AmeriReach	Charmelle	Essentially Yours Industries, Inc.	Health Voyage
AmeriTalks.com, Inc.	Charter Financial	Eterna Health	Health-Mor (An HMI Industries Inc. Company)
AMS Health Sciences	Chesapeake Bay Company	Euphony Communications	Healthy America
Amsoil	Clearbrook	Everest International	Healthy Outlook
Amway	Cognigen	EverydayWealth	HealthyPetNet
Anew International	Colesce Couture, Inc.	Excel Telecommunications, Inc.	Heart Warming Creations
Anise Cosmetics	Color Me Beautiful	EXOVAP Ltd.	Henn Workshops
AOL Select	Communications oncepts	EZHealthcarebiz.com	Herbalife International
Aprise	Conklin Company, Inc.	Family of Eagles	Herbatrol
AquaSource	Consumer First, LLC	Fantastic Life Systems	Heritage Health Products Company
Arbonne International, Inc.	Corlink Communications	FIACom Inc	Higher Ideals
Art Finds International, Inc.	Country Bunny Bath & Body	Fifth Avenue Collection, Ltd.	Highlights - Jigsaw Toy Factory, LTD.
Art of B. Living	Creative Financial Options Inc	Financial Ed, Inc.	Holbrook Cottage, Inc.
Artistic Impressions, Inc.	Creative Memories	FINL	Home & Garden Party
Aspire Worldwide	Creative Network International	First Fitness International	Home Interiors & Gifts, Inc.
Assured Nutrition Plus, Inc.	Creative Photo Concepts	First Marketing Group	Home Owners Network Club
AtHome America, Inc.	Custom Corner	FlashNet Marketing Inc	Homemade Gourmet, Inc.
ATX Inc	Custom Telecard	For*Mor	Homestar Communications
AutoPlus Window Stickers	Cutco Company/Vector Marketing Corporation	Forever Living Products	Home Tutoring Opportunities
Avalar Network, Inc.	CyberWize	Fortune High Tech Marketing	Hope
	Dare2BU Records, Inc.	Fortune Quest	

Horizons	Locality.com	Nu-Botanical	Rachael
Howard Wholesale & Promotions	Localnet	Nu-Concepts in Travel	RDAY, Inc.
Hsin Ten Enterprises USA, Inc.	Logo Express	NuEworld	Regal Ware, Inc.
HTEUSA	Longevity Network, Ltd.	Nugenix	Reinhardt Enterprises
Hy Cite Corporation	LR International	NuLife	Reliv International, Inc.
I.D.E.A. Concepts	Lunesse	Nu-med USA, Inc.	Rena Ware International, Inc.
ICR Services Network	Luxelle International Inc.	Nu-Med, Inc.	Renaissance
Ideal Health	LW Publications	NuSkin International, Inc.	Retire Quickly Corporation
IHBNO	Magic Learning Systems	Nutrition For Life	Re-Vita
I-Link	MagNet	NutraQuest	Rexair, Inc.
Immunotec Research Ltd	Magnus Enterprises, Inc.	NutriCare	Rexall
Imn Dot Com Pvt. Ltd.	Mannatech, Inc.	Nutri-Metics	R-Garden
In Touch	Market America, Inc.	Nutrimetics North America	Rosemarie Collections
InComm Inc	Market To Success	Nutrition 4 Life	Royal BodyCare, Inc.
Infinity In1 Health & Beauty	Marty Wolf Game Co.	Nutrition for Life	Saladmaster, Inc. (Regal Ware, Inc.)
Infinity2	Mary Kay, Inc.	Nutrition For Life International, Inc.	Scent-Stations
InnerLight Inc.	Matol Botanical International	Nutritional Now Inc	SciMedica
Innerlight International	Mava D. Enterprises LLC	Oasis Life Sciences	Scriptures
Inspire	MAXXIS Group, Inc.	Oasis Wellness Network	Seaborn, LLC
Integris Global, LP	Mayberry	Oceans	Seasilver USA, Inc.
Intelligent Nutrients	MegaNet\$	Omnitrition International	Secure America
Int'l Consumer Opportunity Network (ICON)	Melaleuca Inc.	One Life	Secure Independence
Int'l Heritage	Metabolife International	OneSource	SeneGence International
International Teamworks Inc.	Metrin Life USA, Inc.	Open Invitation From House of Lloyd	Shaklee Corporation
Investors Int'l	Millionaire Makers	Optimal Telecom	Shape Your Future
IONYX International	MILLIONAIRES GROUP	Oragen International	Shaperite
Iron Curtain Labs	Momentum Worldwide	Orbitalk	Share the Wealth
Isagenix	Monarch	Orenda International	Sierra Judgment Recovery
Jafra Cosmetics International, Inc.	Monavie	Organics Made Easy	Silpada Designs
JangleFish	MoneyMatters	Oriflame U.S.A.	Simply CD
Janzer Architecture Products	Morganics	Original Solutions Inc	Simtex
Japan Life	Morinda, Inc	Oro Club	SkyBiz.com
Jet Set Life Technologies Inc	MotorMoney.com	Outback Secrets	SKYCOM Telecom.
Jeunique Int'l, Inc.	MPAD Technology Group, Inc.	Oxyfresh Worldwide, Inc.	Soaring Eagle
Jewelry at Home	Multi-Pure	OZMOZIZ	Sotera Corporation
Jewels By Park Lane	Muscle Dynamics Fitness Network, Inc.	P.M. International	Southern Heritage, Inc.
JewelWay	Musical Magnets	Pampered Chef	Southern Living At HOME
Joielle LLC	My CD Inc.	Pangea	Spectrum Unlimited Inc.
Journey Telecom	Mycomputerclub.com	Panver Corporation	Sportnuts
Joy Enterprises	My Tax Man, Inc.	Paradigm	Sportron International, Inc.
JS HomeStyle, LLC	My WS	Paramount Technologies	Spring Wellness, Inc.
Jurak Corporation World Wide	Nanci Corporation	Partners Across America	Springboard
Just Add Guests	NATAL	Partners for Wealth	Staff of Life
Juvio	National Companies, Inc.	PartyLife Gifts, Inc.	Stampin' Up!
K**D*S Shield	National Safety Associates, Inc. (NSA)	Passion Parties By Amy	Stanley Home Products
Kaeser and Blair Inc.	Nationwide	PattyCakes Int'l, Inc.	Starfire International
Kadima Inc.	Natural Body Lines Inc	Performance Plus Nutritionals	Starlight
Kaire	Natural Choice Products	Performance Source Inc.	Startouch
Karemore	Natural Connections	Personal Touch Products	Startronics
Kingsway	Natural EFX	Pet Lovers	Sterling Health
Kirby	Natural World	Petra Fashions, Inc.	Streamline
Kitchen Fair (Regal Ware, Inc.)	Natural You	Pharmanex (NuSkin)	STS
Knutek	NaturaLab	PHD Products	Sunnet
Kustom Card Int'l, Inc.	Nature's Sunshine	Pinnacle Plus	Sunrider International
Labrada Nutrition Systems Inc	Nature's Aromatherapy	Pioneerbiz.com	SupraLife International
Lady Remington Fashion Jewelry	Nature's Bodycare	Plexus	Symmetry Corporation
Ladybug Garden Parties, Inc.	Nature's Gold	Pola U.S.A., Inc.	Syncom
Lametco	Nature's of Scandinavia	Polar	Synergy Worldwide
Lametco Int.	Nature's Own	Popular Club, Inc.	Tahitian Noni International
L'aprina	Nature's Sunshine Products	Portfolio	Talisman Marketing Inc
Latasia & Company	Nebullis Network	PortOmega	TARRAH Cosmetics, Inc.
Latin Wave Network C.A.	NEFX	Premier Designs, Inc.	Taste of Gourmet
L'Bri Pure N' Natural	Nest Family	Premier Health Link	Tastefully Simple, Inc.
Le Gourmet Gift Baskets Inc.	Netincome.net Limited	Premier Plus Inc	TCN
Le Natural Int'l	NetVision International Inc	Pre-Paid Legal Services, Inc.	Tea Connexions
Le Nautrel	Networker2000.com	PrimeQuest	Team-Up
Leaders Club	NeuroGenesis, Inc	Primerica	TEL3 NeTel
Legacy for Life, LLC	New Image International, Inc.	Primerica Financial Services	Texas D'Lites
Lexus International	New Resolution	Princess House, Inc.	The Art of Better Living Inc
Liberty	New Vision Int. Inc.	Profit Masters	The Body Shop At Home
Life Education And Prosperity Inc	Neways International Inc.	ProJoba International	The Breakfast Club
Life Extension	Nexwork	Pro-Ma Systems	The Claudia Jean Collection
Life Force International	Nexx	Promise Net Inc	The Comforts of Home By Wicker Plus
Life Prints	Nikken International, Inc.	PRONET INC	The DHS Club
Life Source	Ninja Jump	Prosperity Unlimited	The Fairy Tale Princess Storyteller
Lifelink	Noevir USA, Inc.	ProStep	The Free Store Club
LifeNet Inc.	North American Athletic Wear	PS I Love You	The Fuller Brush Company
LifePlus International	Northern Lights at Home	Quality Health Products	The Gillette Company
LifeScience	Nouveau Cosmeceuticals	Qual-Life	The Golf Club
Lifestyles 2000	Nova Chrome	Qual-Life Systems	The Good Nature Company
Lifestyles International	NOVAGENIX	Quantum Leap	The Hall Group Inc.
LifeTek	NRG	Quest For Life, Inc.	The Homemaker's Idea Company
Lifetime Solutions	NTC	Quest Group International	The Kirby Company
LifeTrends	Nu Care International	Quest IV Health	The Lonebuster
Lifetronix	Nu Creations	Quixtar (Amway)	The Longaberger Company
Links Worldwide Inc.	NU CREATIONS, INC	Quorum Global	The Masters Miracle
Liquid Life	Nu-Botanic	Quorum International Ltd	The Pampered Chef, Ltd.
	Nubotanic Int.	R.J. Morgan	The People's Network

The Regal Gourmet (Regal Ware)
The Southwestern Company
The West Bend Company
The Winners Circle
Theta Technologies
Tianshi Health Products, Inc.
Tomorrow's Treasures
Tomorrow's Treasures/Memory Bank
TopLine/DWG International
Total Link
Totally Tropical Interiors, Ltd.
TOYS/GAMES
TPN
TradeNet
Traffic Oasis
Transform America
TravelMax
Trek Alliance, Inc.
TrendMark International
Trilogy International (Healthy Pet Net)
TriLokin International, Inc.
Trim International
Tristar Enterprises, LLC

Trivita Way International
TSI
Tupperware Corporation
Turning Point
Tutor Trek
U.S. Safety & Engineering Corporation
UCC Total Home
Ultra Corp
Unicity Network, Inc.
Unique Opportunities Inc
Unique Solutions
United Health Programs of America Inc
United Plan
United Sovereigns
Universal Consumer Services Inc
Upland
US Career Institute
US Health Advisors
USANA Health Sciences, Inc.
Usborne Books at Home
Vantel Pearls in the Oyster
VAXA
Vemma

Vigorlife
Vision For Life International
Vita Craft Corporation
VitaCorp International
Vitalife2000
Vitamin Power Inc.
Vitality Labs
Viva America
Viva International
Viva Life Science, Inc.
Viviane Woodard
VM Direct
Vonwerk USA Company, LP
Voyager
Wardson International
Warm Spirit, Inc.
WATCO
Waterwise Inc.
Watkins Incorporated
Wealth International Network
Weekenders USA, Inc.
Wellness
Wellness Associates

Wellness Premium Plus
WesState Mortgage Inc.
Wicker Plus, Ltd.
World Book, Inc.
World Class Network
World Connect
World Financial Group WFG-
Worldnet International Inc
WorldQuest International Inc
Worldwide InterNet Marketing
WorldxChange
XanGo
Young Living Essential Oils
Youngevity, Inc.
Your True Colors
YourTravelBiz
Youthflow Corporation
Yves Rocher Direct Selling
Yves Rocher Direct Selling
Zenith
ZeoliteDepot.com
Zija

Have I made my point? Now you might be able to understand the process my research team and I went through to scrutinize these programs. By the time you finish studying and applying the concepts outlined in this book, you'll be able to narrow this list down to a few dozen top programs.

HOW TO SELECT A NETWORK MARKETING COMPANY

The Criteria For Selecting A Company

Rather than simply running through the criteria we used for selecting the best company in network marketing, I decided to walk you step-by-step through the evaluation process. It is valuable for network marketers to understand the importance of each criterion. You can use this system to rate any network marketing or direct sales business venture. Listed below are the six main criteria we will review in this book. While reviewing these criteria, ask yourself the following questions associated with each criterion:

1. Product Industry: Which product or service am I going to represent and why?
2. Timing: During which "phase of growth" should I join a company?
3. Compensation Plan: Which of the six widely used pay plans is the best?
4. Company/Management: How do I evaluate a company and its management team?
5. Product Integrity: What makes a product line "the best?"

This book will explain in detail the above five criteria for selecting a company. After each study, I included a simple test or rating system for scoring each company. Select any network marketing opportunity and scrutinize this company using the following criteria and rating system. Based on Millennium Research International's evaluations and test results, I have prepared a list of the top companies in network marketing for the years 1999-2000, listed in order of preference.

The Study

Using the criteria mentioned previously, I designed a comprehensive study involving facts, figures, and commentary. Not only have I tried to include my own observations and opinions, but I've tried to quote several top network marketing authorities to lend credibility to my comments and conclusions. I've also included the sources of my research. I hope the information in this section is helpful and informative.

Study #1: Selecting The Best Product Industry

In my analysis of over 200 programs, I was able to determine which product industries within network marketing are the most viable now and which industries will be the most viable during the next 20 years. First, I will list the industries I studied in alphabetical order. Then, I will run through the criteria used to select the most viable product industry.

Current MLM Industries (alphabetical order):

Automobile and Auto Care Products
Books, Reports, Newsletters, Publications
Buying Clubs and Catalog Shopping
Clothing, Fashions, and Lingerie
Computer Hardware and Software
Electronics and Appliances
Financial and Debt Elimination Programs
Grocery and Coupon Programs
Home and Personal Security Products
Household Products
Information Services
Internet Services (hosting, dial-up, marketing)
Jewelry, Gold, Silver, and Collectibles
Lead Generation Programs
Legal Services
Nutritional Supplements and Health Products
Personal Care Products (Skin Care/Hair Care/Body Care)
Telecommunications Services
Travel and Vacation Programs
Satellites, Hardware and Service
Water and Air Filters

WOW, there isn't much the network marketing and direct sales industries don't carry! Time to start eliminating some of these product categories so we can select the best industry.

Narrowing the Field to the Four Most Profitable Industries

In reviewing the above industries, I soon realized that out of over 200 companies I scrutinized, a vast majority were marketing only four different product categories. The most popular and viable industries market the following products or services:

	Industry	Primary Line	Secondary & Tertiary Line
1.	Nutritional Supplements	71%	11%
2.	Personal Care/Skin Care	14%	69%
3.	Household Products	6%	27%
4.	Telecommunications	5%	21%
5.	Other	4%	NA

In this illustration, we see that most of the companies on the market sell nutritional supplements, followed by personal care products, and finally, household products and telecommunications. However, as a second or third marketing focus, most companies offered personal care items, followed by household products and then telecommunications.

Services & Non-Tangible Product Companies vs. Tangible Product Companies

For convenience, we will abbreviate “services and non-tangible product companies” as NTPCs and “tangible product companies” will be TPCs.

There is on going debate about whether or not it is wise to market “non-tangible” products through network marketing. Few NTPCs have withstood the test of time. Simply compare the number of product based multi-levels to service based programs and you will discover for yourself the overwhelming demand for tangible products and the limited demand for services and intangibles. Building a business exclusively with telecommunications, financial, travel, or any other service is like walking up a down escalator. It is possible...but much more difficult. Why are service MLMs so difficult to operate? It has to do with profit margins, streamlining and duplication. Let's explore each.

Streamlining Product Sales – NTPC's vs. TPC's

Let's start with some definitions. Tangible products are products you can see, touch, taste or essentially hold in your hand (nutritional supplements, skin care products, pet rocks). Intangible products are products you can't see (insurance, long distance, savings bonds, legal services). With intangibles, information is passed person to person from the service provider to the client through face-to-face contact. You can't drop ship knowledge, experience, or wisdom. You can't drop ship a service either. It generally has to be performed by someone. Non-tangibles can only be delivered by the person with the information - the technician or officer.

For example, if you are a financial agent selling mutual funds through network marketing, you can only market that intangible product through person to person contact. The same goes with selling telecommunications. Marketing long distance requires some degree of technical expertise and you usually have to be there to sell it. When this kind of face to face meeting is “required” to market a service, your customer base is greatly limited.

Products, on the other hand, have universal marketability. You don't need a doctorate degree or any kind of special training or certification to drop ship a product directly from the manufacturer to the customer. Customers with very little product information and no training can actually call the company themselves and order products or information about the products directly over the phone.

Duplicating The Distributorship

Now in analyzing the distributorship side of the coin, there is a fair amount of training associated with just learning how to market NTPC's. The training required in becoming an effective distributor of the service takes time and energy and can greatly disrupt the duplication process. For example, let's say you are marketing financial services. In order to become a distributor of financial services (life insurance, mutual funds, etc.) you must go through training and certification. This takes time, energy, and in many cases money. This factor alone can greatly limit the number of distributors you can recruit. These requirements discourage duplication.

Now what about TPC's?

Due to the fact that tangibles can be seen and felt, these products always do better in the network marketing arena. People are more impulsive about purchasing something they can see or touch. Tangibles generally have better profit margins. Most importantly, tangible products are more suited for duplication. No special technical knowledge is required to hand a bottle of nutritional supplements to someone and say, “try this.” No special skills are required to hook up a water filter to someone's faucet. The products sell themselves.

Final thoughts about Non-Tangibles

Profitability in NTPC's will change in the future, but it hasn't yet. Most NTPC's are characterized by quick growth for 2-3 years before they go out of business or experience a major dip in sales. Your first step in choosing the most profitable network marketing program is to eliminate NTPC's from your list of considerations...for now.

I don't want to frustrate anyone who is associated with a service MLM professionally. If you chose a service because it is the love of your life, then enjoy your career to the fullest and don't let anyone tell you to take another path. However, if you chose a service program because you thought it was the most profitable choice, I challenge you to study this book and think about these concepts. Remember, the first step in creating a duplicable and profitable system is to find a product that appeals to the masses...not in niche marketing or selling to specific market segments. The second step is to create a system for marketing the products that is easy to duplicate. Ask yourself, "does everyone have a need for the product," and "can everyone do the distributorship?" If you answered "yes" to both questions, you're on the right track.

7 Steps to Selecting a Wealth Generating Product

Now that we have established that tangible products are the most profitable and stable, let's look at some additional criteria for selecting the best tangible product industry. When looking for a "hot" product industry, many distributors feel that any legitimate product will do, as long as it is in high demand. However, in today's competitive MLM market, in order for your company to stay on top you must have more than just a "high demand product." Through years of documented research, the top network marketing authorities in the industry have come to an agreement on the following characteristics when choosing a long-term wealth generating product or service. These characteristics can be found repetitively in network marketing educational books, trade journals, and newsletters. Experts agree that the product or service must have the following characteristics.

