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Old School vs. New School

Kim Klaver, the 'queen' of new school network marketing shares her perspective on the new posture necessary for success in network marketing.

a conversation with **Kim Klaver**

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Kim, it's great to have you with us. As we were looking forward to our 'New School Old School' issue you were the first person who came to mind. Please share with us your take on the current state of network marketing.

I mentioned your magazine in a post online recently and the question asked was, are we in the United States hungry enough? And maybe people just aren't. You really can't blame them; when things turn out to be more work than people are told or wish it would be, if they're not that hungry it's simply easier to stay where you are.

You were an example because I know you've been in Puerto Rico and some places where Spanish is the first language and you were commenting on not only how hungry the people are for the network opportunities but for the training the magazine offers.

One of the top people at Amway Quickstar was telling me how hard it was to build in the U.S because people don't seem to be hungry enough. Whereas in other countries, Russia, Korea, India and parts of Asia like

Thailand, they were just growing bananas. In the United States his #1 growing groups are the immigrants, Russians, Koreans, etc. I found that very interesting and something to consider.

Another example is from a class I had last summer. We had a huge Three Scripts class with one of the old, established companies and I had about 100, mostly women, on a subsequent study hall. It was over eight weeks and the idea was to stay together and report on how everyone was doing and how things were going. Just about everybody showed up and I would ask who wanted to share what they did and what they tried and what kind of success they had.

I'd say at least 90% of them would say, "Well, this happened and that happened..." and talk about what got in the way of their working the business. After about five weeks I finally asked them if it really mattered if they made money or not.

The basic response was, "Yes, we'd really like to make money. That would be a nice thing." and I realized that they really weren't that hungry. It's not a comment on the person that I'm making here, it's a comment on the challenges.

You have to wonder why anyone would do sales, which is not that easy to do, and network marketing which is even harder to do if you're not hungry for success.

I certainly think people in this country were hungry enough in the 1800's but I question whether that's the case today.

This is one of the reasons we offer a Spanish and French edition of the magazine.

Certainly that is an advantage for you if people in other areas are hungry for the information and opportunity because you'll have more success there. And so will companies that branch out and work in those countries.

I think even more so if you distinguish between customers and distributors.

I've asserted for at least the last five years that we don't want to forget about getting products into customer's hands. In the craze to recruit and get people to move big orders, too much ends up stuck in a garage. It's crucial to establish that customer base.

For instance, Steve Jobs with the iPhones which we know are now in the customer's hands. If this had been networked it probably would mean a few people bought 10 or more that would all be sitting in garages while they were looking for people to buy 10 or more iPhones to put in their garage.

That's not the way the world works! People need to get the products in their hands so you get genuine word of mouth from the customers.

In network marketing it's always being stated that it's about recommending and sharing and it is, in one way. But in another way it isn't because we make money. We have an agenda, as salespeople, talking about how great something is and that's all the more reason for our industry to have some of the leadership focus on people who want to, not recruit but rather, get the product out into people's hands; people who will buy it, like a wholesaler, to resell it. So you buy 10 iPhones so you can open up a store and resell them like a normal retail business.

We don't do that. The word of mouth that network marketing could get, if it were to focus on customers who are not also recruiters, is being basically entirely lost. If you're honest you can't really say our word of mouth is the same as the customers simply because we *have* an agenda. It's like me talking about my book... of course I'm going to recommend it and every one who hears me do so knows I have an agenda. Now, I wrote it because I believe there was a true need for it so that is part of my agenda and the fact is I'm going to make money from it too. It's like my recommendation doesn't really count coming from me. But it will count

coming from someone who has bought and used my book because they don't have a stake in it.

Think about all of the hundreds of thousands of products our industry has and there is no one focused on getting customers who is not also selling it. That whole genuine word of mouth from people who like it because they just like it is lost because nobody is focusing on it. Don't you think that's weird?

It's funny that you say that, Kim because one of the things I love about having you as a friend is that I learn so much. As the magazine comes up to its second anniversary we're changing our tagline of '*For personal development and professional growth*'. To me that doesn't say anything so we're changing it to... '*Growing Sales, Teams and Retention*' because really, these are the things our contributors are writing about. And when you think about it, without sales to customers there is no retention.

