**Term Paper On**

**Muti-Level Marketing**

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# Introduction

multilevel Marketing Plans Are Ways to Sell Goods or Services Through Distributors. Typically, These Plans Promise That If a Person Sign Up As a Distributor, He Will Get Commissions Not Only From the Sales He Make, But Also From the Sales of the People He Recruit to Become Distributors. Multilevel or Network Marketing Is One of the Only Businesses Available That Allows a Person with Potentially No Resources to Start Their Own Business with Absolutely No Limit On Their Financial Success. mostly This Technique Is Used by the Marketing and Manufacturing Industries to Popularize Their Products Among the Customers. It Is an Effective and Powerful Tool for Improving the Sales and Leads of an Organization.

multi-Level Marketing (Mlm), Also Known As “network Marketing” Is a Business Distribution Model That Allows a Parent Multi-Level Marketing Company to Market Their Products Directly to Consumers by Means of Relationship Referral and Direct Selling. Independent Unsalaried Salespeople of Multi-Level Marketing Referred to As “distributors” (Associates, Independent Business Owners, Franchise Owners, Sales Consultants, Consultants, Independent Agents, Etc.) Represent the Parent Company and Are Rewarded a Commission Relative to the Volume of Product Sold Through Each of Their Independent Businesses (Organizations). Independent Distributors Develop Their Organization by Either Building an Active Customer Base, Who Buy Direct From the Parent Company And/or by Recruiting a Downline of Independent Distributors Who Also Build a Customer Base, Expanding the Overall Organization. Additionally, Distributors Can Also Earn a Profit by Retailing Products Which They Purchased From the Parent Company at Wholesale Price. Distributors Earn a Commission Based On the Sales Efforts of Their Organization, Which Includes Their Independent Sale Efforts As Well As the Leveraged Sales Efforts of Their Downline. This Arrangement Is Similar to Franchise Arrangements Where Royalties Are Paid From the Sales of Individual Franchise Operations to the Franchisor As Well As to an Area or Region Manager. Commissions Are Paid to Multi-Level Marketing Distributors According to the Company’s Compensation Plan. There Can Be Multiple Levels of People Receiving Royalties From One Person's Sales.

it Is Common Knowledge That Mlm Works On the Concept of Time Leverage. A Work to Be Done by a Person in 100 Days Can Be Completed in One Day If He Have 100 People Under Him (In a Chain) Doing One Day's Work. He Earns a % Of Incentive for the Work Done by Each of These 100 People. Though It Is Given Various Names Like Network Marketing, Freelance Marketing, Chain Marketing, The Basic Principle Is That a Happy Consumer Brings in More Customers for Which He Is Getting an Incentive. The Net Work Plan or Income Schemes Vary From Company to Company. The More Reputed Companies in Mlm in India and Abroad Are, Amway, Modicare, Oriflamme, Tupperware, Quantum, Rmp, Goodways, Placement Services Etc. All These Companies Have Web Based Information System Where a Member Can Monitor the Growth of His Down Line Memberships, Incomes Accrued Etc.

multi Level Marketing Is Based On the Principle of  not Only Passing Commissions of the First Line a Person Sell, But Also a Part of the Commission He Makes, And a Smaller Part Again of  what These Sell and so On Up to a Pre-Defined Level. In This Way Automatically the Total of Commissions for Him Grows Exponentially. Because of the Automization of the System This Works Completely On Autopilot and for Every Sale He Will Have a Potential Font of More Commissions.

***Example of the Mlm System***

**multiple Levels of People Are Marketing a Product to Consumers. A Sales Representative (Also Referred to As A distributor, Member, Affiliate, Partner or Associate) Gets Customers And recruits and Trains Another Sales Representative to Get Customers. Multiple Levels of Marketing Are Actually What All Companies' Desire. Health Clubs, Real Estate, Telecommunications, And Countless Other Industries Use This Technique. Professionals (Doctors, Dentists, Accountants) Live or Die Based On Their Customers Telling Others About Them. all These Businesses Are Simply Trying to Get Current Customers to Advertise and Market Their Product or Service to Potential Customers.**