I've created a statement that will help you remember the acronym for these 7 steps. It goes like this... **"Each Criteria Unlocks The Vault To Success!"** Now examine the first letter in each of these words and you get the first letter in the 7 steps.

E C U T V T S

Emotional
Consumable
Unique
Traditional
Valuable
Timely
Stable

1. Emotional: The product or service must induce a positive mental or physical change that results in an emotional attachment to that brand. Products that help people look and feel better can create an emotional bond between the customer and a specific name-brand product that may never be broken. This bond can be passed on to others through the sharing of personal experiences.

2. Consumable: The product or service must be regularly used up and replaced on a monthly, weekly, or even daily. This is one of the most important criteria on the list! Without monthly consumption, it is nearly impossible to establish an ongoing monthly income. Distributors are constantly looking for new customers every month instead of enjoying the residual income that only comes through continual product consumption.

3. Unique: The product or service you're marketing must have a unique twist - something that the competition doesn't have or can't get. A special formulation, an exclusive ingredient, a twist in the formulation, or creative processing can make a product unique, or a patent. Maybe it has a unique color, texture, scent, taste, delivery system, container or bottle, logo. A service, on the other hand, must offer something the competition does not. Services are more difficult to customize and standardize, but it can be done. The product or service must also be exclusive to one company only. Your name brand can not be purchased in chain stores or through other companies, suppliers, or independent distributors.

4. Traditional: Although the product must be unique in some way, it can not be too uncommon. It must be similar to other products on the market that have been sold for years and years. The product or service category must have a good track record in the marketplace. Traditional products have mass appeal over a substantial period of time.

5. Valuable: The product or service must be worth its price ... and maybe more! Prices must not be set too high or too low for the perceived value of the product. Also, healthy profit margins are essential in order to finance the company and give incentives to distributors. Value is determined

by customers, distributors, and governmental regulators. If all three parties pass off on the value test, you've got a winner.

6. Timely: The product or service must be in high demand RIGHT NOW. The products must appeal to the masses, especially the "baby boomer" generation. The baby boomer group consists of 76 million Americans born between 1946 and 1964. They are the largest buying force in the history of North America and are accustomed to getting what they ask for. If you can cater to the needs of the baby boomer generation, its hard to go wrong.

7. Stable: The product or service must be in high demand LATER. Take a look twenty years into the future. Will the product or service still be in high demand? If the answer is yes, you have a winner. If demand on the product increases with time, that's even better. You may know about the baby boomers, but you may be unaware that the 76 million baby boomers have had 74 million babies. Having baby boomer children consuming the same product their parents are consuming will not hurt product demand right now and over the next 20-30 years.

Emotional

Think about a product that would create an emotional reaction. How about a skin care product that reduces the appearance of age spots, crow's feet, and other signs of aging. What about a chocolate bar that gave you energy, provided antioxidants, and was not fattening? How about a nutritional supplement that helps reduce the inflammation and pain of arthritis? Have we mentioned lingerie? How about swimwear that helps you look slimmer? And while we're on the subject, what price can you place on a girdle?

What about a pair of shoes that look just like the ones your favorite movie star wore in your favorite movie? How about a perfume that reminds you of the scent your spouse wore on your wedding day or honeymoon? What about a product that tastes great, and helps you lose weight? And not to mention one of the ultimate emotional products... jewelry! Now keep in mind that you may not be able to make any statements about your product that would be considered product claims by the FDA or FTC. But no matter what the law says, if you believe it, your heart is now attached to the brand and price competition may no longer be a factor.

Now think about some products that have limited emotional attachment. I think of telecommunications services. People generally shop price on long distance service and could care less if they're on one network or another as long as the call goes through (which it always does). Cell phone service is also limited in emotional branding since it really comes down to coverage and price. Through advertising, major telecom corporations try to make it an emotional issue by trying to tie emotional imagery into the brand. And this can actually be effective with the right ads placed in the right markets. I also think about household cleaners and consumables. Manufacturers really have to work hard to establish emotional bonds to consumers through clever advertising, packaging, and special scents. Otherwise, you're just comparing soap to soap. Companies marketing products like gasoline, grain, eggs, pork bellies, lumber, and other commodity type products can find it difficult to establish long term customer attachment. Price becomes a major factor with non-emotional brands.

Consumable

If you were to establish a successful home-based business over the next few years, how often would you like to receive a paycheck? Annually? Quarterly? Monthly? I know what your answer will be, but unless you select the right product line, you'll be bound by how consumable your product is, or isn't. If you want to be paid once or twice annually, sell a product that consumes annually like antifreeze, beach towels, family portraits, tires and spark plugs. Or in the case of services you might offer pressure washing, vacation packages, or bikini waxes. Ok, I'll just come out and say it. Selecting these kinds of products is a very bad idea if you like to work smart and make money.

So why not give yourself a 400% raise. If annually consumable products are not working out, try selling products that consume on a quarterly basis. Some of these products might include cosmetics, candles, motor oil, and dish soap. If you can settle for quarterly profits, pick one of these products.

However, I don't like to settle on anything, and you shouldn't either. You should demand maximum profits from the time and effort you put into your business. You should be paid monthly, weekly, or even daily on your marketing efforts. Some of the most consumable products in the world include personal care items, household products, utilities, and especially nutritional products and food items. The more consumption that goes on in the average household, the more income you'll make. Remember, you only have a certain amount of hours to put in every day. You might as well leverage your time with a product that will truly reward you for life with residual income.

A few years ago I did a seminar for a group of ladies in the Home Party Plan business. They all represented one of the largest and most popular cosmetics product lines in direct sales. Without explaining my intentions and without planting anyone in my audience to enforce the point I wanted to make, I conducted an experiment. I had everyone in the room stand up. Then I announced that anyone with a group sales volume of \$100 or greater could remain standing, everyone else was to be seated. Then I increased the volume amount to \$200. More women sat down but many remained standing. Then I continued to increase the amount by \$100 again and again until I only had two representatives still standing. We applauded these ladies and their accomplishment of moving thousands of dollars in product over the last calendar month. I then began inquiring into their business trying to learn their secret to success. My suspicions proved correct when I realized that both of these ladies had been selling one product more than any other in the line produce these kinds of numbers consistently from month to month. They were selling a reselling a new body wash that had been released the year prior and this was now their #1 seller. Then I asked everyone in the room WHY they thought these representatives were having better results than everyone else in the room. I was shocked to find out that not a single hand went up. None of these ladies understood what I was getting at.

After I spelled out my points on consumable products and encouraged everyone to start selling more soap and less eye liner, I felt like saying "if you're all going to start concentrating on selling soap instead of cosmetics, why don't you quit your cosmetics business and go look for the best SOAP company. You'll make a lot more money." I bit my tongue and waited for that urge to pass. I realized at that point that some people were in business to make a profit, and some are in business for other reasons, and some people just don't get it. I decided from that day on that I only wanted to address my comments to those who are interested in getting better results for their time, energy and money. I'm glad you're still reading. This is a good sign. If you're getting this stuff, your fortune is waiting... there are just a few more things you need to know.

Folks, pick a highly consumable product. The more consumable the better. You need to have people calling you every month and even weekly to find out where to get more product. This could be the most important of the seven steps.

Unique

What are some of the factors that can make a product unique? First of all, it is very important to understand that your name brand product must be sold ONLY through one company, your company. If your product can be found in major department stores or through the distributors of other companies, you're sunk.

Next, a product must have a unique formulation or formulator. I love the stories I hear about the originations of some of the popular herbal products on the marketing. You might pop in a company DVD and hear a tale of how some explorer in the Amazon basin found a tribe of indigenous

peoples who's average lifespan was 120 years. Further more the chief was 135, still had his original teach and was still fathering children. Of course, credit was given to a special natural spring of youth generating water that could only be found in this one location in the world. Yes, the fountain of youth. And now it was the exclusive property of XYZ Corporation, a new network marketing company that is now paying you on seven generations of referrals to sell the stuff.

Now that's unique!! Now I'm not trying to make fun of anybody and I don't mean to make light of some of the amazing "exclusive" discoveries that are available through network marketing today. Almost every great product has a great story behind it that makes that product unique to the market place. If you can believe wholeheartedly in that story enough to represent that product as an independent distributor, you may have a very powerful product on your hands. A word of caution, make sure the story checks out. You don't want to be associated with a company that makes things up.

Here are just a few of the things that can make a product unique:

1. A unique formulation that can not be found in any other product
2. A unique formulator, someone with a great reputation and an exclusive agreement with your company
3. A unique, exclusive ingredient or formulation process
4. A patent or trademark
5. A "first-to-market" product, everyone else is #2

Traditional

Although a product is unique, it must not be so unique that people can not identify with is. Otherwise, you'll have to become a sales person and this can kill your duplication in your business. Some examples will shed light on this category. Some of the most traditional products in direct sales today are personal care products, water and air filtration units, nutritional supplements, vacuum cleaners, cookware, etc. Non-traditional products might include compact MP3 players, web-based photo albums, DVD clubs, yoga training, video email, or websites or downloads of any kind. Whenever you have a product that you have to explain

Valuable
Coming soon

Timely
Coming soon

Stable
Coming soon

Ok, lets break it down with some examples of products that match, or don't match each product criterial:

How do I use these seven criteria to select a product or service?

Take a specific product industry and put it to the test. For example, let's say you were interested in marketing electronic burglar alarm systems for the home. How does this product check out with the seven criteria?

Home Security Industry

Is it traditional? Sure, home security devices have been sold for years through direct sales.

Is it unique? It may or may not be unique, depending upon the features.

Is it consumable? No. Buy one and you don't need another for a LONG time. It is extremely difficult to build a residual customer base with this type of non-consumable.

Is it emotional? Personal and family security is a very emotional charged topic.

Is the product valuable? That depends on the price. It is hard to put a price on your personal safety and the lives of your family. However, high-ticket items usually do not do as well as lower priced consumable products.

Is it timely? Absolutely! Baby boomers are more concerned about personal security than ever before.

Is it stable? Should be. Although the product would have to continue to evolve, demand should only increase as the baby boomers get older. Not a bad industry to diversify into as the baby boomers mature.

Now lets take another example and put it to the test. Let's say you decided that you wanted to market business or residential long distance service.

Long Distance Telephone Service

Is it traditional? Sure. Since the deregulation of telecommunications, long distance has been one of the most popular direct sales services on the market.

Is it unique? No. Although every plan has different features, when you pick up the phone to call on any of the thousands of services available, you should get the same result...a long distance call. A few very creative traditional telecom companies have tried to incorporate some unique calling plans...like Free Sundays. But these promotions are easily copied.

Is it consumable? Yes. Everyone uses long distance every month. Utilities are the ultimate consumable.

Is it emotional? No. One might argue that talking to their favorite Aunt Betsy in Maine is a very emotional experience. However, your emotional attachment is to Aunt Betsy, not to AT&T, MCI, or Sprint (unless Aunt Betsy works for one of these companies). Most consumers are more concerned about other features, like saving money on those frequent calls to relatives. They are not concerned about which brand they use.

Is the product valuable? Most telecom programs offer very competitive rates, which means it is an excellent value. However, profit margins are poor so distributors need to make up their lack of commission payout by producing massive calling volume. Since most people rarely change their calling volume from month to month, more volume is produced by finding more customers.

Is it timely? Certainly. Even though deregulation occurred over a decade ago, timing for telecom is still good. Many telecom companies have diversified into other technology services for additional profits. Several have even considered offering other utilities such as electric power.

Is it stable? The long distance market is in a constant state of change based upon increasing competition and new technology. No one can be certain about the future of long distance service. Especially with cellular calling plans getting as low as ten cents per minute. We have also seen the introduction of "flat rate" long distance plans coming through cutting edge Internet technology. Could you image having unlimited long distance for \$60 per month? How about free long distance through the internet with Voice Over I.P? This already makes our traditional long distance plans obsolete.

Now lets consider one more product industry. The personal care industry is one of the most popular and viable network marketing industries on the market. Its easy to see why when you put this industry to the test. Personal care product traditionally include skin, hair, and body care products. You know... potions and lotions!! ☺

Personal Care Products

Is it traditional? Very! As a matter of fact, personal care products are one of the most traditional product lines on the market.

Is it unique? With so many herbal extracts, fragrances, exotic, natural ingredients now available, it is very easy to customize personal care products. And its even more difficult to copy these complex formulas.

Is it consumable? Personal care products received a medium consumability rating. Sure, these are products that are used up and replaced. However, most skin care products, for example, are usually replaced every 2-4 months rather than every 2-4 weeks. This makes a huge difference when it is multiplied by hundreds of thousands of consumers.

Is it emotional? Absolutely. Some of the better personal care products can not only help people to feel younger, but can even enhance their appearance in some cases. What can be more emotional that looking and feeling younger?

Is the product valuable? Because of outrageous advertising and marketing expenses, traditional cosmetic lines don't have any budget left over for the actual product ingredients. Most "non-MLM" cosmetic lines spend more on the "lids" of the skin care containers than they do on the actual contents of the product. Network marketing companies do not spend money on advertising and marketing. They budget more for product developement in order to provide a superior quality product. Are these products worth the price? You bet!!

Is it timely? The baby boomers will spend ANY price to look and feel younger. Statistics show that even the male baby boomers are beginning to purchase more and more top quality personal care products every year.

Is it stable? As these baby boomers move through the age wave, they will continue to demand these high quality, anti-aging products. This trend is expected to last for the next 30 years or more.

Now you may be able to understand why it is important to put every product industry to the test before investing your time, energy, and money. You need to be able to predict whether or not a product industry has good potential or bad. Make sure you put ALL viable industries to the BIG SEVEN test including these: Financial Services, Internet Services, Household Products, Nutritional Supplements, etc. You might want to put your industry of choice to the test before making a final decision. The more frequently you can answer "yes" to the following questions, the better chances you have for success with a given industry. The number one rated industry got a big fat YES in every single category.

Marketing To The Masses...Giving The People What They Want

One of the biggest mistakes people make when trying to decide what product or service to promote is to choose this product or service based on the wrong reasons. For this reason, I would like to take you through the following exercise which will allow you to discover these right and wrong reasons for yourself.

Now pretend that you are selecting a product industry today by answering the following questions as if your financial future depended on it. Be sure to choose well, because if you make the wrong choice, your chances for success in network marketing will be virtually eliminated. By the way, there is only one correct choice.

Question: In choosing your own home business vehicle, your #1 concern should be what?

- A. Marketing products and services that are high tech.**
- B. Marketing products and services that are luxurious.**
- C. Marketing products and services that interest me.**
- D. Marketing products and services that benefit me.**

- E. Marketing products and services that benefit as many people as possible.**
- F. All of the above.**

If you chose letter "E" on your own, you're on the right track. I've heard motivational speaker and millionaire Zig Ziglar say, "If you help enough people get what they want, you'll get what you want." It may be fun and exciting to work with choices A-D but there just isn't any profit in marketing products that do not appeal to the masses. Now don't get me wrong, if you have some or all of the factors in the A-D list working for you, it's just that much better for you. However, when choosing a product or service, keep the following cautions in mind.

Common Mistakes People Make

While in the business evaluation process, most people tend to choose a product or service for all of the wrong reasons. Here is my advice on avoiding some of the most common mistakes that people make.

Don't choose to market stereos, computers, or other gadgets because you want to market products that are high tech. You should only consider marketing high tech products if you have done the research and know it is extremely profitable. Emotional and personal reasons for selecting a product or service to market are for people who aren't concerned about profit. Millions of people have expensive hobbies.

For example, I know of a man who had a little boy. He enjoyed nothing better than to build elaborate electronic models and devices with his son...especially model trains. He saw an opportunity to get involved in network marketing, which would not only afford him the extra money to purchase the expensive materials for building the tracks, but it would give him the time and freedom he so desperately needed to spend more time at home. After investigating many opportunities, the man narrowed his choices to two programs. By good fortune, one of these programs happened to be an electronics company. They had everything from home and car alarms to home entertainment systems to electronic toy cars, boats, and of course trains!! It might seem that the choice would be a no brainer. However, the man decided to choose the other company. This company manufactured and distributed nutritional supplements and personal care products (pills, potions, and lotions). Although his personal interests revolved around the electronics company, he saw more market potential in the second company.

The result? After five years of diligent effort, the man is now semi-retired with a residual income of over \$50,000 per month. He now has one of the largest collections of electronic toys and gadgets of anyone in town, but more importantly, he has the time and freedom to enjoy time building the most elaborate electric train track you have ever seen. As for the electronics company? They went to over 800,000 distributors in five years and the declared bankruptcy.

Don't sacrifice profit to market products that are luxurious. After all, which company is the larger, more successful company, Coca-Cola or BMW? Which product costs more? Would it be more profitable to market lots of inexpensive consumables or a few high-ticket, non-consumable luxury items?

I just met a woman who recently ended a fairly successful career as a real estate agent to the rich and famous. Her days consisted of showing million dollar homes to people who drove around in limousines. Quit glamorous...right? Well, not really. She just quit her job and is now in the process of reading an earlier version of this book in an attempt to learn the steps to selecting the right network marketing company. This high ticket, high commission, high pressure lifestyle was finally catching up with her. Just like J. Paul Getty, she would now rather have one percent of a hundred people's efforts rather than one hundred percent of her own. Or better yet, ten percent on ten thousand!! Someone once said, if you serve the masses, you'll live with the masses...but if you serve the masses, you'll live with the classes.

Don't limit your profit potential by marketing products that interest only you and a few others. I have a personal interest in bagpipes, but I don't know too many others who are in the market for one. Find out what most people are in the market for and market that.

Although it is important to have a firm testimony of your product or service, don't choose to market a product or service simply because you experienced personal benefit from it. Just because you had a beneficial experience doesn't mean others will. Likewise, just because you don't have personal benefits from a specific product or service doesn't mean others won't have benefits. In my career, I have run into countless individuals who have chosen their networking vehicle based on the pursuit of their own personal interests, without giving a thought to what the masses want and need; they end up failing miserably.

I met a woman several years ago who really got me thinking about focusing on other people's wants and need, instead of my own. She was a top distributor in a nutritional network marketing program. She proudly pointed out one day that she was earning a high six figure income by promoting an effective nutritional supplement that she herself did not personally use on a daily basis. You see, this woman was about five and a half feet tall and weighed about 110 pounds. She had to shop young miss sizes in some of her clothes. If she got any slimmer, she would be able to walk through doors without opening them. The product that took her to fame and fortune was an herbal weight management product. Almost everyone she introduced to the product was having results. However, she could not afford to lose any more weight so she stayed away from the stuff. The result? Over 10,000 distributors in her downline in three years and she still does not take the product regularly. It is important not to get hung up on what works for you. Find out how many others it will work for...that's the real test!

Don't make your decision to market a product or service in the heat of the moment at some hyped up rally. Let your emotions calm down to the point where you can use logic and reason to make your ultimate decision. Timing and trends can change over the years. But if a product or service is truly a winner, do you think you will miss out on some big profits if you don't jump in immediately. Many MLM promoters would like to make you think so. Now don't get me wrong. I'm always game for taking someone up on a really good offer. However, the demand on a specific product or service should be safe for weeks, months, and even years after the circus has left town. Don't let anyone make you feel that if you don't sign up right this minute, you'll miss out on everything. Make sure you have the right company, system, upline, and personal commitment before you sign your life away.