That's just the point. The way the recruiters think of it there is no money in customers. It's very short-sighted of them but in a way it's true because if you take an order for \$1500 for a start up package and somebody earns 10% on it they make \$150. It doesn't take Einstein to figure out that if a customer orders \$150 and you earn 10% you only make \$15. So where is the money? Clearly the money is in the \$1500 orders. That's true as far as it goes.

What isn't told is first of all, how rare those \$1500 people are, secondly, how often they return things because they don't know how to sell it because the only they have been taught is to go out and find more \$1500 people and finally, they forget about the long term value of a customer.

AOL and cable TV were built on small amounts per month of lots of customers. And they've worked for years and years and years. So if you take that same \$15 customer who spends the \$150 a month that's \$180 a year from that customer which is \$30 more than what you received for the one time deal with the \$1500 person. Yes, it took longer but the chances are if the product is good the customer will stay for several years so you get more money over time.

Also, you don't have any hard feelings around people putting stuff in their garages because they don't know how to sell it plus you have real customers and real word of mouth can begin!

When person A, who has no financial agenda, recommends to person B you're bound to see an increase in sales.

We have close to 80% women in this industry and I would say that 99% of them are not available to do the business full time so they are not going after the huge groups and obnoxious income. Most of them are the part-timers who, when the DSA asked them, "If the money were the same would you rather get customers or recruit?" responded resoundingly, *customers!*

And all of these people are being belittled by companies and leaders who think recruiting is all that matters. I can't even believe how some of these women stay with some of these companies.

It's a different angle with the 'New School'.

Something I've only been able to acknowledge just in the last six months or so is if you look at the industry I would say that probably 80-85% of the people that are in the business are not really in it to make money. Even though they had signed up to make money, they discover it's not quite as easy as they thought and they stay on. We're finding in our surveys that women, and even some men, say that they stay on because they want to hang out with people of like mind.

People who are all tree huggers, or people who really care about the environment or people who care about alternatives to drugs. They are a giant group and we call them the '*Belongers*'.

Another group is people who like to buy really good products for less money than they would pay if they were a retail buyer. I've given those

people a name, the '*Bargain Hunters*'. They may have all signed up for the business but again, it's realizing that it's a little more than meets the eye, going out recruiting and finding customers but they buy products primarily to get them wholesale and they buy enough to meet their monthly minimum requirements. These two groups pretty much make up that 80-85%.

Then you have the '*Dabblers*', like the nylon ladies who are looking to make a couple hundred dollars a month for extra spending money.

After this group you have the '*Income Seekers*' who are looking to make just enough to replace their current income.

Then finally you have the smallest percentage I call the '*Empire Builders*'. People like me who not only want to build an empire but will spend obscene time doing it.

So when you look at the reality I think it's time we redefine failure in this industry.

If you look at the USANA brouhaha that Barry Minkow has been writing exposes complaining to the FCC about. I wrote a post because I was so surprised to see how honest the Vice- President of USANA, Fred Cooper, was in responding to the Wall Street Journal. They said to him, "It looks like 87% of your people are not making enough to cover the \$116 a month to cover their monthly purchase costs and Fred Cooper said, "Well that's not really the way to look at it. It's not true that they are 'losing' money; these people didn't really come in to make money. They came in because they see their commission, the value, as getting the product at a wholesale price."

And I realized that this guy knew what he was talking about. If they would make the change and separate Bargain Hunters and never sign them up as reps in the first place, they wouldn't have those kinds of numbers. They would say they have wholesale buyers.

You know, in the little startup company that I'm part of we have a category for Bargain Hunters. Why?

Because I know most people don't want to sell but they do want to bargain hunt.

So they can buy a 10 pack or a 20 pack at a bargain for themselves. And they are never registered as reps or people who are sales people so our numbers will reflect that. They are the same kind of people who shop at Sam's Club and Costco. They're not looking to make money!

The numbers look terrible when you are coming from the perspective that all these people should be making money. Sure, they came in *looking* to make money but in short order realized it wasn't what they thought it would be and they continued their buyers club. In my opinion there is nothing wrong with that. We have Sam's Club and Costco don't we? Why not let people come in and buy quality products at a lower price because they buy in bulk? That's the position of our little company because that's how it is!

