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Michael Dlouhy

Once he was sold on network marketing, Mike decided to become a student of the industry. In a two year period he joined over 100 different companies and began figuring out how and why this business really works and doesn't.

a conversation with **Michael Dlouhy**

plus AUDIO

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When did you first learn about network marketing? How did you get involved?

An insurance salesman contacted us in 1978, he happened to be with A.L. Williams and he showed me about buying term insurance and investing the difference— and he started drawing circles.

That's how I first learned about network marketing and we actually joined A.L. Williams and started building an organization there. What was so good about that experience was that we learned, early on, about target marketing:

> ***Only talking to people that have raised their hand and said, "I am looking for your product and service or your opportunity!"***

So, that was a real blessing to us and still, 26 years later, they send an annual check on the residual of some of the business we did way back then.

Michael, what was your career at the time?

I was a carpenter, in construction, building houses. We were probably building 100-150 houses a year, so we actually started with A.L. Williams strictly part time. When the upline said to make a list of your friends and family and to go get 100 'no's', I thought that didn't make any sense!

I don't like the word 'no' and if three no's hurt, real bad, *what do I need 97 more for?* So, we just didn't go down that road and that's why we focus so strongly on target marketing and we *only* talk to people that want to talk to us.

How did you do that?

We started doing ads for the product or the service and only talked to the people that wanted or needed insurance. Then we joined NSA, back then it was the water filters.

What was so amazing about that time was that we were learning about compensation plans. I learned what a stair-step breakaway would do. And what I learned through that process was that nobody was retailing any product. It was all about buying a $5000 order of filters, sticking them in your garage and getting a $2500 check that you could wave in somebody's face. But you don't actually build an organization of people that are doing *anything*. It was all about getting them to buy a $5000 front-end load deal.

And it doesn't work, John. The reason it doesn't work is because nobody is moving product to the end consumer. I saw early on that we were making $15,000 a month, real quick, and what we were good at was convincing people they needed to do like we did and buy that big package.

> ***Once I saw that nobody was retailing to <u>anybody</u>, I said, "Man, this is <u>never</u> going to last long, it's never going to work." But the***

main thing was that it was going to hurt people. So, I knew I couldn't do that.

But again, we ran ads for people that had bad water and wanted to have their water fixed.

Mike, when you came to the realization that it wasn't a viable business operation, yet you were receiving a good income, what went through your head?

I just thought about how it was hurting people. I said, "This is not right." Linda and I *were* retailing them, but when I realized people were not doing that, I contacted them and told them they needed to use my system for retailing or send it all back. I knew there would be charge backs, but I like to sleep at night. I just couldn't sleep at night knowing that somebody had $2500 worth of filters on their credit card that they *weren't* retailing.

What I learned through that process and a lot of research and digging is...

92 percent of the population is 'sales resistant'. They don't like to sell and they don't like to be sold. When they see a salesman coming they disappear!

People just don't want to be sold. I guarantee you, John, if you go into the store and you were going in to buy a pair of deck shoes or loafers and they tried selling you something with a different design, a pointy toe or a big heel or something, you would run. You're *not* going to be sold.

But we, as humans, love to buy. The way I would describe it to you— My mother in law, so I'm told, absolutely makes the *best* fruitcake in the world. Her brothers and sisters, every year, beg for one of her fruitcakes. Now me, personally, I wouldn't eat fruitcake if you put a gun to my head. I don't like fruitcake. I'm just not a fruitcake eater. But the point is, all you have to do is find people that like fruitcake and see if they want the one with nuts or without nuts.

It's that simple. So that target marketing, learning to advertise and things like that to find those people was probably the greatest thing that ever happened to us.

But I found in NSA, the people weren't plugging into that system, they weren't retailing products; I knew that it would not have a long life.

So what did you do?

Well, like I said, I contacted those people that weren't retailing and told them to send their product back and get their money back.

And how long did you remain with that company?

We were probably only with them for about 10 months total. Then we finally walked away from it.

I take it you walked away sold on network marketing?