Remember that this is marketing, not sales. You'll want to offer products that people want and need; not what you think would be fun and interesting to sell.

How do you know what the market is demanding today? Ask the bait shop clerk...and then take his advice! Here's a short story to illustrate my point.

A Fish Story

Once upon a time there was a man fishing out on a lake. While sitting in his rowboat, the man was eating potato chips and casting his line in the water. He was having an OK day. After all, he just started fishing and he already had a few bites. After finishing his second large bag of potato chips, the man remarks to himself, "self, you know something, I just love potato chips. I wonder how them fishies would like these things? I can't imagine that they would prefer them slimy worms over these tasty potato chips." So he substituted the night crawlers for a few ruffled chips and cast his line in the lake. After several hours went by with not so much as a nibble, the man decided to hoist anchor and paddle on over to the local bait shop for some advice from the local expert. The bait shop clerk referred the man to a florescent colored jar with the words Super Bait™ on the label. The man had been reading about this "new fangled" stuff for months in his fishing magazines but

hadn't tried it. The shop clerk assured him that it was the most effective bait he'd ever used. So the man took the shop owner's advice and bought the Super Bait™. The man immediately rowed back out to the middle of the lake, got his hook ready, and proceeded to open the new bait. That's when the smell hit him. "This stuff is disgusting," he remarked. "I can't imagine what any living creature would want with this stuff," he said. However, he decided that it was getting late he had nothing to lose. So he cast his line in the water and to his surprise, within 5 minutes he had caught 2 fish! That day, the man caught his limit faster than he'd ever done so in his life. The man was glad he consulted the expert. He was able to discard his own limited reasoning and take the advice of the expert. He wondered why he hadn't asked for advice sooner.

I'm sure you can draw your own analogies from this story. However, for the sake of those who are still catching up...the local shop owner represents the many network marketing experts whose advice I have learned from and referenced for this book. These experts have been figuratively "working the bait shop" for a long time. They know what the fish are biting on and what they aren't. These experts are pointing us to the most profitable trends in network marketing. The Super Bait™ represents viable network marketing products and services. The worms and the chips represent low demand product industries. The man represents a new distributor and the fish represents your new customers and distributors. The fish are tired of being fed potato chips. How long will it take you and I to forsake our own reasoning, take the advice of the experts, and get some Super Bait™? The fish are waiting!

Common Myths and Misconceptions Regarding MLM Product Industries

Myth #1

The nutritional supplements industry is saturated. There is so much competition on the market now and new companies are springing up all the time. Won't this kill the demand for nutritional supplements?

Fact #1

Nothing could be further from the truth. After in-depth research into product industries, I found the nutritional supplements industry to not only be alive and well within network marketing, but outside of the industry it is also thriving. Anything dealing with health, nutrition, weight management, and prevention is on the rise. It is the opinion of many top network marketing professionals that there still are not enough top nutritional companies on the market to take advantage of this phenomenal growth.

Myth #2

No one is interested in potions and lotions.

Fact #2

No one except the baby boomers; 76 million Americans with an obsession with staying young along with money to spend on products and services that will help them do just that. Most of the anti-pills, potions and lotions ballyhoo is the result of aggressive attacks from companies that don't promote consumer goods – like telecommunications programs.

Myth #3

My guy friends are NOT going to be interested in skin care and body wash.

Fact #3

Actually, the consumption of personal care products by men is one of the fastest growing trends in the world. With thousands of baby boomer men turning 50 every day, it may not surprise you to be standing in line at the supermarket and see men purchasing exotic lotions, expensive shampoo, hair treatment, and even skin care products.

Myth #4

People don't care which detergent or toilet paper they use. Household consumables are a matter of price, not brand.

Fact #4

Consumers are getting more and more particular about household brands based upon an increase in awareness. The information superhighway is not only giving people access to more knowledge and information, but it is helping the consumer to make informed decisions. For the first time ever we are considering the ethical or environmental implications of how we spend our money. I know of thousands of individuals and families who are purchasing detergents which are two to three times more expensive than average based on the fact they these detergents do not harm the environment. Or maybe they understand that their money is going to a corporation that supports their favorite cause or even political belief. Another reason for shopping brands over price is based upon what trend expert Faith Popcorn calls Small Indulgences. As financial pressures press down on consumers, they are compelled to indulge in smaller, less expensive luxuries (expensive sheets, soft toilet paper, high quality ice cream, etc.) since they are forced to abandon the greater luxuries (cars, homes, vacations). These trends, driven by the baby boomers, are forcing manufactures to again consider quality along with affordability.

Myth #5

Profit margins in telecommunication companies are so low that all telecom companies are doomed to fail.

Fact #5

It is true, price wars in telecommunications have driven the profit margins in telecom so low that this kind of company barely has enough money left to pay employees and distributors. Couple this with the dramatic increase in cellular and Internet long distance telephone technology and you have an industry with an shaky future. However, the smart telecom companies are creating a large network of consumers and distributors with the low long distance rates and then they are introducing other products and services through the network. This diversification can make or break any technology company. The fact remains that companies relying solely on long distance or pre-paid calling cards for their revenues are in trouble. The smart companies will continue to diversify into industries that are profitable AND provide more long term stability.

Myth #6

Network marketers interested in long term residual income would not be caught dead marketing a non-consumable product line.

Fact #6

Surprisingly, many non-consumables have withstood the test of time. Products like water and air filters, non-consumable car care products, electronics, home entertainment products, and others continue to supplement the consumables market. The word "supplement" however is the operative word. Companies that try to build a dynasty on consumables alone usually end in disaster. Through the history of network marketing, no non-consumable product company has ever been able to keep from diversifying into a high demand consumable in order to stay viable. In some cases, the non-consumable nature of the product acted as a catalyst to drive company sales and growth for a few years until the company could afford to diversify into a solid base of consumables. But don't think for a moment that non-consumables do not have a place in network marketing. They are an excellent compliment to consumable product base.

Myth #7

So many companies are marketing "me too" products. A better strategy is to offer something that has never been offered before. Something really unique!

Fact #7

Top motivational speaker, Anthony Robbins, says “if you want to have successful results, find out what successful people are doing and MODEL their behavior.” Why do we have “me too” products? Because “we too” want to make a profit. Certainly every product line needs to be unique. And granted, some product lines are so “me too” that they don’t have any unique qualities whatsoever. But if you want a 99% chance of failure, try marketing a totally unique product line that has never been successfully marketed through MLM. Believe me, most of these companies end up losing. Look at all of the programs who have tried marketing satellite dishes, jewelry, travel programs, and groceries coupons. Although people try to blame these failures on other factors (like compensation plan), I assure you that product industry is the relevant issue.

Myth #8

The Internet is the wave of the future. If you want to make some BIG money, you must be involved with the Internet.

Fact #8

Yes, the Internet is exciting. It has been called a new frontier, the wave of the future, the most important communication tool to come along since the telephone. All of these may be true, but it is important to remember the comments made in Fact #7. Just because industries are new and exciting does not mean they are a guaranteed successful vehicle for your distributorship. Most of the companies that try to launch a major Internet operation without all of the facts and figures end up as road kill on the information superhighway. The best way to increase your chances of success on the Internet is to model the success of other companies. This is a good time to hide in a tree and watch what other companies are doing to succeed... and fail. The best use of the Internet right now is to take an existing profitable business or industry online to increase profits and to reduce operating expenses.

Myth #9

Wholesale buying clubs are a powerful way to develop a large international marketing business while at the same time enjoying the benefits of wholesale prices on thousands of consumer products.

Fact #9

Wholesale buying clubs are a fantastic way to save money. However, MLM’s version of the wholesale buying club is not exactly wholesale. You can save as a consumer by skipping the middle man retailers and going directly to the wholesale warehouse, but generally there is not enough profit margin left to run a true wholesale buying club. What you get instead is simply “a buying club.” Here are some definitions of the Wholesale Buying Club vs. a Buying Club.

Wholesale Buying Club: A group of consumers who band together to form a large purchasing organization to take advantage of volume discount prices. These clubs are exclusive to those who officially become members. Typically, wholesale buying club members will pay a monthly or annual fee for the exclusive right to purchase at factory direct, wholesale prices. Shopping can be done through stores but with network marketing it is usually done through catalogs and 800 numbers.

Buying Club: A group of consumers who band together to form a purchasing organization. The organization offers the same items one would find in the retail and wholesale store at similar prices. The organization retains the profits that would otherwise have been savings to the consumer. These profits fund the organization.

Most buying clubs are designed as fund raising organizations for churches or other non-profit organizations. You may buy a ticket to an upcoming country/western concert and some of the proceeds go to the local fire department. Your church or school might sell chocolates that you could find at the store for about the same price or less. However, the church or school retains a

percentage of the profits. Also, buying clubs are common among profit producing organizations such as direct sales or network marketing companies. A company offers items in a catalog that you can find for about the same price in the stores. The company passes a percentage of its profits to independent distributors who are actively promoting the products and program.

Myth #10

Amway is a Wholesale Buying Club.

Fact #10

Amway is a Buying Club, not a Wholesale Buying Club.

When Amway was founded, well over three decades ago, they offered a variety of household cleaning and maintenance products. These were high quality products sold at reasonable prices - a good deal. As the company grew, Amway began diversifying. They brought on personal care products, nutritionals, more household products, and eventually grew into the world's largest network marketing company.

During the last 10-15 years, Amway has taken a new direction. Amway decided to become a product broker in addition to marketing their own products. A broker is essentially a middle man who regulates the buying and selling of existing name brand products and services. For example, 20 years ago you could only buy products exclusively produced by Amway through Amway distributors. These products included Amway soap, Amway cleaners, Amway air fresheners, etc. Amway now offers a large variety of non-exclusive products through its existing network of distributors (Sony stereos, Ford trucks, Coca-Cola, MCI Long Distance). But to what advantage does Amway offer these products? If the same product can be purchased from another source for less or from a local vendor for the same price, there would be no reason for the customer to purchase the product from Amway or any other buying club.

You must ask yourself, "is this company a wholesale buying club or is it just a buying club". Amway offers nearly every product imaginable through catalogs and the company claims to be a wholesale buying club when in actuality, Amway is a classic example of a buying club. Are you saving money? Sometimes yes, most of the time, no. Remember that you are still paying the middleman. The middleman has simply become several levels of distributors and the company itself. In other words, when you purchase a Sony TV from Amway, you will typically pay more for that TV than you will at today's popular retail and wholesale stores. Why? Because when Amway purchases that TV from the wholesale warehouse, they take their cut. Then they place more mark-ups on the TV to pay out several generations of commissions to distributors. Since Sony is the manufacturer, they take a large cut, leaving very little room for discount pricing. Even distributors usually pay more for the product with the rationalization that they are buying from their own store and they are supporting the cause of Amway. This distributor loyalty to the cause of Amway is largely what keeps Amway viable. People are in it for the cause, not the discount.

Myth #11

A true "Wholesale Buying Club" would be the PERFECT MLM vehicle since you have ALL industries under one roof.

Fact #11

No true wholesale buying club has ever endured the test of time. Lets look at a company that was a true wholesale buying club, Consumers Buylines Inc. or CBI. CBI had the same idea of offering every product known to humanity, but with a completely different concept. CBI charged a monthly fee of around \$20 to be a member. This fee allowed you to join millions of other consumers in a gigantic purchasing club. This allowed everyone access to factory direct shopping. No mark-ups were placed on the products in order to pay out commissions to the distributors in CBI. The only mark-ups were made by the product manufacturers in order to make a modest profit. This allowed CBI to keep prices so low that they were literally unbeatable. CBI only made money on the start-up

fee, annual renewals, and the \$20 per month that was used to pay distributor commissions. This was a true “wholesale buying club” concept. Unfortunately, profit margins were not healthy enough to keep this program afloat and CBI failed with a little help from an inexperienced management team and a lousy compensation plan. Would CBI have had a better chance of staying in business had it marked up its products? Maybe, but then it would just be a “buying club,” not a “wholesale buying club.” The opportunity would have no true value.

Myth #12

As a Buying Club distributor, I can make money representing name brand products like Ford, Sony, and MCI.

Fact #12

Exclusive products drive ALL network marketing opportunities. When you are a product broker you are forced to limit payout to your distributors since you have to pay the middleman for the product. It is also more difficult to competitively price your brokered products. When a company is able to establish an exclusive on a product or service, the distributorship then takes on greater value. After all, customers can only get that product through an independent distributor. They can't simply go down to WalMart and pick up that product. Experts agree that it is better to avoid brokering products altogether. If a company can't afford to research and develop their own products, they can't afford to start a network marketing business.

Industry insider, Chuck Huckaby, recently commented on buying clubs which he refers to as “catalog sales” companies. Mr. Huckaby says, “How about ‘catalog sales’? The theory is great. You give someone the equivalent of the old Sears catalog. Whatever they buy, you and your downline get a percentage! There's just one glitch...many high ticket items are just like the long distance phone services...they have low commission rates compared to a bottle of vitamins. Why do retail stores sell them then? Because the profit is high enough to make it worth their while. In MLM, the problem with marketing, say, exercise equipment, is the lower commission paid to the downline, lower profit to the company, and the fact that such sales distract customers from buying ‘core’ products. Some companies get around this by giving the catalog sales no credit towards monthly volume requirements. Some simply have nothing people want (at least at those prices). They're going to Office Depot for that copier and investing the difference.”

Network Marketing Today, Chuck Huckaby, January 1998
Key Trends for Evaluating an MLM Opportunity
Will Your MLM Survive The Age Of Competition?

Looking at the Best and Worst Examples

Another great way to do marketing research is to make a list of the best and the worst real life cases and learn from their successes and mistakes. In network marketing you can make a list of the top 20 most successful companies and find out which primary products or services they are marketing. Then make a list of the top 20 active (not retired) income earners in network marketing and find out in which industries they are earning their millions. Consider these industries. Do the same for the bad example. Take the last 20 companies that went out of business based on lack of sales and find out which primary industry they represented. Avoid these industries. The information necessary to conduct this type of investigation can be found in MLM books and trade journals like the ones listed at the end of this book.

The Final Score

Based on a review of the above criteria, here is a list of industries ranked in order of profitability, stability, and long-term growth potential. Your results may vary based on your own personal experiences and research. Make sure you have the facts to back up your decision to go with one industry over the others.

THE “A” LIST - The Top Network Marketing Product Industries of 1999-2000

Nutritional Supplements and Health Products
Personal Care Products (Skin Care, Hair Care, Body Care)
Household Products (if products are very unique and environmentally friendly)

THE “B” LIST - Other Popular, Less Profitable/Stable Industries

Telecommunications (residential & commercial long distance, pre-paid cards)
Computer Hardware and Software*
Internet Access and Services (hosting, dial-up, marketing)*
Books, Reports, Newsletters, Publications
Water and Air Filters
Buying Clubs and Catalog Shopping
Lead Generation Programs
Legal Services
Financial and Debt Elimination Programs

*(Up and coming industries, huge growth potential, not yet proven)

THE “C” LIST - Alternative MLM Industries with Limited Exposure and Appeal

Travel and Vacation Programs
Jewelry, Gold, Silver, and Collectibles
Satellites, Hardware and Service
Automobile and Auto Care Products
Home and Personal Security Products
Electronics and Appliances
Grocery and Coupon Programs
Information Services
Clothing, Fashions, and Lingerie

Conclusion

When the infamous outlaw was asked, “Why do you rob banks?” He answered without hesitation, “because that’s where the money is.” Your answer, when asked “why did you select THAT product industry should be the same as the outlaw. Of course, the comparison only applies on the surface. After all, unlike the outlaw, your in this for the long term benefits of ongoing, month to month, year to year residual income. Not the short term thrill and “flash in the pan” profits of stealing people’s money and then speeding away on your horse, dodging a spray of bullets. That’s why selecting the right product industry is so important for “real” success and long term prosperity.

Given the length and detail associated with this chapter, it is obvious that I feel that selecting the right product industry is absolutely critical. As this chapter draws to a conclusion, some of you may be wondering, “when is he going to tell us which industry he chose as the BEST product or service industry in network marketing?” Well, if you remember my comments in the first article in this

series, you know why you're not going to get my recommendations. Although I will recommend certain industries over others, I'm not going to do your thinking for you.

You've Been Given the Precious Gift of Intelligence...Use It.

Here are some steps that will help you make the right choice for you. First, approach the information in an objective, rational manner. Second, do your own due diligence or research the research. And third, with the right information and enough time to review it, make your own intelligent business decision. After all, you're the only one who doesn't have a hidden agenda.

This is one of the most important decisions of your career and it should not be taken lightly. Spend a lot of time with this one and it will pay off down the road. Don't settle for a company that does not match the criteria for "best product industry". Your ability to produce wealth through network marketing will be determined in large measure by the choices you make on which product industry you will represent. Don't be hasty, review this chapter again carefully, and then make the right choice. The formula works, give it a try.

Study #2: When is the BEST TIME to select a company?

“There is a tide in the affairs of men,
Which, taken at the flood, leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries.

On such a full sea are we now afloat;
And we must take the current when it serves,
Or lose our ventures.”

William Shakespeare 1564–1616
Julius Cæsar - Act IV. Scene III.

Someone once said, “timing is everything.” I’m here to prove that statement correct. First, allow me to share a personal story with you that will illustrate the importance of waiting for the right timing to join any top company.

Catchin’ The Big Kahuna

Several years ago, my wife Sandy and I won a vacation through our network marketing company to the island of Maui, in Hawaii. On our shuttle ride to the hotel we made friends with Tom and Nancy, a very pleasant couple from Colorado on their way to the same leadership conference. After a few days of company activities and site seeing, we got together with our new friends, Tom and I decided we wanted to do some MANLY activities so we left the women to their shopping and the other things that women do. We grabbed our sunblock and towels and headed for the beach to participate enjoy a few hours of body boarding in the warm, turbulent surf near our hotel on Maui’s west coast.

While checking out our body boards, a hotel representative informed us that we would be swimming today at our own risk as the waves had increased overnight to 10-12 foot swells. “WHERE DO WE SIGN?” we shouted with elation as we scurried out into the surf and literally exhausted ourselves playing in God’s natural water park. These were some BIG waves!! Not enough to kill us (we thought) but definitely enough to maim! “BRING IT ON!” rang our battle cry.

After about 20 minutes of frolicking, we finally got the hang of it. You see, if we waited for the PERFECT WAVE, and hit that wave at the PERFECT TIME with the right technique, the wave would lift us off our feet, launch us toward the beach, and thrust us forward and downward in a series of three powerful cascading rushes of water, much like a wet and wild roller coaster ride. Then the wave would push us up the shore and park us gently at the top of the beach where we would relax in the sand for a moment, enjoying the nice warm sun and warm white sand. Then we’d suddenly hop up, run back out into the surf, and start the process all over again.

Missing the Wave

That, of course, was a description of the “ideal” experience. You see, it didn’t always work out that way.

Sometimes things would not go according to our plans. Sometimes we picked the wrong wave to catch, and then, even if we timed it perfectly, our time and efforts really didn’t amount to much. Sometimes we would actually miss the perfect wave. If we caught a great wave too late, we simply missed out on the thrill ride and were forced to watch as fellow boarders pulled away from us to enjoy the rollercoaster ride.