I don't need to pretend to anybody that we have this big financial opportunity because it isn't good for anybody unless you're willing to bust butt. If you want an empire then you have got to bust butt and act like an empire builder. You are on it and you find people who are on it. And there are very few of us. For the rest, don't pretend to be something you are not because it makes the company and the industry look bad.

I think with, for instance USANA products and even Mannatech who is getting some bad press, it's not about the products. My evidence that the stuff works is in the thousands of USANA reps who have gotten good results. Most of the companies have had many, many people who have had good results. The product might be a placebo and it might not, who cares, people have had good results. It's the *claims* that are the problem.

It's *claiming* what the product will do, and that's where Mannatech is having tremendous media problems right now, and it's not about the quality of the products *it's about the promises*. Same with USANA, they are in the media soup because they are making promises about the money. And they don't need to!

They would have been fine if they had stopped making promises about the money. Just talk about how great the products are and how many bargain hunters they have and how so many people are buying this stuff because they like it and the results it gives them and they are buying it at a discount.

It seems so silly to me that the industry is so often shooting itself in the foot and missing the very good things that it has. It doesn't have to be that way. I can't imagine any company that wouldn't be proud to have \$2 million a year in sales. So what if it comes 90% from bargain hunters? Who cares? If the products weren't working the people wouldn't buy them.

A company can have a fabulous customer base but if they are always talking about the money, money, money that can be made and that's their big focus then it looks like a company full of losers. Not true. The people are benefiting from the product and the company has huge product sales. If they would just label the people properly they would look great! I would just turn it around and lead the parade into town.

So I say... old school network marketing with the focus on 'making money' can be turned around with new school network marketing that says, "People buy

our product because they love it!"

Not to make money, not to grow an empire, just because they love it. We need to wake up and stop using the old stuff.

So new school really acknowledges customers as a solid foundation?

It also acknowledges the way it is! In most companies, of the people who have signed up as reps, which is most of the database, only 5-6% get checks every month. It's a very tiny amount because most of the so called reps are merely bargain hunters and go to the conventions because they are Belongers. So what I would do is celebrate that and talk about how many tens of thousands of customers buy these products wholesale. That's a wonderful thing to say and makes more sense than positioning them as losers because they aren't making any money.

That's the way the new school would position it. Do and say what is!

If 90% of the people are basically customers why not celebrate and offer that? The number of people who want to recruit is very small, I would bet it's about 1 in 1000 so reward them for customers.

I do want to highlight your book, which I think is one of the finest books in all of network marketing. That is, *If My Product's So Great, How Come I Can't Sell It?*

I have to tell you, I am one of those who really *do* want the big money, but I have worked with and trained thousands of people and of course, because the industry is mostly women, I've worked primarily with women. I would say the attitude of most of the women is, "Well, yes, it would be great to have the big money but..."

The 'but' is not about how to do it and it's not about a lack of

confidence. It's about the realization that it's going to take some time and energy and there is only so much to go around.

Their primary focus is on their kids and husbands and the organizations they support and participate in revolving around those relationships. Because of those commitments they realize they do not have the kind of time it's going to take to do what is required to make the big money. That is completely unrecognized in the field.

The people who are looking for the \$35,000 a month income are mostly the men who DO have full time to spend. They *are* the breadwinners. That's been the setup from the get-go. Guys bring in the bear and we have things ready at home for you when you get it home. Guys still are the breadwinner and women are the ones holding the families and society together. So it's to be expected that 80% being women it's going to be part time yet they are made to feel like second class citizens because they don't come up on stage.

The women just aren't as anxious to be the power mongers. They don't seem to have it in their genes. That's why they don't play the war games and why they don't talk about 'exploding' their business. Women don't explode things, they put things back together.

A shift in language is one of the new school things too. Women are 80% of this industry so women are going to be part of this deal. We don't explode things or start wars. We pick things up, we're the nurses, we are the ones who bring the pieces back home, that is what we do. One of the things we try to teach is to remember this and to use language that matches the part-timer, language that matches the women.

Niche marketing is another new school thing.