No question about it! Sold on network marketing and at that point I decided to become a student of the industry and really learn this thing. So I went ahead and invested very heavily. In a two year period I joined over 100 different companies to start figuring them out. I had to learn out why it works and why it doesn't work.

> ***What I found was that every company has it business model. The business model creates a certain behavior in the field.***

Just like with NSA, the business model was front-end load and created a bunch of fast money for people. But if there's not an end consumer getting the product and having the benefit of it, it doesn't work long term.

So, joining those 100 companies over that two year period provided me a greater education than I could have received in college. There is no college out there that you can go to and get a degree in this, so I figured the best thing to do was to just go out there and learn in the process.

I ran into a gentleman, Tom 'Big Al' Schreiter, and I got his tapes and books and I read and listened to everything. I said, "You know, I really am going to figure this out" and that lead to more realizations.

John, think about this for a second:

> ***What's the lifeblood of any business in any company? Product! Product movement, sold to an end consumer. I don't care if it's corporate America or network marketing, you have to have product being moved.***

So, if you look at that you look at compensation plans differently.

Look at a binary compensation plan. How much money are you paid for retailing a product? It doesn't drive a retailing atmosphere— it drives an atmosphere of recruit, recruit, recruit. And then get the recruited people to buy the product.

What that taught me was to study policies and procedures in these companies. When I found a company that was really hitting hard with the policy that you had to sell 70 percent of your product I wanted to know more about those business models.

When I started to understand that there are companies that really emphasize the 70 percent rule, it was absolutely life changing.

In those 100 companies I joined, the thing that I saw happen the *most* around why they would not make it and how they destroyed themselves was greed and ego. That was amazing and it's been an amazing journey.

Michael, about the greed and ego, was it everywhere or primarily at the corporate level or distributor level or...?

Where I saw it, John, is if it was at the corporate level it permeated down through the entire organization. In other words, there's a saying that says, "Fish rots from the head" and if corporate management is full of greed and ego then the master distributors and top organizations will follow suit.

In that process of learning about all those different business models I started creating what I call the Five Pillars for Success. These are five cornerstones, five things you need in place to have success in a business.

> ***Pillar number one, for me, was the company management experience. You have to ask if the company management had built an organization themselves.***

Had they really built it? Had they driven 2-3 hours one way for an overview meeting with 20 people and found that only one shows up? Have *they* done the meetings and trainings and then driven home exhausted only to show up at work the next day at their regular job?

That kind of foundation is critical to me! Understand something, John, if that president of your company— that man or woman making decisions— if they haven't built it, if they haven't experienced distributors doing deceitful things to try to get somebody terminated so their organization will roll up to them and things like that... If they haven't experienced that, then they don't know how to deal with it.

If that company's management experience lacks first hand experience and they *don't* have a big ego, they will surround themselves with people that *have* built it. So, you can have a president of your company who hasn't personally built a business in the field who doesn't have a big ego, and he creates an advisory board and he will truly listen to them then that's magic too!

How do you know, as a distributor in the field, that you've got all that greed and ego up the line?

The absolutely *best* way I have found to do that is you can go to Google and do a search on the person's name. You can find where they are, who they are and then the best way to find out if you have a company that has got integrity is to go to the company and read their policies and procedures.

John, this has been a huge issue out there. I've been beating the drum for years, telling people to read their policies and procedures.

I have a dear friend, Richard Dennis, who built an organization in a company. He did it through mail order and they had this one little clause in their policies and procedures that said:

> ***"The company may terminate the status of any distributor at its sole discretion with or without cause by giving 30 days written notice to the distributor."***

Now, here's what happened to Richard—

The company was rolling along good and it was the year 2000 and there was the Y2K scare. The scare slowed down sales volume for the company and they were hurting and couldn't pay their taxes. So, they looked at their policy and said, "Hey, wait a minute, all we have to do is terminate distributors and after 30 days all the money we would have had to pay them will come to us!" And that's exactly what they did.