But the worst case was picking the RIGHT wave TOO EARLY. My first experience of catching the big Kahuna too early started off pleasant enough. First, I simply felt my feet pull out from under me and I enjoyed the sense of weightlessness. Of course, I could tell I was no longer simply facing up since I could feel myself rolling with the wave and the sun’s rays kept passing by over and over again, as if I were tumbling head over heels. Then it happened, that RUDE awakening of being first SMASHED head first into the beach somewhere between the ear and the shoulder, and then having the powerful momentum of the wave drive me further into the sand, rolling me sideways up the beach. I gasped for my first new breath of new air only to get a mouthful of salt water.

As my world came slowly to a halt, I found myself laying parallel to the shore, about 20 feet up the beach from the surf, thinking to myself... “that was fun, I wonder if there’s a chiropractor in the house.” I started to get my bearings and decided to try to see if I could move my extremities. I wanted to see if I’d need to be in a wheel chair for the rest of my life, or just for today. Just then the second wave smashed into me with enough force to roll me a few feet further up the beach. But then, something really unexpected happened. I got caught in the under tow of that wave and it rolled me back down into the surf only to be thrashed by the THIRD wave which rolled me up... and then back down... and then wave FOUR... I was like a surf yo-yo. I was actually laughing out loud at this point because there was nothing else to do, all the while taking in more seawater with every chuckle... I must have looked totally ridiculous. I finally managed to crawl on all fours up the beach far enough away from the under tow that I could rest and thank the Lord for His tender mercy in sparing my life yet again.

Will We Ever Learn?

Now I don’t want you to think me unwise, but no more than 3 minutes had passed before I was back in the surf on my board waiting for the next perfect wave. We spent hours out there, risking paralysis, sun burn, shark attack, hey, its just part of the game... and other than the new friends we met while in Hawaii, this was the highlight of my trip. After a while, Tom and I actually got really good at catching the right waves almost every time, and we even learned how to avoid the beatings. I can’t wait to go back and play some more. Sure we finished the day with some bumps and bruises, but all we remembered and talked about later were those “perfect rides”.

I LIVE for catching the wave! To me, its not about the money, its not about the recognition, its not about the lifestyle, it simply about the RIDE!! Who wants to ride in a bumper car when you can ride the ROLLERCOSTER! And I don’t mean just any rollercoaster, I’m talking about the BIG ONE! The one you always see in the ads on TV. The one that looks like it touches the clouds. If you’re going to take the ride, it might as well be an adventure!

Timing is EVERYTHING

In the 1980s, the commercial real estate market was booming. Financial experts were often asked, “what is the most important factor in developing exponential profit in real estate?” Their answer was so often quoted that it still rings familiar to most people today. Back then, experts agreed that the key to success in real estate was “location, location, location.” Acquire a high traffic,

convenient, and functional site and you can't lose. Today, as we enter the 21st century, financial expert are realizing trends have changed. Real estate is no longer the opportunity it was in the 1980s. Network marketing is being called "the real estate of the 21st century." However, since network marketers typically work from home and rarely pump money into commercial properties and other unnecessary business overhead, location is no longer a factor. Network marketers can build their business anywhere in the world with a phone, fax, and computer. Therefore, the key to exponential profits in network marketing is no location, but "timing, timing, timing!"

Although timing could not be better for network marketing as an industry, every network marketing company in existence has its own time line, or its own WAVE. In other words, although it may be an excellent time to associate yourself with the network marketing industry, it may or may not be a good time to join a company particular company. So if timing is so critical, when is the best time to get involved? Should you join a company immediately after it launches, or should you wait. If you wait, how long should you wait? How late is too late? I will attempt to answer these questions in this article.

SUCCESS™ Magazine On Timing

Let's hear what SUCCESS™ Magazine has to say about timing in network marketing by referring to an article that appeared in the June 1993 issue. This article written by Richard Poe, author of *Wave 3- The New Era in Network Marketing*, was entitled "The Curve of Prosperity." Mr. Poe interviews Charles King, a Harvard Business School Ph.D. and professor of business and marketing at the University of Illinois at Chicago. In the article, Dr. King diagrams the growth stages of successful network marketing companies. According to Dr. King, a company goes through several major growth phases as it matures into a stable, long term opportunity. The first growth stage is known as the "formulation stage." This is the start-up phase when companies are most vulnerable and over 90% go out of business within 12-24 months. The second phase of growth is referred to as the "concentration phase." During concentration, the company is getting its ducks in a row and working out the bugs. Similar to the formulation phase, the concentration phase is still considered a start-up phase and it is a risky time to get involved. Most network marketing experts refer to a company's start-up phase as the "pioneering phase."

Burke Hedges, famous network marketing author and trainer, comments about the pioneering phase in his best selling book, *Who Stole The American Dream (pp 130-131)*. Hedges says, "You could call the foundation phase the pioneering years. The business is just getting started and the general public doesn't understand what you're doing because it's 'new' and 'unproven.' The pioneering years are tough. Lots of rejection...lots of ups and downs while the foundation is being laid. These are the high risk years. It's like the pioneers who settled the West. Because they were the first ones to open up the frontier, they had the first shot at the best land. But they were also the ones who got the arrows in their backs!"

As we mentioned before, start-up companies are very risky. Most MLM experts agree that the risk to reward ratio is still too large to consider getting involved during this phase. "Generally, avoid start-ups," says Corey Augenstein, editor of MLM Insider and NetWork Marketing Today magazine. "Why pay for someone else's learning curve?" (*Wave Three, The New Era in Network Marketing*, p. 49, paragraph 1). On the up side, getting involved in the pioneering phase can be very profitable if the company is able to overcome the 98% potential failure rate and go on to become a top company. Being a founding distributor has its merits if that company can survive attrition.

Momentum Phase

If and when a company reaches around \$50 million in annual sales, the company experiences a phenomenon known as "critical mass". The \$50 million figure should not be taken too seriously since a large part of the reason that experts agreed on this figure was due to a huge marketing

push by one top MLM company back in the late eighties and early nineties. However, critical mass is a real phenomenon and it will occur either slightly before or slightly after this mark. This “critical mass” marks the beginning of the company’s “momentum growth phase.” During this momentum growth, if the foundation work has been good, a company can go from obscurity to becoming a household word within 4-10 years.

Burke Hedges shares this analogy of “critical mass” in *Who Stole The American Dream* (pages 131-132). Hedges says, “It’s like someone pushes a cultural button, and ‘voila’...everybody wants what you’ve got. critical mass means the products have gained popular acceptance, and they become market driven. When critical mass hits, growth goes into overdrive...and sales begin to explode!”

Stability Phase

The last stage of a company’s growth is the “stability” or “maturity” phase. This is a great time to have a large downline but a tough time to build one. The company is so well known, distributors must be more skilled at handing objections and many prospects will have already been approached several times. Growth in the stability phase is significant, but slower. However, based on recent studies, it is clear that many companies have learned how to maintain healthy growth during the stability phase.

One way companies have managed to stay viable in the stability phase is by continuing to diversify the product line, introducing new marketing programs, and by developing educational clinics, seminars, and trainings that focus on the product or service offered by that company. Sometimes companies will go through second, third, and fourth momentum cycles as a result of this type of innovative marketing. Also, entering new international markets every year can keep a company profitable for decades. When a mature company expands into a new country, this creates a true ground floor opportunity without the risk associated with start-up programs.

Conclusion

Experts agree that selecting a company in any start-up phase is extremely risky. Although there are some terrific rewards associated with being one of the founding distributors in a network marketing company, the risks seem to outweigh the rewards. The same exciting growth can be experienced by selecting a company in the momentum phase, but at this point the risk is significantly reduced. As network marketing continues to evolve, distributors will realize that getting in early will become less and less important. An entrepreneur’s primary concern will be selecting a company that has long term stability, not short term “flash-in-the-pan” profits.

Selecting a company in the stability phase is a much more inviting option than it once was as we proceed further into the 21st century. More companies and distributors understand the principles of dynamic marketing and can generally maintain healthy growth for decades. Once a company has been established in a country for 20 years or more, it may be more difficult to recruit new distributors in that country based on everyone’s familiarity with the program. If you choose the right program, building during the stability phase can be effective but there is still no better time to build a network marketing business than during the “hyper-growth” momentum phase.

Special Note On Timing

Please remember the only timing factors I have discussed in this chapter relate to timing in selecting a company during a specific growth phase. I also briefly mentioned “industry timing” and indicated that the MLM industry is currently entering the “momentum” phase. Another important consideration includes the timing of the product industry with which you are associated. This topic was thoroughly covered in the previous chapter and should not be overlooked. Is your product industry on an upswing? Is the industry you are marketing in its “momentum” phase? How about

timing in your own life? You may be convinced that network marketing is your destiny. However, if timing in your life is wrong, you may be setting yourself up for a struggle that has nothing to do with the viability of the MLM industry or the company you choose. There are many timing issues to think about. Consider them all before making your ultimate choice.

Study #3: Selecting The Best Compensation Plan

Compensation Plans, the Good, the Bad, and the Ugly

When I began investigating the various and sundry networking companies, I found more “hype” associated with the company's Compensation Plans than with any other criterion, including product hype (and we all know how out of hand product hype can get). The purpose of study #3 is to first identify the various compensation plans used in network marketing today and then share with you the pros and cons of each plan. Now many of my readers may not agree with everything I have to say in this chapter, especially if you're already involved with a network marketing company with a compensation plan with some of the unsavory characteristics. But I can assure you that most network marketing consultants and trainers do agree. My comments and conclusions are based on years of careful and objective research.

Which Compensation Plan is THE BEST?

The FOUR most commonly used pay plans in the network marketing industry are the Breakaway, the Unilevel, the Matrix, and the Binary. You may also hear about a “Hybrid” plan from time to time, which is basically a “combination” of any two or more of these 4 common plans. We'll also touch briefly on a few of the gimmick plans such as the Two-Up plan and the Single-Line Downline plan.

Your job here is to review the following plans and choose the one you feel is the best. But remember, when someone is introducing their pay plan to you, they will say ANYTHING to make their plan look better. Many distributors feel their compensation plan is the BEST regardless of whether or not they have compared it to other plans before joining their company. Picking the right compensation plan can make the difference between success and failure in network marketing. It's important to look past the hype and the rumors and concentrate on the facts. I decided to look at all of the plans on the market and then choose the best compensation plan. Here's your opportunity to do the same.

THE MATRIX

The "Matrix" marketing plan or "Forced Matrix" is everything its name implies. You start with a prearranged numerical matrix similar to an organizational chart for a large corporation. Most compensation plans are designed to allow you to sponsor unlimited numbers of distributors on your first level. With the matrix plan, you can only sponsor a certain number of people on your front line. Also, your front line distributors can only sponsor that same designated number of distributors on their front line. Distributors cannot sponsor outside the matrix and there is a limit to depth. For example, in a 2 x 9 matrix, you sponsor 2 on your first level, 4 on your second level, 8 on your third, 16 on your fourth, 32 on your fifth, and 64 on your sixth, 128 on your seventh, 256 on your eighth, and 512 on the ninth level (or last level). In most matrix plans, distributors do not earn anything past the last pay level in the plan. Most matrix plans pay monthly with commission checks being mailed around the 20th of the month following the month in which they earned the commission check. The matrix sometimes incorporates "fast start" bonuses, which are special bonuses paid to distributors to give incentive for them to immediately sponsor distributors and retail product. The matrix plan is used by about 10% of the companies that I reviewed in my study of 200 programs.

Common Matrix Configurations include the:

- 2 wide x 12 deep
- 3 wide x 9 deep
- 4 wide x 7 deep

5 wide x 7 deep
7 wide x 2 deep

Lets take a look at some of the good features of the Matrix.

In theory, distributors can receive "SPILLOVER" which means they can have distributors who are sponsored by their upline fall into their downline. This benefits both the sponsor and the respective downline. Because of this "spillover" theory, the matrix plan looks great on paper and can be exciting to present to prospects. In addition, since width is limited, the matrix plan typically pays to deeper levels than the traditional breakaway plans and it is easier to learn and teach to others. Matrix plans tend to be suited to buying clubs, service companies, and subscription sales companies that have defined monthly costs for the product or service.

In a matrix plan, distributors typically know how many active distributors they will have to recruit in order to make "x" amount of monthly income. It is also easier to predict income potential on each level with the matrix. For example, a particular matrix plan may claim to pay \$5.00 per person, per level. If you add up all of the possible positions that can be filled in the matrix, you will know exactly how much you can make. For example, in a 2 x 12 matrix there are exactly 8,190 positions that can be filled. If each positions is worth \$5.00 commission to the distributor, the plan can pay a maximum potential of \$40,950 per month.

Now lets look at the bad aspects of the MATRIX

On paper, compensation plans can look glorious. However, upon reviewing matrix plans in great detail, I discovered that most matrix organizations will pay on about 15-20% of their potential at the most. At this point, almost all of the new sponsoring activity occurs beyond the distributor's pay levels. Even though his/her organization is growing by leaps and bounds, the distributor receives no compensation.

The "Forced Matrix" is a concept that seemed to answer the above problem. In a forced matrix, each position on every level must be filled before distributors spill down to the next level. Theoretically, this would allow the distributor to eventually fill every position in the matrix. Unfortunately, due to the nature of the forced matrix plan, the distributor is left to sponsor most of the individuals by him/herself. The forced matrix is one of the only plans that rewards the lazy distributor if they sign up under a dedicated distributor. Since all of the downline positions must be filled, the lazy distributor can essentially sit back and watch his or her downline fill up. If the distributors can succeed without doing anything...they won't do anything. As resentment and animosity build in the downline, the organization eventually breaks down and everyone ends up losing.

If you establish a successful business and fill up much of your matrix, you will inevitably sponsor a HOT distributor on your 14th, 15th, even 20th level or beyond. In the matrix, you can miss out on commissions that should be yours, but aren't since this hot distributor is beyond your payout levels.

People who promote matrix plans will always try to lure you in with the enticement of spillover. They'll tell you, "If you get in now, you will have hundreds of people spilling into your downline – people you were not responsible for prospecting or recruiting." However, the only time spillover will actually occur is when a dud signs up under a superstar distributor, remains active, but doesn't recruit any distributors. The dud gets all the spillover while the superstar distributor who works hard is only rewarded for his/her own efforts. Don't be fooled by the spillover myth. With limitations on payout levels, it is mathematically impossible to create spillover for more than 1% of the entire distributor force. As mentioned above, the person who gets the spillover will most likely do nothing with the business since he/she is being rewarded either way.

In some non-forced matrix plans, the payout levels are radically different from level to level. For example, a matrix plan might have a heavy payout level (like 30-40%) on the third level but a 5% payout level on every other level. Distributors might stack other distributors on the first and second level in order to get to this large third level payout sooner than it would naturally occur. This pushes volume and downline past the heavy payout levels and beyond the last payout levels so quickly that potential compensation is jeopardized. Matrix programs with "level limitations" that encourage any form of stacking should be avoided.

MATRIX: OVERALL EVALUATION

The matrix plan can be a good plan for certain types of products and services. As a whole, it has not been accepted as a mainstream plan and is commonly utilized by smaller service and support MLMs like Sales Lead Generation programs and Fax-On-Demand Services. Also, matrix plans are often being utilized for a new breed of MLM programs called "affiliate programs" that can be found frequently on the Internet. For affiliate program, shallow matrix plans (2-3 levels deep) seem to be very appropriate since these plans are considered "by the way" programs and not major MLM opportunities.

There are a few matrix plans that have a better track record than the traditional matrix plans. These newer plans including the 4x7 matrix and the 5x7 matrix. These matrix plans and others like it behave more like a unilevel compensation plan because of adequate width and depth. If you are considering a matrix compensation plan for your "main" MLM program, make sure the compensation structure has a width of 4-8 people and a depth of at least 7 levels.

THE BREAKAWAY

Currently the most widely utilized plan in MLM, the Breakaway plan offers the new distributor many options and carries with it some distinctive characteristics. The breakaway plan pays monthly and is characterized by high quotas and high commissions. The breakaway has been called the "full-timers plan." In a breakaway, sales volume is accumulated through the end of the month and checks arrive in the distributor's mailbox around the 3rd week of the following month. The breakaway plan makes up over 50% of the companies I researched.

BREAKAWAY: THE GOOD

Unlike the matrix, the Breakaway plan allows distributors to sponsor an unlimited number of people on their front line. This fosters a sense of unlimited, quick growth potential. When you first sign up as a distributor you will go through a process called a "stairstep." As you and your new distributors purchase product volume, you systematically progress to higher and higher commission levels. If you are doing a significant amount of retailing and are sponsoring people who retail the product, you have a chance to make good money in the stairstep right from the start.

When you get to the top of the stairstep, you can't progress any further on your own. Your incentive is to promote those below to your same level. As the distributors below you progress up the stairstep, those distributors will progressively make more commissions from their group product volume and you make less until you're making a typical 3-8%, 5% being the most common. Once these distributors promote to your level, they go through a process known as "breaking away" where they become independent from you, their sponsor. You can still earn commissions on your breakaways, but in order to earn significant commissions you must have a significant number of breakaway distributors on your first level. The more first generation breakaways you have, the deeper your payout.

BREAKAWAY: THE BAD

Here's the sticky part! In order to earn a percentage on your breakaway's group volume (GV), you must fulfill a Group Volume Requirement or GVR (a fancy name for a group quota). This quota is made up of the product volume that you personally purchase and all of the product volume that your distributors purchase. However, once an individual in your downline breaks away from your organization, his or her entire downline volume no longer helps you qualify for your group volume quota. If you do not fulfill this quota each and every month with your non-breakaway legs, you don't get a check on your breakaway legs (which incidentally makes up most of your income at higher levels). Some companies have even greater penalties associated with not making the numbers, like losing all or your breakaway legs to your upline! GVRs range anywhere from \$300 per month to over \$7,500 per month depending on the company. Studies have shown that companies with group volume requirements of \$500-\$1,500 or more per month can develop a significant attrition problem (or distributor "fall-out"). Companies with volume requirements of \$2,000-\$5,000 or more per month encourage front-end loading, stock piling or "garage qualification", and other unethical and unnecessary practices.

Robert Allen, the well known financial advisor, real estate guru, and now network marketing master trainer, recently commented on the breakaway process in a recent training meeting. He said watching your distributor breakaway is a mixed blessing. You are excited for their success but at the same time you are disappointed since the compensation plan instantly penalizes you. "It's kind of like watching your mother-in-law drive over a cliff in your new Rolls Royce," stated Mr. Allen.

Imagine the number of distributors who join a program expecting to gradually build a tremendous group of thousands of distributors, only to be beaten and discouraged by constantly missing their qualifications for their pay check. Rod Nichols, author of "Successful Network Marketing for the 21st Century," said of his experience with the breakaway plan, "I know dozens of people who have gone deeply into debt buying products they don't need, just to fulfill their group volume requirements to get a commission check. This is one reason you find people who have garages full of products. In the industry, we call this 'garage qualified.' The end of the month arrives and you are \$600 short on your group volume requirement. You call around to all your active distributors begging them to place an order, but they've already placed their end of the month orders. So, you break the credit card out and place the order yourself – another \$600 worth of products you don't need. In some breakaway plans, missing your group volume requirement means missing a check that month and having your volume flow upline to the next leader. In other plans it can mean losing your position and possibly your downline leaders. This is why people pay the big price each month to meet the group volume requirements."