Niche marketing is at the opposite end of what all the old schoolers do. They will tell you, in terms of the product and the opportunity, everybody

wants health and wealth. Well, I don't even know if that deserves an IQ of more than 60. I suppose everyone does want health and wealth but wanting it and doing something about it are two entirely different things.

I spoke to a chairman of one of the companies about three weeks ago and they asked me, "Kim, why shouldn't we tell our people to share the opportunity with everybody?" and I said because most people don't want to sell so if you're telling your people to go and push the opportunity on everyone they know you're going to irritate 90% of the people out there because that's how many people don't want to do it.

The other silly thing I've heard is the statement, everyone wants the product, it sells itself. That's just not true.

There is no product that sells itself.

That's like saying, "I play tennis. Everyone is going to love tennis!" Nobody would do that. There is no product for everyone! By suggesting such a thing companies are putting a tremendous obstacle in front of someone new. Especially if it's someone who has never been in sales and it's never occurred to them that it couldn't be true because they've never thought about it.

But really, if your products are going to be higher priced than average, then we are looking for different customers than average. Take anything, a vitamin or skin care product, and I ask people from various companies if they believe their product is the best... they *all* claim their product is the best, extra good, and I'll ask them why they think, if their product is extra good, with extra care and quality, they won't have to find the people willing to pay extra as well.

If you carry a skin cream you have to look at how your price compares to something like Pond's. You can get Pond's skin cream for about \$6 at department stores and you're probably selling your skin cream for around \$20. If I ask you why that is you'll tell me that yours is the better product made with better ingredients but is it for everyone? No! Who is it for then? It's for people who really value what they put on their skin.

That's who it's for because they will pay extra. It's never for everyone. It's always for a niche market.

I buy audio equipment and I would *never* buy audio equipment at one of those places like Good Guys or Circuit City. My microphone is about \$2000. Why? Because I use it to earn my living making CD's! I have the maximum stuff I can possibly afford short of being in Steven Spielberg's studio because this is how I make a living and I want the best stuff. Is that for everybody? No! But neither are our products. I don't know of a networked product, unless you're talking about Amway that sells everything else, but products that a company has personally developed or paid for the development of, that isn't special; which means they are going to cost more. They are not your average Walmart product. That means you have to have people who think that's special too.

We just have to understand that we all have our values.

I really care about my health so I'm going to pay whatever it cost for a good quality supplement. I don't really care if that's \$50 or \$80 because if it does what it says it does and contains what it says it contains, I'm going to buy it. But that's not true for everyone. So niche marketing is something that every single company should be looking at. Who is their product really for? People who really care about non-toxic cleaners? People who don't care are not going to spend the extra money.

I'm just flabbergasted that we are the Gucci of the industry, we are the Prada's of the industry, we are the classiest of the classy and yet we tell people to go ahead and go after people with a

Walmart mentality about their health.

That's *not* their customer base! Granted there are fewer people that are in their customer base but they spend a lot of money. We would have such good word of mouth if people were allowed to *buy* the product without having to *sell* it, and being pushed to sell it, and pushed to sell it to their friends.

It's a big thing to turn it around and I sure hope things like your magazine and forward thinking companies will push some of these things out to the front. Of course you need to recruit; you've got to find the people who want to find the customers. But let's realize what the numbers are. For every 100 customers there might be one person interested in selling anything. That's just how it is. It's hard to get the major recruiters to change and they are the ones the companies listen to because they are the ones bringing in the money.

Where are the startup bonuses given? You look at the recruiters because there are no bonuses that I know of for getting customers and putting people on autoship who are not reps. What would happen if a company decided to give a \$100 bonus for every customer who stays on a \$75 monthly product order for six months? Why not give bonuses to promote that kind of behavior. Suddenly we would start looking more like an AOL or cable company as an industry with regular monthly orders and peoples businesses would be protected because they have something coming in steadily month after month which would encourage them to do more.

Nothing would make more sense than to be able to go ahead and get paid for doing that work. Thank you Kim Klaver!

I have a whole New School CD program that is just recently available. People can check it out by going to www.KimKlaverBlogs.com and looking for the link to the store on the left side of the blog.