My friend was making $42-44,000 a month income at that point and he lost it. He went to his attorney to ask his advice, the attorney read the contract, the policies and procedures and said, "Well Richard, you agreed to it! It says it right here and you agreed."

The other thing I learned is that 100 percent of the people that I ask, when talking to them, "Do you intend to build this once, build it big, and build it to pay your children's children?" say YES! All of them have that intention.

I tell them to read the policies and procedures and to notice if it says things like, "ongoing sales, ongoing recruiting, ongoing training, ongoing, ongoing…" Then I ask, "what does that word mean to you? Can you retire?"

John, the answer is NO! If it says "ongoing" then it doesn't allow you to retire and continue getting paid. I've brought this point up with a couple of MLM attorneys and of course they are the attorneys for network marketing companies and they said, "Well, Michael, you have to have 'ongoing' in the contract."

I said, "Oh really? And they replied, "Yes, otherwise it would be illegal. In other words it would be like winning the lottery." So I ask, "Oh, you mean like the insurance man that sells a policy and then they get paid for a long, long, time? Or you mean like the songwriter that writes a song and every time the song is played they're paid for a long, long, long, long time? Or you mean like the athlete who signs an endorsement and then gets paid for a very long time? Is that what you mean?"

One attorney simply said, "Well, it's the law." When I asked him to show me the law he backed up,

because he knew it wasn't the law.

And if it *was* the law, John, wouldn't that part of the contract be in *every* policy and procedure with *every* company?

So, if the company has got integrity, if they have no intention of using that part of the contract, why would it be in there? There's a big controversy right now on the Internet where people are talking about me encouraging people to read their policies and procedures and they're all mad about it.

My response is, if you have a bad policy and procedure and you don't want someone to read it, then I guess that you would squawk the loudest. Doesn't that make sense? So think about that for a second.

Company management experience, with integrity, has a sound contract. In other words, this is your business contract so read it! Pillar one is company management experience with integrity.

The other thing I call Pillar two. It's timing in the company and timing in the industry. Let me give you an example—

Let's take Excel Tele-Communications, they're bankrupt and gone so we can talk about what they did. Think about this, timing in the company, was it the time to join them when they first started?

People will say, "Oh, ground floor opportunity. You gotta get in when they first open." But let me share the problem with that, 99 percent of companies that just started, will fail.

If you had joined Excel when they first started, and understand when they started they were *the first* company that jumped on the bandwagon of being a reseller for long distance phone service. Now what do you think they had to fight in their first two years?

Every one of the big 'Bell's' that had provided the phone service for the last 30 years! These guys were NOT willing to cooperate in switching their customers to a different service. Excel had to beat their head against a brick wall and they actually had to sue the big 'Bells' to get them to turn the services on. Of course, in court Bell just claimed they lost the paperwork and lots of other excuses, but the reality was they weren't going to help. So, that first two years was rough timing in the company.

Then, the timing in the industry became different. That was when they first deregulated and most of us were paying 53 cents a minute. Excel came in and said, "We'll sell it to you for 30 cents, and by the way, if you and your sister are on the same plan and your friends and family are talking to the same people we'll let you have it for 15 cents.

There's another magic thing that happened, John. Non-network marketers like your mom said to your sister and her best friends, "Hey, get a hold of John and he can get you hooked up on this phone deal and we can talk for 15 cents a minute!"

So, timing in the industry was great! But it wasn't the time to join Excel in the first two years. It was after the lawsuits and after they started getting phone service dependably hooked up. So, between the 2nd and 5th year, that's when the thing was growing like a house on fire.

It's important to look at both timing in the company and timing in the industry.

I personally wouldn't join a start up company, because there are always hassles and headaches. Once they have the base down

then you have a good opportunity.

Mike, tell us what you did to really build your business.

I learned that it really wasn't a numbers game, but a relationship business. Network marketing is a teaching, mentoring business. I had been doing coaching, training and mentoring to people for free for many, many years just to give back to the industry and then I knew there had to be another way to help people to figure this whole thing out.