Because of these characteristics, the breakaway plan has become known as the "sponsor monster plan." Distributors must constantly bring on new distributors or risk losing their downline. Salesmanship and an aggressive sponsoring and duplication strategy are essential in a breakaway. Using the shotgun approach to recruiting in a breakaway is considered unethical by many network marketing authorities. In other words, many would not be as opposed to this plan if the recruiters using the breakaway plan were more selective in who they approached. Distributors using the breakaway plan should be up-front by letting potential distributors know what to expect in this type of plan. This plan is not for the part-timer, and it is not for anyone with a meek or mild personality. It is designed for the affluent, the highly connected, the extremely ambitious, the charismatics, and the sponsor monsters. These folks can make a bundle!

BREAKAWAY: OVERALL EVALUATION

The Breakaway is still the most widely used plan in network marketing, although recent studies show the unilevel and binary plans are gaining rapidly. The breakaway is a full-timers plan designed for well-connected charismatics and also the heavy recruiters. For this type of person the breakaway can be the most lucrative plan in network marketing. Many of the traditional

breakaway companies are still recruiting new distributors heavily, especially in foreign markets where there are few other choices.

However, the breakaway is more difficult for part-timers and newcomers. Over the last ten years, virtually no top performing programs have selected the breakaway plan.

THE UNILEVEL

The unilevel was developed as the answer to the breakaway plan. In fact, at first glance, the unilevel structure looks similar to the breakaway, but is actually very different. The unilevel is one of the simplest forms of network marketing compensation structures and one of the best. Unlimited width, limited depth, and monthly payouts characterize this pay plan. Most unilevels pay 5-8 levels with 7 being the most common depth. Most have roll-ups, compression, and/or infinity bonuses allowing top distributors to be paid temporarily on deeper levels until downline leaders catch up. Volume accumulates through the end of the month and checks arrive in the distributor's mailbox around the 3rd week of the following month. Over 20% of the plans I studied were unilevel plans. This percentage is rapidly growing.

UNILEVEL: THE GOOD

The unilevel plan allows unlimited sponsoring on the first level. This creates unlimited income potential. Unilevel plans are fair to everyone based on generally low group volume quotas and no breakaways. Unilevels are also characterized by lower personal volume requirements than breakaway plans. This makes it easy for most distributors to stay active. The unilevel doesn't give as much incentive to front end load or stockpile product.

UNILEVEL: THE BAD

The unilevel is called the "part-timer's plan" because of easy volume requirements and no breakaways. Part-time distributors find it more appealing because they can increase their chances for success by surviving in the plan for a longer period of time without being forced out by heavy volume requirements like those associated with breakaways. However, this part-time philosophy does not go over well with the breakaway crowd. For this reason, the unilevel usually repels the "big guns". They simply cannot make money as fast as they can in the breakaway, nor can they make as much. However, generally speaking, the unilevel has proven to be a much better choice than the breakaway and some unilevel plans have excellent pay scales.

To overcome this "part-time" stigma, some top Unilevel plans now offer lucrative "infinity" bonuses and other forms of "compression" to bring the BIG MONEY into the plan. Its working. Now some of the largest checks are being generated with Unilevel plans. The Unilevel plan is considered by many to be the most stable and lucrative plan in network marketing today.

Front End Heavy or "Compressed" Plans

Even if you haven't seen one yet, you're likely to run into what we call front end heavy plans or "compressed" unilevel compensation plans. These programs look excellent on paper and typically pay 15-45% on the first few levels of the plan, but leave very little for the back end. Compressed plans are easy to spot since 70-90% of the promotion is focused strictly on the compensation plan. I've been in sales presentations where the product were treated like some technicality that had to be thrown in to make the plan legal. These programs resemble direct sales organizations and have not been proven to be contenders among today's compensation plans...yet. I'll continue to hide and watch for now. Programs that encourage width can sometimes unintentionally create a tendency to alienate distributors too soon. When distributors are taught to "go wide" they can forget about needy downline distributors who are several generations removed. Also, the heavy hitters can become discouraged by how long it takes to reach the "big money" that almost every good payplan offers to those with extraordinary abilities.

A certain notorious online MLM tabloid publisher claims that these compressed pay plans are the only fair and lucrative plans on the market and all other compensation plans are scams designed to rip-off aspiring MLMers (interesting to note that he is receiving income from one of these compressed plans). While this subjective and insulting opinion is extremely one-sided, due to my commitment to objectivity and fairness, I will remain somewhat skeptical while giving them a chance to prove themselves over the next several years. So far the comparison of results (not theory) with other top plans reveals few significant advantages. Using hypothetical “best case scenarios” to evaluate and compare compensation plans is deceptive at best.

In contrast to compressed plans, the most “basic” unilevel structure is a plan with unlimited width and 6-7 levels of depth. Each level pays about the same percentage as the others. Traditional unilevel plans pay out about 40-50% of the companies net profits spread evenly over these 6-7 levels. Typically unilevel plans have an infinity bonus, which helps leaders dip down to levels that are not available to the average distributors. This creates special income incentives for the heavy hitters and for the fanatical business builders who seek to become top income earning distributors.

A few of the compressed unilevels I’ve reviewed lately are very impressive in theory, mathematically sound and much more distributor friendly than many of the compressed plans that I have reviewed in the past. Most of these plans tout a quick return on investment and the ability to get to a full-time income with a fraction of the number of distributors that are required in traditional plans. I’m willing to hide and watch these plans for another year to see if the hype holds any merit. Time will tell if these compressed plans will stick around or go by the way side like so many others.

Internet Affiliate Programs Using the Unilevel

Although the jury is still out on using compressed unilevels for your primary MLM, this plan seems to be an ideal structure for Internet “affiliate programs” which seem to be popping up all over the World Wide Web. Companies like Amazon.com are now offering commission to website owners just for referring people to your own personal Amazon Affiliate Book Store. With Amazon, you can recommend books related to your industry or website and when customers purchase these books from Amazon, you get a commission. Furthermore, Amazon takes care of the shipping and fulfillment of the orders. Some companies have gone one step beyond Amazon.com by not only offering affiliate commissions on any products sold from your website, but they are throwing in a two level unilevel affiliate commission structure for referring affiliates. This two level payout will not make you wealthy but with several appropriate affiliations that compliment your primary program, website owners can potentially turn some exciting profits and earn commissions from services and products that they may have previously endorsed for free. With affiliate programs, a two level compressed unilevel plan with an infinity bonus will out perform the popular “matrix” affiliate programs any day of the week. This is the most appropriate use of the compressed plan that I have seen so far.

UNILEVEL: OVERALL EVALUATION

The unilevel is a fantastic alternative to traditional breakaway plans. The unilevel does not have the fast income potential of the breakaway but it also does not have the attrition rate (distributor fall-out rate). You’re not going to hear any of the horror stories that are sometimes associated with other plans. Although there are many variations, the basic unilevel plan can be a very fair and lucrative plan.

Try to avoid any unilevel gimmicks like two level plans and plans that pay different percentages on every level. Compressed plans are ideal for affiliate programs but are not yet proven as main stream compensation plans. In time we will see if the compressed plans become one of the new standards.

The unilevel is one network marketing payout structure that is here to stay. I rarely hear complaints about the unilevel. Dedicated distributors who follow a proven system for a 2-4 year period of time can have substantial results with this plan. Top distributors can earn incomes that can definitely contend with the breakaway plans. A great choice.

THE BINARY

The binary plan is based on a structure of two legs, a right leg and a left leg. Since one-leg downlines are considered illegal by government regulators, two legs are the industry minimum. Distributors can only sponsor two on their first level and everyone else spills down below those two (similar to a 2 x 12 matrix). Maximum commissions are earned by balancing the left and right side of the binary. By the way, over 15% of the programs we studied were binary plans. The number of companies using the binary plan is increasing dramatically every year.

BINARY: THE GOOD

In a binary, all you need are 2 strong legs and you are on your way to a full-time income where most plans require many more. Add a third solid leg to most binary plans and you are on your way to a six figure income. Sure you may have to sponsor more than just 2-3 distributors to achieve financial independence. However, when you sponsor your third distributor, that person must go down under one of your initial 2 distributors, creating excitement and synergy. Thus, by placing more distributors into a binary plan, leaders can create pockets of synergy. The matrix is the only other plan that gives the upline incentive to place people in the downline.

Most binaries pay weekly. In addition, new distributors can earn their first check their first week and receive that check in the mail within 10 days. This helps with distributor motivation and retention. In most compensation plans, the reward is so far removed from the work, the distributors get discouraged and quit. Also, the binary plan is designed without levels – only volume counts. Levels can restrict distributors from earning commissions on their entire downline. There are no group volume requirements nor group quotas. With a modest personal product volume requirement each month, you remain active to receive commissions on unlimited levels.

Payout Percentage

Traditional plans pay around 5% on break-away volume. Recently, many companies have changed to plans that pay from 7-10% with the industry average still around 5-7% on 6-7 levels. The binary plan averages 10% payout on unlimited depth. Some binary plans can pay out as much as 20% on unlimited levels if all legs are balanced. You **MUST** be balanced to earn maximum commissions. Those who like games of strategy will enjoy this type of plan. Where you place new distributors in your downline can effect your payout. Also, most binaries reward top distributors with re-entry certificates that allow the distributor to re-enter his or her own downline under other top distributors. Placement of these new business centers requires careful strategy.

Attitude Check

Now there are two types of distributors in network marketing...those with good attitudes and those with bad attitudes. The binary plan is the ultimate "attitude check." The binary structure is the only pay plan besides the matrix that actually gives the upline incentive to place people into the downline. The distributor with the good attitude is going to be appreciative of any sponsoring of new distributors in his/her downline, even if the new recruits are placed on the stronger side. The distributor with the bad attitude may object to these downline placements since these new distributors may not necessarily be placed on the side that they want them on. With the binary, you can find out right away if your distributor has a "glass half empty" or a "glass half full" attitude.

Negative people will not survive the binary while positive people feel the plan tends to be more synergistic than other pay plans.

BINARY: THE BAD

“Balance is the key...grasshopper.” - Kung Fu

Balance is the key to maximizing payout in the binary plan. This “balance” rule presents some challenges that are both good and bad. Let’s take the bad first. If you have only one leg take off, you cannot benefit from the volume on the larger leg until you have balanced the same amount of product sales volume on the opposite leg. In other words, if you sign up a distributor who takes off and signs up 10 distributors in one month on your right side, obviously you will have more product volume being purchased on that right side. Before you earn commissions on the product volume on the strong leg, you have to start working on the left side to balance the same amount of volume on the weak leg. If you do not balance, you get paid on the amount you can balance and the rest sits in that strong leg like a bank account and waits for you week after week. Some plans have tried to deal with this issue by offering a 1/3 – 2/3 balance rule that allows distributors to get full payout if they are not quite balanced. Still, most of the distributors develop one huge leg and the other legs are much smaller. A 1/3 – 2/3 option can help a little but it will not correct this problem.

Since the binary allows and even encourages “spillover,” many people may have distributors signing up underneath them that they did not prospect. However, almost always, these “bonus” distributors are placed only on one side of that distributor’s organization. In order for the distributor to take advantage of the new volume in their group, they must place an equal number of distributors or customers (product volume) on the weaker side. Unlike the matrix plan, distributors have to earn the right to receive commissions from “spillover.” In other words, there is no free lunch. Distributors must prove themselves worthy of receiving commissions from upline volume placed under them.

Run-Away Legs

Odds say that one of your legs will take off before the other in the binary plan. When one leg takes off like a rocket, this is called a “run-away leg.” These “run-away legs” are the best and the worst thing that can happen to a distributor. First the good. Before this leg takes off, you are carefully balancing each new distributor on the left and right. Essentially, your efforts are divided between building two legs. As soon as one of those legs takes off on its own, you can then begin focusing most of your attention on your weak leg. When distributors focus on building one leg only, the chances of it becoming another “run-away leg” are twice as high as before. It’s just a matter of time before this leg becomes a strong leg and in time both legs will be maximizing weekly. Generally speaking, when two legs are maximizing in a binary plan, distributors will produce an above average full-time income. Three maxed legs will produce a six figure income. Sometimes distributors can become frustrated at how long it takes to balance out a strong leg. This can be a problem for some distributors. However, keep in mind that you may never have a leg take off in any other plan like you do with the binary. That’s why you will only hear the term “run-away leg” when referring to the binary. (The above payout examples are hypothetical examples of the typical binary structure. Commission payout can vary from plan to plan). Now the bad news. Run away legs can be discouraging. Distributors who do not have a strong, long-term commitment to building their binary downline may become discouraged when they see the money they are leaving on the table. Some distributors even quit, and curse the binary plan forever.

Volume Limitation

Instead of limiting levels, the binary plan limits volume. In other words, once you reach the maximization level of downline sales volume in a particular leg during one week, you must then re-

enter into your own downline and start a new leg in order to increase income. This cap on volume can also be discouraging to some distributors.

BINARY: THE UGLY

The worst part about being associated with the binary plan is the “Powerline” hype that you hear in almost every company that uses the binary. Since only two legs are required to make a top income, many aggressive MLMers will stack all of their new distributors, one after the other, into TWO large “powerlegs” so everyone can receive the advantage of “spillover”.

These powerlegs are very helpful and encouraging for active, productive distributors who happen to fall in the powerleg. But many unfortunate souls miss out on the powerleg because they come in under someone who is in a powerleg and needs to build the “weak” side of their group. Their sponsors place them at the top of the weak leg, and now instead of hundreds of people building this MASSIVE powerleg on one side for them, they have to build BOTH legs themselves and generate their own momentum. This can be extremely discouraging for the non-powerleg distributors who are aware of the powerleg concept and hear of all the success stories, but are never able to generate the same momentum.

Binary Variations

The binary plan does have significant variations from plan to plan. For instance, some binary plans are split with a balancing requirement of 50/50 meaning that volume needs to balance on each side to receive commissions that week. The 50/50 plan is the safest and the most traditional binary. Other plans have a 1/3 – 2/3 split meaning you can have up to 66% of your volume on the strong side and still match with 33% on the weak leg. On paper, this type of plan can pay out more than the 50/50 plan. However, the 2/3 – 1/3 has some dangers of its own as we will explain later. Still another plan is called the “Rollover” or “Cycling Binary.” This type of plan has received some serious scrutiny from federal regulators. It would be wise to avoid it for now. Also, be aware of binary plans that allow the purchase of more than 3 business centers at start-up. Some binaries allow a “7 pack” or even a “15 pack.” These plans usually do not last long. Many states now have a law that prohibits companies from offering business start-up expenses that exceed \$495. Some plans have leadership bonuses, profit sharing bonuses, matching bonuses, etc. However, the general principles are the same and top distributors seem to be making tremendous incomes in all legitimate binary plans.

Over-Compensation

That’s right. Some variations on the binary plan have actually gone out of business because they paid out too much. One such binary variation is called a “cycling binary.” The cycling binary plans accumulate volume just like other compensation plans. But instead of paying distributors once each week, when a certain volume is reached in the “weak” leg, the pay plan cashes out and distributors receive their check immediately. This cycling process can occur several times per month, several times per week, or even several times per day in extremely fast growing organizations. Since the cycling binary cashes out so often, very little “breakage” is left for the company to pay for operation expenses and employees. This breakage is absolutely necessary for a company’s survival. Some cycling binaries have even been known to pay over 100%! As a result, all cycling binaries have gone out of business and lately I have not seen a single remaining company using this plan. Even with a poor track record, you can expect to see this plan again. There’s always some hotshot out there who thinks they are going to revolutionize the industry with a hot new plan, but they haven’t done their homework. It’s a good thing you’ve done yours.

This occurs most commonly in plans that have a “cycling” binary. It also becomes a problem with a veteran network marketer who launches a massive recruiting campaign and manipulates all of the volume to his or her advantage. These savvy network marketers perfectly balance their

organization to exactly match the 2/3 – 1/3 requirements and maximize their commissions. Odds tell us that, typically, a downline with a significant number of distributors will not be able to maintain perfect balance. This creates breakage for the company so the company can earn its fair share of commission. However, when a majority of the distributors in a company have achieved perfect balance in their downline organization, a much larger than average pay-out can occur. The company is obligated to pay these commissions, even if they have to pay more than they can afford. Some 2/3 – 1/3 binary companies have learned how to deal with this problem effectively.

Controversy

The binary has been the target of some bad media and rumors in recent years. Some of these bad reports are based on the fact that many of the most visible or popular binaries have run into snags. In reviewing the case histories of these proceedings, it seems that in every case these programs were investigated, fined, or shut down based on criteria other than the compensation plan. Explosive growth, unsubstantiated income claims, unethical conduct, and unproven or ineffective products have usually been the real reason for these shut downs. The rest of the rumors have been started and perpetuated by distributors in other programs who consider the binary their leading competition. The breakaway plan still has the record for number of shut downs. Even though most of these shutdowns have little to do with the compensation plan, the perception is that Binary plans will attract more heat from regulators, thus putting the company at more risk.

Nevertheless, this controversy can be difficult to deal with. If distributors do not believe in their compensation structure, they will have a hard time promoting it to others. If you have hang-ups with the binary or any other type of compensation plan, either get over it or get out of it. So many people hold psychological blocks because they think their compensation plan is repressive when in fact it is their lack of productive activity that is keeping them from realizing their dreams.

BINARY: OVERALL EVALUATION

Although the modern binary is constantly evolving, I found it to be a revolutionary plan and a top contender among today's innovative plans. The binary is fair, lucrative, and has an element of synergy and teamwork not found in other plans. Avoid binary plans that market the compensation plan over the product line. This can lead to trouble, even shut-down. Avoid companies that CAP their distributor's volumes and force you to "re-enter" your downline for additional streams of income. Try not to join companies that stress joining the "POWERLINE". Remember, many distributors will never have the advantage of being in a powerline and this can lead to major resentment and massive distributor attrition. Also, avoid binary plans that market non-consumable products or "one time purchase" product lines. History teaches us that these two elements don't mix.

THE AUSTRALIAN 2-UP

The Australian 2-Up is considered a gimmick compensation plan for reasons that are quite obvious to intelligent network marketers...no company has ever survived this plan. For this reason, we will not spend any time on this plan other than to describe what it looks like so you can avoid it. The 2-Up works like this: you sacrifice your first two recruits to your upline sponsor. Then you start earning commissions on anyone sponsored after the first two. Since your first two recruits go to your sponsor, it stands to reason that the first two distributors sponsored by your first two distributors go to you. The Australian 2-Up is famous for looking great on paper. It lures in thousands of suckers every year. However, even Australian network marketers can tell you that no one in their right mind would join an Aussie 2-up today.

In recent years I have seen a large increase in the number of Aussie 2-ups, especially in the financial programs. Most of these programs charge over \$1,000 (usually \$1,250) for a tape series that teaches you how to avoid debt and invest your money off-shore to avoid taxes. Some of these programs have already been shut down by the government and more will follow soon. If you want to read more about these programs, check out the October/November 1997 issue of MLM Insider magazine. On page 5 you will get more than you bargained for in an article by Rod Cook called Pyramid Shafts.

