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Network Marketing: Growth Industry

Much of the power of network marketing springs from the fact that most people tend to seek advice about products, services and even business opportunities from their friends and relatives

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An Emerging Giant

Network marketing - also called multilevel marketing (MLM), person-to-person marketing and one-on-one marketing - is a form of direct selling. You already know what direct selling is. Avon, Tupperware, Mary Kay, Fuller Brush... these are just some of the direct selling companies that have been household names for decades. Since the 1980's, new network marketing giants have emerged, including Nikken, Herbalife, NuSkin, Melaleuca and Prime America.

Direct selling companies market goods and services through networks of thousands of independent distributors. These distributors either buy products from their companies and then resell them to consumers, or they sell products on behalf of their companies for a commission.

Network marketing gives direct selling a new spin. In both types of companies, distributors make money by selling products directly to consumers. But in network marketing companies, distributors can *also* make money by building their own sales organizations and receiving commissions or bonuses on the sales generated by the distributors in the organizations. They build these sales organizations (often called "downlines") by recruiting new distributors, and helping those new distributors recruit other distributors, and so on.

Let's say Distributor A recruits Distributor B, Distributor B recruits Distributor C, and Distributor C recruits Distributor D. In a network marketing company, Distributor A receives a commission on sales made by Distributors B, C and D. The term "multilevel marketing" springs from the fact that distributors receive commissions on multiple levels of their

organizations. Most direct selling companies today are structured this way.

Much of the power of network marketing springs from the fact that most people tend to seek advice about products, services and even business opportunities from their friends and relatives. Moreover, they generally trust that advice. In fact, a poll by the Roper Organization revealed that the advice of friends and relatives carries even more weight than the advice that comes from strangers with impressive credentials. The poll showed that for every person who seeks financial counsel from a financial planner or stockbroker, three go to friends and relatives for advice.

Network marketing allows people to put that trust to work in a positive way that can improve the lives of those who give the advice, as well as those who take it.

Hard Facts About a Growing Industry

§ Every week, more than 55,000 people in the United States alone sign up as network marketers - 150,000 per week worldwide.

§ In excess of 15 million people in the United States alone are distributors for network marketing companies; one in ten households have a direct seller.

§ Throughout the world, there are approximately 60 million network marketing distributors.

§ In the United States, sales in the network marketing industry are in the $30 billion range. Worldwide sales exceed $100 billion.

§ The world leader in network marketing is the U.S. with Japan in close pursuit in the $20 to $30 billion range. Countries with at least $1 billion in sales include the U.K., Brazil, Italy, Germany, France, Canada and Taiwan. Business is booming in the new frontiers as well: Eastern Europe, Russia and the People's Republic of China. In fact, Amway is headed for billions of dollars in sales in China, a country only on the brink of formally allowing the reintroduction of network marketing.

§ Seventy-five percent of all network marketing distributors are women. Men account for 25 percent. (These numbers likely reflect the demographics of long-dominant companies like Avon and Mary Kay. Recent growth in the industry has been among newer companies that have a more even balance between male and female distributors.

§ Approximately 80 percent of networkers are part-time and 20 percent full-time people who work 30 hours a week or more in their business. For the vast majority of networkers, it is a "second job," with the hope of $300 to $500 per month in auxiliary income.

§ About 3 percent of all networkers will make more than $35,000 a year; 2 percent will make more than $50,000; 0.5 percent will make more than $100,000 annually; and about 0.1 percent will make more than $150,000.

§ About 13 percent of direct marketers are African-American; almost 5 percent are Latinos; 1 percent are Asians; and about 0.5 percent are native Americans.

§ Approximately 66 percent of distributors are between ages 25 and 44. Another 14 percent fall into the 45 to 54 age bracket. Seniors over the age of 65 account for about 5 percent of direct sellers.

§ About 8 percent of direct sellers have physical disabilities.

§ Over two-thirds of all network marketers have high school degrees or some college education, and 25 percent have a college degree or beyond.

The Future is Up

So, where is this business going? The answer is "UP." In an earlier study about growth, the Direct Selling Association projected that network marketers would recruit, over the following decade, more than 200 million new distributors into the business worldwide. That's not bad for a cottage industry that started with potions and lotions. Many will be along for this ride. "Going Up!!"

Jeffery Babener

On any given day you can catch Jeffrey Babener, Babener & Associates, lecturing on Network Marketing at the University of Texas or the University of Illinois, addressing thousands of distributors in Los Angeles, Bangkok, Tokyo and Russia, or writing a new book on Network Marketing, an article for *Entrepreneur Magazine* or a chapter for a University textbook.

Over two decades he has served as marketing and legal advisor to some of the world's largest direct selling companies. An active spokesperson for the industry, he has assisted in new legislation and served on the Lawyer's Council and Government Relations Committee of the Direct Selling Association (DSA) as well as serving as General Counsel for the Multilevel Marketing International Association.

He is an MLM attorney supplier member of the DSA and has served as legal counsel and MLM consultant on MLM law issues for many DSA companies. He has chaired more than 50 national conferences on the subject of “Starting and Running the Successful MLM Company”. He is editor of one of the most informative and popular websites on Network Marketing, Direct Selling and MLM, www.mlmlegal.com.