We created a system called Mentoring for Free and wrote an e-book called *Success in Ten Steps,* which is all about what we've learned in 26 years in the industry.

Network marketing is not a sales business. People don't like to be sold and you can't change people.

For you to be successful in network marketing you need to be you. Then give the people you meet the coaching and training and mentoring that they need to do the business.

If you were going to do any business you have to learn the skills. Tom Schrieter was the one who told me I needed to be more analytical and figure this thing out. And that's when I went down the road to figure those five pillars out. That's what brought me to the realization that you have to be coached, trained and mentored.

What I saw happening in the industry was that people that built the business years ago, who try to build it again today couldn't make it. Why?

Because maybe they were in an Excel, there at the right time, at the right place with the right company and that's why they were successful. But they didn't really *learn the skills* of doing network marketing.

I saw a shift happening in the whole industry. All of a sudden I saw all these coaches and trainers and mentors popping up all over the place that had never built a business.

Now, if I wanted marriage counseling would I go to someone who has never been married— or divorced seven times? No! If I've been married 34 years I would want to talk to somebody who has been married 40 years.

It's the same thing in network marketing. We've got people all over the place, charging exorbitant fees, to do mentoring and coaching, but they can't build a business today. I think it's kind of ironic that they are charging money and trying to teach someone how to do what they haven't done.

So I thought, let's put together a system that teaches people the skills of network marketing.

One of the things you'll learn when you go through our process is that everyone is a different personality. We do a training to teach that everyone learns at a different level. We do training calls to teach about those different personalities based on the four colors.

> ***Why is that so important? Not everybody wears the same size shoe. I wear a 9 1/2 EEE, high arch, wide foot, so if you're going to do a presentation are you thinking everyone wears the same size shoe?***

If you have a website today that has blinking lights, flashing this and that, little baubles and smiley faces, 70 percent of the people who land on your page will leave. They aren't going to stay there, because the yellow personality makes up 35 percent and the greens are 35 percent and that's 70 percent of the population that doesn't like pushy salespeople and they're dead set against being sold. They are not going to be attracted to that type of pushy, salesy website.

Now the blues, they like excitement and fun and flashy, glitzy things like that. They are going to be on top of things like that and they'll stay on that website for the fun of it.

When you figure out the different personalities and who is what color, you have something to work with. For example, I have written a yellow, a red, a blue and a green email to hit each of the basic personalities. Now, I can't write one for every company out there, but we teach people how to write that email. Let me give you an example of it.

The green personality, that analytical personality, they look at life for the reasons it's *not* going to work. They look at the worst case scenarios. So, the greens sell themselves— they've gotta' sell themselves on why it's not going to work. So if you give them data, give them enough data so they will sell themselves on why it will work. If you call the green up the next night to ask them if they have the information, you are pushing them. They will delete your name, your email address, they will absolutely walk away from you. Let them sell themselves!

When I wrote my green email, many years ago, I sent it to my team and I said to all my greens, "Okay Ladies and Gentlemen, improve it." It was three and a half pages long— they added another half page! I couldn't believe it!

By the way, when you're writing to a green you better include your policies and procedures! They are going to read that. But when you send this email mail out leave them alone and let them sell themselves.

I had a lead, this gentleman was looking for a company, and he was definitely a green. I sent him my green email and called him two and a half weeks later to let him know we were going to do a training call. This was the conversation, he said, "Yeah Michael, I'll be on that call. It's not at 9:00, it's at 8:00 I'm on central time. And is that 300300#? Oh, by the way, I joined your company."

I said, "Oh really? When did you do that?"

He said, "About 15 minutes ago"

And then the magic happened. He said, "Do you realize what an amazing compensation plan you have?" And he enthusiastically started in on the products and he started to sell me on my own company! That's what greens do.

Now, the red wants to talk about the money. Go right to the money with the reds. That red email is going to be way shorter and it will talk about status and level of income.

That's just a snapshot of one of the skills you can teach people. That you *need* to teach people.

Michael, what are the two or three things that are most responsible for the explosive growth of your organization now?