THE HYBRID

The Hybrid plan is simply a combination of two or more of the above plans. The most popular combination plans are the Unilevel/Binary and the Unilevel/Breakaway. These Hybrid plans are far from proven and generally cause tremendous confusion among the distributors who are using them. If you can't understand the compensation plan your own company is using, you won't be able to effectively explain it. If you can't explain it, you can't duplicate your knowledge of the plan to your downline and to prospects. Most MLM experts agree that companies should choose one or the other...not both. Most of the time when you try to please everyone, you end up pleasing no one. I still reserve the right to change my mind on hybrid plans. When enough evidence is mounted to prove the hybrid plan is a long term contender instead of a flash in the pan, I will be the first skeptic to reverse my position.

OTHER COMP PLAN ISSUES

Infinity Bonuses

The word infinity bonus implies that distributors will receive a commission for an infinite number of levels. However, it doesn't take a Harvard math professor to know that you cannot pay infinite levels on any compensation plan or the company will go out of business. Usually infinity bonuses are temporary bonuses paid on deeper levels until the next qualified distributor takes the bonus away from you. The infinity bonus is the 1990's way of saying the compensation plan has a "compression" factor. So rest assured, the infinity bonus is a good thing to have, but it does not really pay to infinity. If it did, the company would be infinitely bankrupt!

Automobile and Home Bonuses

Some companies use car and home bonuses to provide performance incentives for distributors. The emotional appeal of owning the car or home of your dreams can be a strong motivator and these programs have been very successful over all. Distributors should keep in mind that car and home bonus programs pay a bonus to distributors that can be directly applied to a monthly loan payment on a car or home. If distributor performance levels drop during the financing of your car or home, you can be disqualified from earning your bonus but you are still obligated to make payments to the bank.

Training or Coding Bonuses

It is common knowledge in network marketing that it is illegal to earn commission strictly on recruiting other distributors. In fact, this is one definition of an illegal pyramid. However, some MLMs have devised ways to pay distributors for the act of training other distributors or for selling these distributors training packages. According to MLM law, the training or "coding" bonuses are illegal. There are still many companies getting away with coding bonus commissions to distributors. But according to top network marketing legal authorities, the companies that are still using coding bonuses are sending up red flags that will eventually be spotted by government regulators. (see Study #5: Selecting The Best Product or Service. Under the Telecom section, you can read a quote about Coding Bonuses from respected network marketing attorney, Spencer Reese.)

No Sales Volume Requirements

Some network marketing opportunity get new distributors excited about the fact that all you have to do is make a one time purchase of product and then you never have to order again. Companies that do not have ongoing product sales volume requirements are usually doomed to fail. If there is absolutely no standard of performance or activity expected from independent distributors on a month to month basis, there will be no activity.

Some “one time purchase” plans are not one time programs at all. They disguise ongoing purchases in the compensation plan by taking a 30-50% cut of commission checks that you earn and apply it towards a purchase of product which they promptly ship to you, kind of like an involuntary autoship program. Therefore, since these companies promote their program by touting the benefits of a “one time purchase,” the company is not telling new distributors the truth.

Product Down Payments

Popular with some of the gold, jewelry, and collectibles schemes, sometimes companies have developed creative payout strategies that allowed distributors to put product on a kind of layaway plan. For example, in some of the gold programs distributors could apply \$50-\$200 towards the purchase of a gold coin allowing people who could not afford to purchase one coin per month to break these payments up into manageable chunks. Unfortunately, the regulators did not like the fact that even though product was being held until totally paid for, commission checks were being paid on the moneys collected from thousands of down payments. A company that collects money for a product or service and then issues payment of commissions before the product or service is delivered is classified as an illegal pyramid. Some companies are still operating these illegal programs as I speak to you right now.

Product Vouchers

Another “down payment” related practice is the issuing of product vouchers that can be redeemed for products and/or services later. The law states that distributor commissions on money collected in exchange for these vouchers should not be paid until the vouchers are redeemed for REAL products and/or services. No voucher deal has ever survived government scrutiny.

In Conclusion... A STRONG Word of Advice

While in the process of selecting a network marketing company, DO NOT select a company because of its pay plan! There are so many other essential criteria for selecting a company that placing too much weight on the compensation plan can be a deadly mistake. However, you definitely want to consider DISQUALIFYING companies for their pay plans!

Study #4: Scrutinizing the Company and its Management Team

This section may appear to be the least complicated. However, when selecting a company, these are the most important criteria of all. Here is a simple method for analyzing the company as well as the ownership and management of a company. Retrieve as much information as possible from the following sources:

Company Literature -	Review the company history, founders, management and endorsements.
Trade Publications-	Subscribe to several MLM trade publications that evaluate programs.
Dun & Bradstreet- Attorney General-	Order reports to see that the management team is sound. Check with the State A.G.s where the company was founded, where it is located today, and any states where it is doing a high volume of business.
Better Business Bureau -	Call the BBB to see if many complaints are listed with a company. You need to know the main phone line of the company you are investigating.
Dept. of Consumer Affairs-	Check with the DCA in 3 or 4 states where the company is doing business.
Direct Sales Association-	The DSA is a non-profit trade organization that speaks out for direct sales and network marketing. They also have established standards of conduct for network marketing companies that must be followed to be an active member. Call (202) 293-5760 for more information.

Things to Watch For in a Network Marketing Company:

Complaints

When researching a company, check with the previously mentioned regulatory agencies. Most of these agencies simply keep track of complaints, so if you're looking for an objective source of information here, you probably won't find it. However, listening to these complaints can be helpful. By the way, even the legitimate companies are going to have some complaints from a few disgruntled distributors. There are countless ways to offend people in modern society. What you don't want to find is frequent litigation, many unresolved complaints, or criminal activity.

Public vs. Private

Researching a public company (a company traded on the stock market) is as simple as pulling a Dun & Bradstreet report through your banker or attorney. These reports usually cost a few hundred dollars and are very reliable. Also, request an annual report from the company itself.

It is more difficult to scrutinize a private company since they do not have to release any financial information. Any information that is released by a private company may or may not be accurate since the giver does not have any incentive to be 100% accurate and objective. (See Appendix for a listing of network marketing growth stocks along with their four year performance listings). Therefore, it is even more critical with a private company to get to know the backgrounds, personal mission and motives of the corporate officers. You must be able to answer "yes" when you are asked if you really trust the people who are running your company.

Undercapitalized?

Lack of start-up money is one of the top reasons that companies go out of business. Start-up companies often use profits from today's sales to operate the business, hoping that they can pay distributor commissions out of next month's profits. Soon, products start to back order and commission checks arrive late, or not at all. Most undercapitalized companies can't maintain this juggling act for long and end up filing Chapter 11 Bankruptcy.

Company Income Claims & Downline Building Services

There are two types of programs you must avoid at all cost. The first type of program is one that guarantees income. Companies that promise you will make a specific dollar figure are in violation of the law, but usually go out of business long before the law even knows of their existence. The second type of program is one that offers to build a downline for you. Don't believe them for a second. These programs usually take your money and build their own downlines, leaving you high and dry months later. Report any of these programs to your local State Attorney General office.

Distributor Income Claims

Although not necessarily related to selecting a company, this is a common problem that needs to be addressed. If you plan on being the best you can be in network marketing, decide now that you will not use income claims and projections to build your network marketing business. Avoid companies or anyone who uses income claims in public meetings, advertising, and conversation. Not only is it illegal in many states, but it encourages exaggeration and fabrication, giving the entire industry a bad reputation. And it doesn't matter whether the claims are accurate or not, they can still be illegal.

Medical Claims

FDA and FTC attacks against careless network marketing companies are getting more and more frequent. Companies and distributors must be increasingly cautious about the claims they make about health products. Even personal testimonials are under increased scrutiny and censure. All companies planning on sticking around must be proactive in self-regulation and should have an aggressive program in place to stop any improper product (and income) claims. Good management teams will not hesitate to reprimand distributors for making improper medical claims and will even cancel distributorships for repeat offenses. After all, the company can be held liable for claims made by independent distributors.

The "Debt Free" Myth

Most network marketing programs claim to be 100% debt free without realizing the meaning of this statement. Sometimes being debt free can actually be a red flag. Now don't get me wrong – I'm not saying that having tremendous debt is good. But, distributors must realize that no company can function properly without some form of debt. Debt is used to improve and expand a product line, to keep up with phenomenal growth, and even to take a company international. Many of the companies that are most enthusiastically waving the "debt free" banner are debt free because they couldn't get a loan if their life depended on it. Some of the individuals applying for a loan to finance their network marketing start-up have such a poor track record that creditors might laugh them right out of the bank.

Keeping Up With Growth

Most companies that go out of business do not go under because of lack of growth, but because they grow much too fast. Len Clements, editor of NetWork Marketing Today magazine, wrote an article entitled, "Facts & Myths of MLM: The Useless Questions Distributors Ask." In this article, Clements discusses the issue of exponential growth. He states, "...consider what is involved with keeping up with a company's growth curve. The difference between 'keeping up' and 'catching up'

in this industry is usually the difference between life and death from a corporate standpoint. If an MLM company gets even one month behind the growth curve it can be like letting go of the reins of a wild horse.”

Len Clements, *NetWork Marketing Today*, January 1998
Facts & Myths of MLM: The Useless Questions Distributors Ask

Network marketing consultant Chuck Huckaby offers further information about scrutinizing a company's financial health. He states, “Asking about credit lines, financial resources, etc. is a ‘Catch 22’... some deadbeats will falsify documents to prove anything. The discreet ones, who possibly are financially sound, didn't get that way opening their most personal financial dealings to every Tom, Dick, & Harry. The most reliable indicator, then, isn't ‘what are they promising to do?’ but ‘what have they actually done?’ This will force you to avoid start-up companies unless the new management has some previous track record you can delve into.”

Chuck Huckaby, *NetWork Marketing Today*, January 1998
Key Trends for Evaluating an MLM Opportunity!
Will Your MLM Survive the Age of Competition?

Advanced Scrutiny

For those of you who are still not satisfied with the above steps, check out page 61 of the popular book, *Wave Three – The New Era in Network Marketing* by Richard Poe. In this section, Dennis King, author of *Get the Facts on Anyone*, tells distributors that a people trail interwoven with a paper trail is the key to every successful investigation. King further explains that a “paper trail” consists of financial and legal records while a “people trail” consists of suppliers, distributors, company officers, lawyers, bankers, and accountants. Mr. King advises people to start a paper trail first by having your bank help you obtain a credit report for the company you are investigating. There may be a charge for this. Look for late payments to suppliers, or even call the suppliers directly to see what you can find out. Then Mr. King advises to contact the company and request the names of the company's accountant, attorney, and banker.

Here are some of the things you hope to find out in your interviews. Is the company timely on its payments? Has the company applied for credit? Was it denied? Is the company having any financial problems? Does the company have anything to hide? How long has the company you're investigating been a client or associate of the person you are interviewing?

In addition, Dr. Srikumar Rao, chairman of the marketing department of Long Island University and one of the nation's leading experts on network marketing, describes specific procedures for learning every detail about the current status of a company, public or private. For example, Dr. Rao describes the process of purchasing a litigation history from Prentice Hall Legal and Financial Service (call 800-221-0770). You can get everything from major litigations to complaints of small, unpaid bills. Look for patterns of abuse. These reports will end up costing you hundreds of dollars and a lot of time. If you get to this level of investigation, Dr. Rao advises that you might as well hire a private detective (P.I.). After all, the decision you are about to make is worth this modest investment of time and money.

Start-Up & Maintenance Requirements (SMR's)

One of the most important decisions management team must make deals with what I call Start-Up/Maintenance Requirements or SMR's. The term SMR is used to describe the financial commitment level that is expected of each distributor at the point of start-up and the on going financial commitment necessary to maintain “active” status from month to month. The trick is to find a balanced package. In order to understand the importance of balance, we must first look at the two extremes of the SMR spectrum.

High End SMR Companies

There are three types of SMR's – High End, Low End, and Medium Range. Companies that opt to go with a High End structure typically encourage or require \$1,000 - \$10,000 down at start-up and \$1,000 - \$5,000 per month Group Volume Requirement to maintain active status. These companies are characterized by fast growth and high attrition rates (or high distributor fall-out rates). Many companies tolerate and even sometimes support front end loading and encourage distributors to go full-time immediately, as this is the only way to have a decent chance of maintaining the heavy Group Volume Requirements. High End companies attract charismatic individuals who are generally excellent public speakers and very persuasive. There are a handful of distributors who have the ability to make \$50,000-\$500,000/month while thousands of others struggle to make less than minimum wage for their efforts. Many distributors end up with credit cards maxed and garages full of product. On the up side, High End companies tend to attract higher caliber individuals who treat the business like a business. Also, the possibility, no matter how remote, for reaching millionaire status within as little as 24 months is possible with High End companies. Almost all of the High End SMR's are typically characterized by having a stairstep/breakaway compensation plan.

Low End SMR Companies

Low End companies are the exact opposite. They do not have any Group Volume Requirement and have very low personal volume requirements ranging from \$10-\$60/month. These companies also grow quickly because of low personal volume requirements. But it takes many thousands of people to produce enough product volume to provide good commissions to distributors. Even a downline of one thousand distributors could equal only a few hundred dollars per month. Low volume requirements attract lazy distributors and/or distributors who have failed at other programs and want to do something that doesn't require as much time and money commitment. Low End SMR companies have the highest percentage of inactive distributors of any type of plan since sponsoring strategies focus so heavily on the ease of starting the business and not on moving large volumes of product. On the up side, Low End SMR companies are more user friendly than the High End companies. Low End companies are fairer to the average person and allow everyone to participate. Most Low End companies are typically characterized by having a Unilevel compensation structure.

Medium Range Companies

Balance, as was stated earlier, is the key. A medium range company, or balanced company, has just enough initial start-up cost to cause distributors to make a solid financial commitment, yet not enough to be considered front end loading. Initial start-up costs range from \$100 - \$1,000. Maintenance should consist of a moderate personal volume requirement of around \$100 per month (the industry average). If your volume requirement is five times higher, the opportunity becomes five times less duplicable. If the requirement is half as much, the distributor's income potential drops in half. The distributors average level of commitment drops way below average. When the company discounts the opportunity, below average distributors are attracted to the company. Middle Range companies tend to find a healthier balance, attracting a high caliber individual while maintaining reasonable commitment levels.

What can the average person do?

In network marketing, the average distributor typically sponsors less than a handful of people and does an average of \$100 per month in personal product purchases. Many of the top management teams in top MLM companies now realize that in order for the company to succeed, they must design a marketing plan catered to the average person, not the below or above average person.

Is Cheaper Better?

There is one particular company offering a program that keeps you active for \$40 per month and they are saying, "join us, we're less!" Now if less is better, why not appeal to even more people by going even lower. I know programs that require \$20, and even \$10 per month to stay active. Why not go with these? The answer is obvious! The more the company lowers the requirements past the "average" expectation, the less commitment the company requires and the less income potential exists. You begin attracting mostly couch potatoes. No duplication occurs. In addition, the payout begins to wither to the point that you need to sign-up half the population of Asia to produce a full time income.

A particular friend of mine is a prime example of this mentality. He is constantly bouncing from program to program looking for the deal with the least amount of commitment and with the same lucrative payout. My friend found another program just a few months ago that requires only a \$20 per month maintenance. What has happened? He has attracted several like-minded individuals who have all come in with the minimum investment and are doing \$20 per month in volume. It's a generic Unilevel structure and the payout is 10%. Neither one of them is making more than a few dollars per month. Six months from now he will be in a new program with another pay plan that requires only \$10 per month to stay active.

The Sponsor Sets The Standard!

The sponsor is the only one who can set proper standards for his/her downline team. Even after choosing a medium range company, the sponsor has the choice of following the recommended start-up plan or doing their own thing. The sponsor must set standards high, but they shouldn't be so high that they discourage distributors. Investing \$1,000 in a business up front is very reasonable if the distributor is able to purchase everything including product, training materials, a good supply of prospecting supplies and even business leads. After all, even an inexpensive franchise costs over \$40,000 in start-up capital with all of the same risks, enormous overhead, and less income potential. Compared to the cost of a franchise or a traditional business start-up, starting a network marketing distributorship is a drop in the bucket.

Sponsoring Dependants as Downline

Some programs have allowed spouses or even children still living at home to sponsor in under a family member. This type of sponsoring is illegal in many states and is a great way to attract the attention of enthusiastic regulators.

Portfolio Programs

Another dangerous type of program is the one that offers to sign you up in multiple programs. These companies are called portfolio programs and they usually don't even have permission from the companies they are promoting to do what they are doing, even though they swear they have written contracts. No portfolio program has ever survived.

Study #5: Selecting The Best Product or Service

Many seminar participants and students have asked how I was able to effectively evaluate and compare such diverse product fields as nutritional supplements, personal care products, and telecommunications services without a specific background in each of these industries. Well, the truth is I do have backgrounds in many of the industries I have studied, although I don't have any professional credentials or degrees. What I do have is a very special power that is exclusive to the human animal... the power to research and the power to reason.

I have applied these special powers in my efforts to find out what to look for in a bottled nutritional supplements line, in a tube of toothpaste, and what to avoid in a bottle of shampoo. I may not be a scientist or a Ph.D. but I can study and cross-reference what top scientist and doctors are saying. In the end, I find my methodology more effective and objective than the methods used by most top scientists. My philosophy is simple, research the research, determine what the experts agree on, and then test these findings against the following criteria.

The first question you must ask yourself when selecting any specific network marketing product is, "if people did not receive any kind of monetary incentive for promoting this product or service, would people still buy this product or service at this price? Would the product be in high demand?"

In section one we determined that a product needs to have the following characteristics to be in high demand. As you may remember (I hope) I've created a statement that will help you remember the acronym for these 7 steps. It goes like this... **"Each Criteria Unlocks The Vault To Success!"** E.C.U.T.V.T.S

Again, a product needs to be...

1. Emotional: The product or service must induce a positive mental or physical change that results in an emotional attachment to that brand. Products that help people look and feel better can create an emotional bond between the customer and a specific name-brand product that may never be broken. This bond can be passed on to others through the sharing of personal experiences.

2. Consumable: The product or service must be regularly used up and replaced on a monthly, weekly, or even daily. This is one of the most important criteria on the list! Without monthly consumption, it is nearly impossible to establish on going monthly income. Distributors are constantly looking for new customers every month instead of enjoying the residual income that only comes through continual product consumption.

3. Unique: The product or service you're marketing must have a unique twist - something that the competition doesn't have or can't get. A special formulator, an exclusive ingredient, a twist in the formulation, or creative processing can make a product unique, or a patent. Maybe it has a unique color, texture, scent, taste, delivery system, container or bottle, logo. A service, on the other hand, must offer something the competition does not. Services are more difficult to customize and standardize, but it can be done. The product or service must also be exclusive to one company only. Your name brand can not be purchased in chain stores or through other companies, suppliers, or independent distributors.

4. Traditional: Although the product must be unique in some way, it can not be too uncommon. It must be similar to other products on the market that have been sold for years and years. The product or service category must have a good track record in the marketplace. Traditional products have mass appeal over a substantial period of time.

5. Valuable: The product or service must be worth its price ... and maybe more! Prices must not be set too high or too low for the perceived value of the product. Also, healthy profit margins are essential in order to finance the company and give incentives to distributors. Value is determined

by customers, distributors, and governmental regulators. If all three parties pass off on the value test, you've got a winner.

6. Timely: The product or service must be in high demand RIGHT NOW. The products must appeal to the masses, especially the "baby boomer" generation. The baby boomer group consists of 76 million Americans born between 1946 and 1964. They are the largest buying force in the history of North America and are accustomed to getting what they ask for. If you can cater to the needs of the baby boomer generation, its hard to go wrong.

7. Stable: The product or service must be in high demand LATER. Take a look twenty years into the future. Will the product or service still be in high demand? If the answer is yes, you have a winner. If demand on the product increases with time, that's even better. You may know about the baby boomers, but you may be unaware that the 76 million baby boomers have had 74 million babies. Having baby boomer children consuming the same product their parents are consuming will not hurt product demand right now and over the next 20-30 years.

Since research reveals that there are only four main industries that are considered "high demand industries," I will only review these four industries. These industries include: Nutritional Supplements, Personal Care Products, Household Products, and Telecommunications. In the last section of this book, I will examine "things to look for" and "things to avoid" for each of these industries. But first, let's look at some of the fundamentals of scrutinizing a product.

NUTRITIONAL SUPPLEMENTS

Over 70% of the 200 companies I reviewed were nutritional companies. With the baby boomers entering their 50s, this industry will continue to explode for the next 20 years. Its important to note that the baby boomers are very wise consumers. They demand quality, value, and they are tough to fool. Here are some important points to think about while scrutinizing and comparing nutritional product lines.

THREE TYPES OF NUTRITION COMPANIES

Before reviewing a product line, it's important to find out the company's philosophy behind its products. There are three basic product philosophies adopted by nutritional companies on the market today.

Treating Symptoms With Herbs

First, we have the herbal medicine companies. To understand an herbal medicine company, you must first understand traditional medicine and drugs. When we go to the doctor, the doctor examines our symptoms and prescribes a drug. The purpose of the drug is to take care of the symptom as quickly as possible. If you have a headache, you may receive a prescription pain killer. You take the pain killer and the pain goes away. Is the problem cured? No! However, the symptom is gone and that is all that matters, right? The doctor seems to think so.

Herbal medicine companies claim to disagree with this "American medicine philosophy." However, the first thing you do when you join an herbal company is purchase a book on herbs and then you look up all of your ailments in the index to determine which single herbs, herbal combinations, and vitamins you should be taking. Is this not the same symptomatic approach? For example, if you have a headache, the book says to take White Willow Bark or various other herbal combinations that act as natural pain relievers. Again, we are just putting a mask over the symptom. If you have multiple ailments, you could be taking different combinations of herbs that are mixing together to cancel each other out. Many herbal medicine combinations, like drugs, can be highly toxic or even deadly.

Now don't get me wrong. I truly believe in the power of herbs and herbal medicine. In fact, I consume herbal products daily. What I have a problem with is the philosophy of treating the symptom rather than treating the cause. I'm strongly opposed to this philosophy. After all, symptoms are the final manifestation of illness and the first thing to go away with treatment. Even when symptoms go away, sometimes the root cause of the symptom still exists.

Immune System Companies

The third type of nutritional company is what I call an "immune system company" or a company that focuses on building the body's immune system. The immune system is your front line of defense against infections, diseases, and other illnesses and it is regulated by nutrition. If we give the body's cells everything they need for optimal health, the body can take care of itself with a strong immune system to ward off disease and maintain optimal health. As a result of this philosophy, immune system companies have developed products that do not treat symptoms. These products go to the root of the problem by helping the body correct its nutritional balance and eliminate any deficiencies. Hypothetically speaking, if you were to take a product designed to boost the immune system and your headache were to go away, you would know that it wasn't a mask designed to temporarily cover up your symptom. Your body is simply getting the nutrition that it needs to take care of itself. Sadly, in our study we only found a handful of companies with the preventative philosophy and a focus on the immune system. However, it is critical for you to seek out this company philosophy when selecting a nutritional company.

Science vs. Testimonials

We have exited twentieth century network marketing and entered the new millennium, we are moving from an era of salesmanship to an era of science. Some call it the information age and it is changing the way people are selecting a nutritional product line. In the 1980's, people attended opportunity meetings and were pitched on the latest new product or service. Then, a handful of distributors would get up on stage and tell about how this nutritional product had helped them lose 30 pounds, regrow hair, and get off of anti-depressants in one week. The decision to buy the product and to get involved with the distributorship was purely emotional. In the 1990's, although any decision is largely emotional, many people are starting to do their due diligence when investigating a product line. People are getting tired of the hype associated with testimonials. As studies on nutrition are getting more scientific, people are becoming more analytical in their approach to selecting a good product. It is very clear that people in the twenty first century will be more concerned with scientific validation rather than hype and sensationalism.

Science & Nature

What relationship do science and nature have as pertaining to human nutrition? Some say none. Many so-called nutrition experts downplay the roll of science in nutritional supplementation. They describe a product made of whole food, organically grown, all natural plants. Of course, these plants are in their natural state and unspoiled by science and technology. "You can't improve on what God has made," they say. Other voices claim that based on the depletion of nutrition in the soils and other environmental concerns, no products or ingredients in their natural state have enough nutritional value to supplement a fruit fly, much less a human being. This group feels that God has given humans the intelligence to enhance human nutrition through scientific methods.

I feel the answer is somewhere in the middle. Sure, it is important to avoid hazardous chemicals or controversial formulation techniques. Sure, it is best to use all natural ingredients. However, no one can really claim to market all natural products when they have to process them into tablets or liquids. No nutritional supplement manufacturers can downplay the role of technology in the mass production of highly effective supplements. Even the "all natural" products are encapsulated, pressed, freeze dried, or processed in some other high tech manner.

Copy Cats

A quick word about copy cats. I have to give special credit to companies like Forever Living, Morinda (Tahitian Noni), XanGo, Melaleuca, and any other companies who have been “first to market” with their particular product idea or ingredient and have established a strong brand. How can network marketing companies really expect to build a strong brand on a product category made famous by another company? That would be like trying to compete in the market place with Coke™, Qtip™, Kleenex™, or Xerox™. Its going to be a tough row to hoe. Better to start with an original concept than try to steal someone else’s thunder. Some companies have made a career out of jumping on the latest new discovery and trying to launch their own version. Not only does it seem almost easier to find an original idea, but its hard to explain to your distributor force why the company is constantly in legal battles with other companies.

Products Don’t Formulate Themselves

One of the best ways to scrutinize a nutritional line without a Ph.D. in biochemistry is to research the people behind the products. These individuals should have many past accomplishments that will give you an indication of their experience, competence, and effectiveness in their respective fields of expertise. You may not have a background in Microscopic Bio-Nutrition but you can read about what the experts are saying. By reviewing ALL of the popular books on cutting edge health and nutrition research, you can get a fantastic feel for what is developing in the world. In your studies, find out what the experts agree upon and there you will find the most scientifically documented and helpful answers.

PERSONAL CARE PRODUCTS

All Of The Good, None Of The Bad

Many companies have adopted this philosophy with their personal care products. The idea is very simple. Take all the ingredients that have been know to be good for the skin, hair, and body and add them to the product. Take all the ingredients known to be bad and leave them out of the product. Be sure to check the labels on all the company’s personal care products.

Alternatives

One of the best marketing strategies I have seen with personal care products is the “alternative” strategy. Look for a company that markets its personal care products as a safe and effective alternative to the products on the market that contain harmful ingredients. Natural, safe, and effective are the operative words.

Here are some of the harmful ingredients commonly found in store bought personal care items. Go check your shampoo bottles and skin care products for the following:

Mineral Oil: Is a mixture of refined liquid hydrocarbons derived from petroleum. It is the stabilizing ingredient of many skin formulas. Mineral oil forms a film on the skin, blocking the pores and interfering with normal skin respiration. It may, therefore, not only dry the skin, but be a contributing cause of blemishes and even stop the development of skin cells altogether.

Petrolatum: Is found in products such as Vaseline™, etc., that do not penetrate the skin, but sit on the surface blocking natural respiration, excretion, and absorption of other nutrients. Petrolatum is derived from petroleum, a dark, oily, flammable liquid used in gasoline and kerosene.

Propylene Glycol: Is a known skin irritant. It dries the skin from the inside out while clogging pores and causing blemishes. This is the primary ingredient in brake fluid and antifreeze! Use it in your car – not on your skin.

Other harmful ingredients exist; however, these are the most common. Be sure to check the personal products you are using right now to make sure none of these ingredients are present.

HOUSEHOLD PRODUCTS

Environmentally-Friendly

Network marketing is filled with companies that market environmentally-friendly household products. These companies offer alternatives to products that contain chemicals toxic to the environment. Consumers are even willing to pay more to buy the non-toxic products. Make sure to only look for environmentally-friendly products.

Safety

Another great selling point for many household products is safety. For example, some companies have household cleaning detergents that will not harm a child if swallowed. You usually can't say that about most store bought brands. This is an excellent selling point and something to look for.

TELECOMMUNICATIONS

This is a big one, so we are going to spend some time on it. When considering a network marketing industry, telecommunications can be an attractive choice at first glance. After all, where else can you find a product or service where you don't have to stock inventory, don't have to collect money, and don't have to convince people about the need for the product? I must admit that marketing long distance and other telecommunication services seemed so attractive to me that I tried it twice myself. It took close personal involvement to help me realize how difficult it is to create residual income in today's telecommunication market and how much more difficult it will be in the near future. If you are interested in pursuing a career with telecommunication services in MLM, please read the following with an open mind and you might be able to avoid some of the challenges that caught me by surprise.

How Many Long Distance Customers Do I Really Need?

Did you know that in the average telecom MLM, if you wanted to make a good full-time residual income, you would need over 10,000 customers in your downline within the first 7 pay-levels? Since nearly everyone has a phone, there are plenty of customers to have so don't let this number scare you off. But you will never hear about this at an MLM opportunity meeting. Make sure you are ready to dedicate yourself completely to this venture. A half-baked effort will not do when trying to amass these numbers.

Take time to study the compensation plan before you sign on the dotted line. Make sure the plan you are reviewing offers plenty of residual income from the products and services, not just commissions on linear (non-residual) training bonuses. Traditional network marketing plans offer over 5% commissions on 6-7 levels of product volume. Most telecom companies offer an average of less than 2% commission on 6-7 generations of long distance customers. That's why you need so many more customers and distributors to make a telecom program work.

Many New Telecom Companies, No New Market

This low payout is due to the competitive nature of the telecom industry. The long distance market is limited in its size. Almost everyone in North America already has a phone and already has long

distance service. The number of new long distance users is not expected to double, triple, or quadruple over the next several years. As a matter of fact, while technology is growing by leaps and bounds, the long distance market is not. New long distance companies are flooding the market, but the market is not growing to match the demand. Make sure the company is diversifying to remain competitive.

Deregulation and Price Wars

Since the deregulation of long distance service in the '80s, hundreds of new long distance companies have entered the market trying to compete for AT&T's scraps since almost everyone who has long distance is, or at least was, using AT&T. Since competition is so fierce, prices are rock bottom. With the heavy increase in competition, the long distance phone rates in the U.S. have dropped 10-20 cents per minute in most cases and many companies now offer 5-10 cents per minute. This leaves virtually no profit margins for the companies to cover overhead, payroll, and commissions to sales representatives. Most distributors for long distance telecom MLMs are only receiving about 1-2% residual income on an average phone bill of less than \$30 per customer, seven levels deep. That's about 7-14% payout total. Most other top companies pay from 30-50% in distributor incentives. This brings us to a dilemma. Does the company hold onto high rates to pay higher commissions to independent distributors or does it match the market by dropping rates – thus leaving very little for the distributors? This problem exists in all competitive service markets, not just telecommunications.

In recent interviews, I heard one distributor remark that they don't even care if they lose their customers since they are not even making enough to pay for their own long distance phone bill. This 1-2% commission percentage is still the industry average for long distance MLMs. Anyone who is trying to convince you otherwise either doesn't understand their own company's commission structure, or they are using some other method of paying commissions other than long distance usage.

Creative Commissions

When telecom companies went MLM, they realized that they would either have to go with AT&T prices and give good commissions to their distributors, or go with discounted prices and pay horrible commissions. Needless to say, everyone chose the discount route since they could not seem to take business away from AT&T any other way. Consequently, these MLM telecom programs have had to come up with some fairly creative ways of paying their distributors.

Coding Bonuses

The most popular and controversial way of dealing with the lack of profit margins in telecom programs is a little thing called a coding bonus. This is a bonus paid to distributors for something other than the product or service being offered by the company. In the case of most telecom programs, these coding bonuses are paid on trainings, thus they could technically be called "training bonuses." Why is paying override commissions for trainings controversial?

In an article appearing in the January 1998 issue of *NetWork Marketing Today*, Spencer Reese, a prominent and respected network marketing attorney, points out the dangers of coding bonuses. Mr. Reese states, "Paying commissions based on enrollments into a training program can easily be viewed as a headhunting operation that compensates participants for signing up new participants. This is simply the operation of an illegal pyramid."

Spencer Reese, *Network Marketing Today*, January 1998, Page 40
MLM & The Law, Coding Bonuses: Is There Trouble Ahead?

Service Charges

Another company chose the questionable practice of actually charging a \$50 monthly fee just for the privilege of calling long distance at a great discount. Make sure you factor in the \$50 to your phone bill before you get too excited about their phone rates. Most people will spend more with the new pricing structure than they were paying previously. This company and others like it are now out of business.

Pre-Paid Phone Cards

Another craze is pre-paid phone cards. These cards are usually ridiculously overpriced. However, the rational is "as long as you sign up two, who sign up two, who sign up two, then your calling cards are free...no matter what the rate per minute is!" Get the picture?

Demographics can make you wealthy...or broke!

I base my decision to become involved with a company on profitability. Many people choose to market a product or service based on attending a hype session and hearing some maniac go on and on about how much money he or she is making. However, it does not take a rocket scientist to sit down and analyze demographics and buying trends in order to choose the most profitable business opportunity, while avoiding many of the pitfalls that distributors can run into early in the game. The baby boomers, born between 1946 and 1964, are the largest buying force in America. When industries cater to this buying mass, they thrive. When they don't anticipate the boomers' needs, they fail. Tens of thousands of companies across the country have risen and fallen because of the boomers. What are the boomers buying now? Answer this question and you have an explosive business opportunity.

Wrapping it up!

Telecommunications is still a very exciting and dynamic industry. There are a handful of charismatics at the top of several top telecom companies making millions and beckoning to the masses to hop on the bandwagon. Still, telecom is one of the most difficult industries for the average distributor in today's market. If you have your heart set on telecommunications, check out the specific criteria for evaluating a company in Test #5 located in the next section.

What are the experts saying about MLM industries?

For fear of sounding like I'm making all of this up because I have an axe to grind with certain industries, I thought I'd throw in some comments made recently by industry insider, Chuck Huckaby, Publisher of PROFIT NOW magazine.

In a recent article in NetWork Marketing Today, Mr. Huckaby states, "On the technology front, while many are gobbling down one pill after another, the Age of Competition has also produced a mentality in another sector of the market that says 'pills, potions, and lotions are bad'. In a sense, this is a natural response to all the hype in the marketplace surrounding nutritional products and beauty treatments that will supposedly grow hair on doorknobs and, applied to Cleopatra's mummified body, restore her good looks. These people are sorely tempted to promote hi-tech products and services or at least non-nutritional products and services like legal insurance. Some recent non-events have been online services, long distance MLMs, phone cards and personal computers. This is not to say that some companies haven't had some success in these fields, but most haven't (to say the very least). This is because all these things are mere commodities to be hawked at every Walmart and Costco from here to Kalamazoo, the criteria for selection mainly revolving around price. While discount chains with massive purchasing power can adjust prices regionally or even locally on a regular basis, the relatively small purchasing power of an MLM tends to keep prices high and unresponsive to the marketplace."

Mr. Huckaby continues, "Take long distance service...at best there's 10% to 20% commission available. A \$25 long distance bill yields \$2.5 to \$5 commissions for an entire downline! You simply can't spread that over more than a few levels! So what happens? The companies "pad" the comp plan with "coding" bonuses for service plans of one sort or another to make up for the deficit. Or they in some way cause the price to be far above the ordinary cost...look at phone cards that sell for far more per minute than at any convenience store. Even the super cheap phone service reps make money from selling their 'black box.' You want to know why companies sell soap and vitamins? For every \$25 people spend on those products, the companies can pay out \$10 to \$12.50 in commissions, a 250% to 400% improvement in payout! Besides, if you find a nutritional customer, you're much more likely to get up to \$100 per month or more in sales from them!"

Chuck Huckaby, *Network Marketing Today*, January 1998, Pages 22-23
Key Trends for Evaluating an MLM Opportunity!

Proceed to the TEST

Additional criteria regarding each industry will be included in Test #5, located in the next section. Please proceed to the next section.

Which Criteria is the MOST important?

In my seminars, I test my audiences to see if they are thinking like a pro or thinking like a novice. I ask them to repeat back to me the five important criteria for selecting a company. They tell me industry, timing, compensation plan, management team, and product or services. They always seem to get that part right. But when I ask them, "Which ONE criterion is the absolute most important of all?" Talk about a split decision. I get five different answers every time! Do you want to know the real answer? Well, the truth is that they are ALL important, and you can't be missing even one piece of this puzzle if you want a whole company. However, choosing the best company management may be the most important criterion of all for selecting the right company. After all, isn't it people who make products, people who design compensation plans, people who make the decisions that effect the longevity and viability of the company? It sure is. And if you have good people, you're always going to have good products, a good pay plan, and good growth.

Study #5: Selecting The Best Product or Service

MLM IN TROUBLE!

What's wrong with traditional network marketing companies?

Document the downfall of traditional MLM.

Traditional companies that are not embracing internet technology are doomed to fail. Why? I'll tell you why. Many of these respected traditional network marketing companies are foolishly doing the following:

- competing with **internet prices**, and they are losing.
- competing with **internet speed**, and they are losing.
- competing with **internet convenience**, and they are losing.
- competing with **internet automation**, and they are losing.
- competing with **internet lead generation**, and they are losing.

So what can be done? Well, as the old proverb goes, "If you can beat 'em, join 'em." Traditional network marketing companies need to wake up and smell the Gigabites. Surrendering to the current and future movement of world wide commerce (which we all know is E-commerce) is their only hope.

To their defense, many network marketing companies are crying to their distributors saying, "But we are online. We've put up a fancy website, we've created distributors websites that you can refer to your friends, and we're now even offering our services ONLINE so you can retail products and sign up distributors online." This may be true, but again, most companies are missing the point. Without an effective pricing strategy, without a total automation strategy, and without a MASSIVE internet leads generation and qualification program, they're just like any other program giving partial effort.

The NEW network marketing company

From 1995-1998, I gathered research and data to publish a book called, "How to Select a Network Marketing Company" which sold over 50,000 copies in the US, Canada, Puerto Rico, Australia, UK, Hong Kong, and Japan. Originally sold as a manuscript, this book quickly became one of the most popular reference books in direct sales and network marketing.

SELECTING A COMPANY REPORT CARD

Selecting the five criteria used in the previous study, I designed a comprehensive testing procedure. By assigning values to each of the possible options in each of these top five categories, I've created a rating system for network marketing companies based on my preferences among each category. Simply select the company you want to evaluate and put that company to the test. Produce your own report card for each of the companies you are evaluating. The results may surprise you!