Duplication! Absolutely, without a doubt, duplication.

What we teach people is that it's not a numbers game, we use a system where we promote our e-book, *Success in Ten Steps*, which is very duplicatable. Anybody can get that e-book at www.myfreeebook.com and read it.

We offer that book to anyone and what happens is, let's say 10 people download that book; five of them are looking for a company and five of them are already in a company. What's amazing about the five that are in a company, only two of them are in a real good, reputable company that has all five pillars. Three of them— and this may shock you John— but three of them, because of the Internet, are actually in gifting programs and illegal pyramids schemes. But they don't know it, they're good honest people that got sucked into something.

We do free trainings every Saturday night. We do trainings on Color to Success, Power of a List, The Five Pillars, Compensation Plans, so when somebody who is in a gifting program reads their policies and procedures they realize what it is and those three amazing people are ready for something legitimate.

Now, the feedback I get from the e-book is usually, "Wow! It's not my fault. I wasn't told the truth and/or I didn't get the skills. I don't have to change me. I can do the business the way it suits me."

> ***Too many of the gurus out there are telling people what they <u>have</u> to do, they <u>have</u> to close the sale and they <u>have</u> to do it this way… I say, no you don't.***

Most people say the phone ways 500 pounds. Now John, What is your passion, something you love to do in the world? Would you have a problem talking to someone about what you love to do? Of course not!

What we want to teach people is that the phone weighs nothing. Teach them it's a tool to find and talk with friends about things you're passionate about.

What's so amazing is that this industry is made up of millions of people who are *not* getting the proper skills training. Someone is teaching them the wrong things... things like saying that it's a numbers game.

What's amazing about the Mentoring for Free system is that when a hard-driving personality, say the red, reads the e-book where we talk about love and friendship and making lifetime friends in this business, they don't like that kind of talk and won't read the book. But 92 percent of the rest of the population really like it, they find relief in it.

We offer many training calls to those who read the e-book. Every Wednesday we teach people the value of letting their business partners and potential business partners know they are expected to earn their 'free' coaching, training and mentoring by agreeing to a 30 day mental cleanse. Turn off the chatter, the TV, the newspaper, turn off all negative programming. We teach them how to tune themselves to a higher frequency.

We tell them, "You don't have to quit watching TV forever. Just do it for 30 days." And if we have to lower it into smaller bites, like starting with one week, we go that way. We're just asking for a commitment to turn off the negativity and to read a good book instead. We create a mastermind effect to support them blocking out the negativity and filling their minds with something more powerful and positive.

> ***I think for us to make more in life we have to become more. You have to become a person who attracts people to you and it's not going to happen without personal growth.***

So, that Wednesday call is really about personal growth.

Michael, what's the *best* thing about network marketing for you— and why is that something you appreciate?

The best thing about network marketing is that it's the only avenue that I know of that equalizes everybody!

My parents took me out of school when I turned 16 years old. I was in Florida— they can take you out of school at 16 there— and they put me to work in my dad's garage.

I had a belief that in order to be successful you had to be educated. That's the way I was taught in school. But what I learned when I got into network marketing was that this is the most level playing field for *everybody.*

It doesn't matter if you've got no education, a second grade education or a college degree, this is the most level playing field for everybody. The industry does not discriminate by race, color, creed, sex, or educational background. So for me, if you're 70 years old and you don't have a retirement program and you have to be down there working at Walmart as a greeter in order to make ends meet, I recommend network marketing. It changes people's lives!

> ***The best thing is that it's absolutely the most level playing field for anybody from any background. If I can do it, anybody can do it!***

It used to bother me that I didn't graduate from high school, so I went and got my G.E.D. I just had to prove to myself that I could do it.

Then, because of network marketing, at age 40 with a family, we were debt free. *Debt free!* Because of network marketing!

Michael Dlouhy lives with his wife of 34 years, Linda, in Brooksville, FL. They have two children, Matthew Ryan, 22 and Amanda, 20. Michael is a Diamond every week with Vitamark International.