Test #1: Product Industry

If the company you are evaluating markets products or services through one of the following industries, apply these values accordingly. Please do not select more than one industry for each company. Select the industry which best describes the company's product focus. Then, move points to the subtotal line.

Product Industry Report Card

<u>Industry</u>	<u>Grade</u>	<u>Points</u>
• Nutritional Products	A+	12
• Personal Care/Skin Care	B	8
• Household Items	B-	7
• Wholesale/Catalog Clubs	C-	4
• Travel Programs	C-	4
• Jewelry/Collectibles	D+	3
• Telecommunications	D+	3
• Sales Lead Generation	D+	3
• Pre-Paid Legal Services	D+	3
• Filters (water, air)	D+	3
• Financial/Debt Elimination	D+	3

Points Subtotal: _____

Test #2: Timing

The following table documents the six phases of a company's growth. I assigned values to each phase. Find out the annual sales volume of the company you are evaluating. Apply the following points scale to the company's annual sales volume. Remember, what you are interested in is the phase that the company is going through in the country that you are building in. For example, a company may be 40 years old in the U.S., but you may live in New Zealand where the opportunity is brand new. Pick the phase of growth that applies to the country in which you are building. Subtotal points below.

Timing Report Card

<u>Phase of Growth</u>	<u>Annual Sales Volume</u>	<u>Grade</u>	<u>Points</u>
1. Pioneering	\$0 - 500,000	F	0
2. Concentration	\$500,000 - \$5,000,000	C-	4
3. Pre-Momentum	\$5 million - \$50 million	B	8
4. Momentum	\$50 million - \$2 billion	A	11
6. Stability	\$2 billion - \$5 billion	B	8
7. Maturity	\$5 billion +	C+	6

Points Subtotal: _____

Test #3: Compensation Plan

I ranked the following compensation plans with the following values. The point spread is varied based upon the many variations within each pay plan. For example, a high ranking breakaway plan will score a B grade based upon maximum benefits and limited restrictions within that plan. Another breakaway plan can score a D+ grade based on limited pay-out, limited levels, or high

quotas. Top pay plans ranked high based on fairness to distributors, immediate and long term pay-out potential, and the team building incentives built into each plan. Remember, no pay plan is perfect. You won't see any pay plans that score a perfect A+ grade. However, some plans are better than others. We assigned the "average" of the two grades for point values. Here are the six plans and how they scored.

Compensation Plan Report Card

<u>Name of Plan</u>	<u>Grade</u>	<u>Points Variance</u>	<u>Average Grade/ Points</u>
Breakaway	Low = C-	High = B	C+ / 5
Binary	Low = C-	High = A-	B / 8
Matrix	Low = D-	High = B-	D+ / 3
Two-Up	Low = F	High = F (unproven)	F / 0
Unilevel	Low = C+	High = A	B+ / 9
Hybrid	Low = D	High = B (too soon)	C / 5

Points Subtotal: _____

Test #4: Management Team and Company

This test is divided into two categories "things to look for" and "things to avoid." In the first section, we gave each management team and company points for the following.

Management Team Report Card

Things to look for in a company and management team: Visionary leadership, extremely high integrity, mission driven company and management, corporate business experience, network marketing experience, great track record, great credit, strong financial backing, professional and functional facilities, long term vision, strict compliance to MLM laws and regulations, proactive regulation of company and products, distributor recognition program, responsive and courteous customer service, drop ship capabilities, a variety of product order options (phone, fax, internet, and mail), prompt shipping (delivered 2-4 days in US), timely commission checks, moderate business start-up and maintenance requirements, professional packaging, science and research based product line, quality control program, continuing product research, product enhancement, and product industry diversification.

Also look for the following business building tools: High tech computer system (shipping, commissions, downline tracking, etc.), downline management system (touch-tone phone system, computer system – web site or software driven), fax-on-demand, weekly corporate conference calls, voicemail communication platform, web site (ordering, profiles on company, products, comp. Plan, upcoming events, reference archives, etc.), corporate sponsored national and regional conventions, trainings, and distributor retreats and vacations, professional promotional materials produced by company at reasonable prices (audios, videos, brochures, magazines and newsletters, etc.)

In the "things to avoid" category, all management teams and companies were given a perfect "A+" grade or 12 points. Then we proceeded to take points off for any of the following concerns. Below is a list of the concerns that resulted in a loss of one or more points. Start with "A+" or 12 points and take off points accordingly.

Things to avoid in a company and management team: Past or present criminal activity, numerous bankruptcies, inexperienced management team, lacking past successes, unethical activity of any kind, tolerance of unscrupulous staff or distributors, unprofessional conduct (foul language, harassment, etc), poor personal money management, poor communication, dominant

personalities, apathy, short-term vision, company association with unscrupulous activities or people, excessive hype, false science, product, health or medical claims, no ownership of products (products are contracted out), overemphasis of compensation plan over products, company endorsed slandering of other MLMs, unethical company recruiting campaigns, income claims, one time pay plans, paying on product vouchers/down payments, the promotion of “no sales”, extreme start-up expenses (too high/ too low), constant back-orders, high attrition rate, low re-order rate, low start-up capital, high start-up capital (front end loading), cycling binaries, heavy debt, poor money management, stagnant growth, drastic changes in product line, drastic changes in compensation plan, continuous back-orders, “sweet-heart” placement deals and/or special favors, privileges, or rewards to distributors that are not directly tied to performance, corporate employees with downlines, promises from upline to build your downline, promise of spill-over from upline, promise of free leads, lack of professional looking promotional materials such as audios, videos, brochures.

Points Subtotal: _____

Test #5: Selecting The Best Product or Service

This test is divided into two categories for each of the four industries: Nutritional Supplements, Personal Care, Household Products, and Telecommunications. The two categories include “things to look for” and “things to avoid.” On the “things to look for” side, I gave each company points for every criteria that was present in that program with a maximum of 12 points possible (A+). On the “things to avoid” end, we started each company with a perfect score of “12 Points” and then we began eliminating points as we ran into concerns. Add up points from all eight categories and average them at the end. Please review each category.

Selecting A Product Report Card

Test #5-1A: Things to look for in a Nutritional Product Line

👍 Product potency (combination of strength and freshness)*, synergy (ingredients work together as a team)*, bioavailability*, daily values established by the latest scientific research – not by government, optimal & complete amounts of recommended daily values, simplicity (doesn't take a PhD. to know what and how much to take AND what and how much to recommend to others), strong nutrition focus (not just herbal), focus on immune system, return/refund policy.

Test #5-1B: Things to avoid in a Nutritional Product Line

👎 Incomplete line, herbal medicine focus rather than nutrition focus, undocumented product claims, exaggerated testimonials, inexperienced scientists formulating products, unsafe ingredients, no result using products, bad results on product, inaccurate labeling*, too much or too little of key nutrients*, low quality/cheap ingredients and formulations*, complicated product line, no return/refund policy, gimmick products (thigh cream, Ma Huang weight loss pills, diuretics, spray vitamins, colloidal minerals, etc).

*Please note: Without becoming a microbiologist, it may be difficult to evaluate some of the criteria for selecting a high quality nutritional supplement. Therefore, you must rely on documentation provided by the company and from independent sources to determine the effectiveness of these products.

Test #5-2A: Things to look for in a Personal Care Product Line

👍 Quality ingredients such as: aloe vera, alpha hydroxy acids, antioxidants (vitamin A palmitate, vitamin D, vitamin E), botanicals (most popular: chamomile, fennel, ginkgo biloba, ginger, ginseng, gotu kola, hops, sage, rosemary, St. John's wort, etc.), essential oils (most common are: rose, lavender, mint, chamomile, calendula, tea tree oil)

Test #5-2B: Things to avoid in a Personal Care Product Line

👎 Harmful ingredients such as: beeswax, collagen, harmful artificial colors and fragrances, lanolin, mineral oil, petroleum (or petrolatum), propylene glycol

Test #5-3A: Things to look C for in a Household Products Line

👍 Quality, environmentally friendly, highly consumable, good pricing, safe, traditional product types, unique formulations.

Test #5-3B: Things to avoid in a Household Products Line

👎 Extreme pricing, requirements for quantity purchasing, "concentrated soap" gimmicks (justify high pricing by claiming that soap/detergent is concentrated), false science (laundry ball/disk, etc.)

Test #5-4A: Things to look for C in a Telecommunications Service

👍 Company provides monthly statement, accurate billing, prompt billing, 9 cents per minute or less outbound, 9 cents per minute or less on inbound 800 lines, calling cards for 11 cents per minute or less, 6 second billing increments, good international rates, financial commitment to hardware (not just reseller).

Test #5-4B: Things to avoid in a Telecommunications Service

👎 Large monthly billing charges, high activation fees, "circuits busy" signals, programs dedicated mainly to marketing pre-paid calling cards, one minute or 30 second billing increments, coding bonuses and/or large training fees, "cycling" binaries, matrix compensation plans, hybrid compensation plans, companies that require significant technical training.

Point Subtotal: _____

Here's a formula for figuring your total for Test #5:
(Subtotal #1A) + (Subtotal #1B) + (Subtotal #2A) + (Subtotal #2B) + (Subtotal #3A)
+ (Subtotal #3B) + (Subtotal #4A) + (Subtotal #4B) ÷ 8 = TOTAL POINTS

HOW TO SELECT A NETWORK MARKETING COMPANY

Overall Company Grade

Test #1 _____

Test #2 _____

Test #3 _____

Test #4 _____

Test #5 _____

TOTAL _____ \div 5 = **GRAND TOTAL** _____

Now take the grand total and apply the following grading scale to give the company a letter grade:

12 points = A+

11 points = A

10 points = A-

9 points = B+

8 points = B

7 points = B-

6 points = C+

5 points = C

4 points = C-

3 points = D+

2 points = D

1 points = D-

0 points = F

Overall Company Grade:

CONCLUSION

Thank you for studying this book. By doing so you have proven that you are genuinely interested in becoming educated about network marketing. Hopefully, this book has helped you to better understand emerging trends in network marketing. I also hope that you learned some valuable techniques for selecting the right network marketing company for you.

Using the criteria in this book, I reviewed over 200 network marketing companies. This was quite an undertaking. I gained insights and understanding about the industry that have helped me continue to evaluate opportunities more accurately and objectively. Although many companies scored highly in testing, many did not. Some programs didn't make the top 10, top 20, or even the top 200. Some didn't make any list other than my black list.

Although many of the following programs have significant flaws that would keep them from being recommended as top opportunities today, they are worth listing. The top 10 opportunities are worth evaluating seriously and only the top three scored high enough to be considered superior companies. I update this list as new information becomes available. However, these updates are only accurate at the date of publishing. I realize that there may be companies that were doing fantastic at the date of publishing this book and within as little as two weeks, a company can get into big trouble. So please excuse any information that has become inaccurate after the date of publishing.

One of the reasons I conducted such a thorough study of over 200 programs was to pick the #1 company in network marketing for the purpose of pursuing an independent distributorship. After reviewing over 200 programs, I selected one company. Although I believe in developing multiple streams of income, I truly believe that you should commit to ONE network marketing opportunity at a time and give it your heart and soul. Please review the following pages to find a list of the top programs in network marketing today.

THE TOP OPPORTUNITIES IN NETWORK MARKETING TODAY

<u>Company</u>	<u>Founded</u>	<u>Products/Services Offered</u>	<u>Compensation Plan</u>
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Top 5 Companies In Order of Rating

XanGo	2002	XanGo Liquid Nutritional	Unilevel-Fast Start/Compression
Morinda	1996	Tahitian Noni, Liquid Nutritional	Unilevel-Fast Start/Compression
Melaleuca	1985	Eco-Friendly Household, Nutrition	Matrix (5x7) (like Unilevel)
NuSkin/IDN	1984	Skin Care, Nutrition (Big Planet)	Breakaway
Isagenix	2001	Weight Loss, Skin Care	Binary NEW

Honorable Mention:

Although timing is not as much in their favor, and the compensation plans are a bit "old school", these are the companies that have paved the way for younger opportunities to follow. Our hats go off to these industry founders.

Nikken	1975	Health Magnets, Nutrition, Misc.	Breakaway
Mary Kay	1963	Cosmetics, Personal Care	Breakaway
Pre-Paid Legal	1972	Legal Services/Bought TPN	Breakaway
Avon	1886	Cosmetics, Personal Card	Breakaway
Herbalife	1980	Nutrition (Herbal)	Breakaway
Shaklee	1956	Nutrition (VitaLee)	Breakaway
Nature's Sunshine	1972	Nutrition	Breakaway
Forever Living	1978	Nutrition, Skin Care, Aloe Vera	Breakaway
NSA	1970	Water Filters, Nutrition (Juice Plus)	Breakaway
Watkins	1977	Kitchen and Household Items	Breakaway
Amway/Quixtar	1959	Household, Catalog Shopping	Breakaway
Primerica	1977	Financial (Stocks, Insurance)	Breakaway

Companies Under Scrutiny

*Many more companies from above have the potential to be added to this list this year.

Subject to Review and Change

Even though I feel I have selected one of the best companies in network marketing today, no program is perfect. In fact, I discovered concerns associated with ALL of these programs. I recommend that if you are considering any of these companies, please do your homework. Also, Millennium Research International is constantly updating this information. The names on this list and their ranking order can change monthly. Make sure you are looking at a current copy of this book. If the company you are researching did not make it on this list, be aware that this program has a 98% chance of going out of business. Don't be foolish in selecting a company. Picking a start-up program is a great way to lose time, money, and the respect of your family, friends, and contacts.

One of Many

I'm the first to admit that my MLM is not the only game in town. To be listed among the top 20 companies in network marketing is an accomplishment considering the fact that few companies survive more than 3 years. However, even if a company did make the list, there is still a considerable amount of risk attached to each opportunity. We saw two very popular top 30 companies go out of business last year. If a company is less than five years old, the company is still at risk of going out of business. If the company is over 25 years old and financially strong, the company should stay around but the momentum phase may be so advanced that the opportunity is not as great as it once was in your area of the country. If a company is not listed among the top 20, my advice is to proceed with caution. For legal purposes, I will not mention names of companies I have strong reservations for, but be careful. I don't want your first or next experience in network marketing to be your last.

I've selected my company...NOW WHAT?

Now you might be thinking... OK, I have done my due diligence, paid my dues, applied the research in this book and I have finally selected my company. My job is done! Right?

Wrong. In the words of Karen Carpenter, "you've only just begun..." There are three additional steps you MUST take in order to avoid the FOUR most common reasons for Failure in network marketing. Let's review these reasons briefly to show you what you are up against and then I'll give you some ideas on how to get around these obstacles. Let's start with the one we've been spending so much time on already.

Q: What are the four reasons for failure in network marketing?

1. **WRONG COMPANY:** When distributors select the wrong company, they fail for two reasons. First, the distributor will fail because he/she does not have a good experience with the company. If the distributor does not get along with the company's management, if the product is ineffective, or if the compensation plan is not fair, the distributor will most likely leave the company within the first 1-2 years. Second, sometimes the distributor believes in the company one hundred percent. However, due to poor management, bad finances, or ineffective products, or lousy compensation, the company goes out of business leaving the distributor high and dry.
2. **WRONG UPLINE:** Even when distributors find a great company, it is nearly impossible to build a successful network marketing business without a supportive upline which offers weekly training. Without training and support, new distributors are left to their own devices and will soon fail.
3. **NO SYSTEM:** Most beginners in network marketing are very excited about getting started. However, even very determined individuals will fail within their first year if they are not working a proven system.
4. **NO COMMITMENT:** It's simply human nature. Most people want to take the easy road. It's hard to find people with the determination to stick to it. Lack of commitment is the number one reason for failure in MLM. Without a solid commitment, the best company, upline, and system can't help you.

Q: How can you increase your chances for success?

1. **FIND THE RIGHT COMPANY:** This book was designed to help you understand the criteria for selecting the best company in MLM. After reviewing the criteria, I chose the best company... but don't take my word for it. Read this book and find out for yourself which company is the best.
2. **SELECT THE BEST UPLINE:** Make sure your upline is truly committed to their own success and to your success. If your upline is extremely successful, make sure that they will have time for you. If your upline is brand new to the business, make sure they or someone in your immediate upline has the same commitment you have to the business.
3. **UTILIZE THE RIGHT SYSTEM:** It is the sponsor's responsibility to refer you to a proven system for success and to assist in your training. New distributors should be able to plug into this system within their first week in the business. Top network marketing systems incorporate the advantages of traditional marketing with cutting edge advancements in new, high-tech marketing. Your system should include information on how to create a

local marketing campaign, how to do 3-way calls, how to utilize weekly conference calls, and how to prospect and recruit through direct mail and the Internet.

4. **MAKE A COMMITMENT:** Commitment is essential for success in any field of endeavor, especially network marketing. What does it mean to be committed? It means doing whatever it takes to be successful with no excuses. Before you look for a company, you must ask yourself, "Am I committed to doing whatever it takes to make this work?" Then surround yourself with people who shared the same commitment.

The Final Step!

I hope you benefited from the information in this book. Now you have one last step to take. It is time to take action! Please get in touch immediately with the person who referred this book to you. Request specific information about the company this person is promoting and then apply the principles outline in this book.

Good luck...and I hope to see you featured in your new company's Magazine as a top distributor in the next 2-3 years. Best of success!

Daren C. Falter
DC Falter Marketing, Inc.

To order additional copies of this book, go to www.dcfalter.com

Disclaimer

How To Select A Network Marketing Company was written by Daren C. Falter, network marketing researcher and speaker. The purpose of this book is to provide an objective analysis of the network marketing industry. This book also provides the reader with a strategy for scrutinizing and selecting a legitimate network marketing company as well as information on how to spot scams. This book was not created to slander any legitimate network marketing program and should be used only as a reference guide. The comments, evaluations, and comparisons contained in this book are the educated opinions of Daren C. Falter. Any other companies or individuals mentioned in this book are not responsible for their comments, opinions, quotes, or any other information contained herein. All quotes made by individuals in this book have been selected from reliable sources but I do not accept any responsibility for any inaccuracies.

How To Select A Network Marketing Company was written with careful attention to accuracy. With this amount of information, this book may contain errors that have escaped my scrutiny. If you feel you have discovered any false or misleading information, please pass this information along to the person who referred you to this book and ask them to forward it to me. These matters will be taken very seriously and I will immediately review and implement any needed corrections. Please provide me with specific details and documentation to back up your findings.

A Word About My Objectivity

Please note that when research began on this book, I had no special connection or relationship with any of the over 200 companies I reviewed. I had previously been involved with several network marketing programs as an independent distributor but before conducting my study, these distributorships were dissolved. After scrutinizing over 200 companies, I became involved with a top rated company. I have no special privileges with the company that I represent. The company I represent does not necessarily agree or disagree with any of my findings.

I will continue to strive to remain extremely objective in my writing and will continue to scrutinize my research so I can provide useful and truthful information to my readers. The truth is out there...

Daren C. Falter
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Notes, do not publish.

USANA, Mannatech, Melaleuca, Longevity, Amazon Herb, FreeLife, LifePlus, Market America, NuSkin, Rexall (now Unicity)