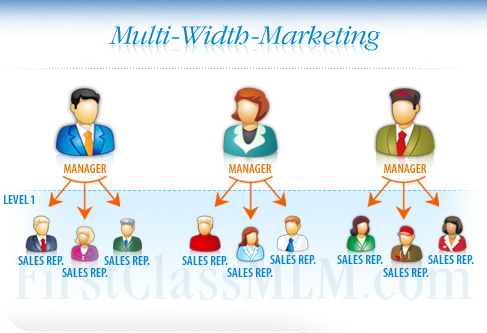
**Sales Representative Gets Customers and Trains Another Sales Representative to Get Customers**



# Multi-Width Marketing

in a Non-Mlm Company, A Sales Manager and Sales Reps Are Hired by the Company. The Company Is Limited to the Number of Sales Representatives They Can Hire Based On the Financial Resources the Company has to Pay Salaries and On the Traffic The sales Manager can Handle. Once a Sales Manager Is Overwhelmed, The Company Can Hire Another Manager or Convert a Sales Rep Into a Manager. This Could Be Called “multi-Width” Marketing Because It Expands the Organization Horizontally As Compared to “multi-Level” Marketing, Which Expands It's Organization Vertically.

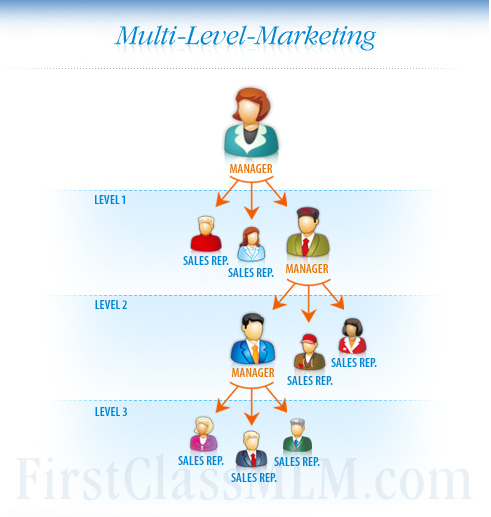
**Traditional Companies (Non-Mlm) Use “multi-Width” Marketing**



# ****The Mlm (Multi Level Marketing) Company****

An Mlm (Multi Level Marketing) Company “starts” By Recruiting One Person Who Gets Customers and Recruits Sales Representatives (Just As Above in the Traditional Company). But Each Sales Representative Is Also Given the Option to Become a Manager, Who Can Also Recruit Sales Reps. The Mlm Company Only Pays Commissions, Not Salaries; Therefore, There Are No Limitations On the Number of Sales Representatives or Managers an Mlm Company Can Recruit. This Is Beneficial to the Company Because of Rapid Expansion by the Number of Trained Sales Representatives. This Is Also Beneficial to the Sales Representatives Because Their Income Isn’t Limited to Only What They Can Sell - They Can Also Earn Commissions for Having Trained Other Sales Representatives.

**Mlm Uses “multi-Level” Marketing, Which Is Similar to Traditional Marketing (“multi-Width-Marketing,”) Except There Is No Limit to Growth.**



very Simply and Factually, Mlm (Multi Level Marketing) Is One of the Five Main Methods Used by a Company to Sell and Distribute a Product or a Service to a Consumer. All Companies (Mlm or Traditional Companies) Have One Main Characteristic in Common: They Provide a Product or a Service That Hopefully Makes a Consumer’s Life Better. Once a Company has Such a Product or Service They Need to Make It Widely Known. They Do This By distributing it. Distributing a Product Involves Finding Customers and Getting the Product in Their Hands.

There Are Five Primary Ways to Distribute a Product or Service:

1. Store Front - Company Rents or Buys a Store in Busy Area to Get Walk-In Traffic. Hires Sales Person to Communicate with Customers Who Walk In.
2. Direct Mail - Company Buys Addresses. Hires Marketing Person to Write and Send Written Communication About Products and or Services Through the Mail.
3. Tele Marketing - Company Buys Telephone Numbers of Prospects. Hires and Trains Sales People to Call and Sell Products/services Via the Phone.
4. Internet - Company Puts Up a Web Site and Advertises to Get Traffic. Similar to Direct Mail, The Marketing Occurs Through Written Communication.
5. Mlm - Company Recruits a Distributor (Sales Representative) To Sell Products. Grants Sales Person Right to Recruit Other Sales Reps to Sell Products.

each of the Five Methods Above Can Use Techniques From One or More of the Other Methods to Get Customers. Meaning, A Store Front Isn’t Limited to Only Walk-In Traffic. The Store Front Can Also Advertise On Radio, Television and in Newspapers, Magazines, And Mailers (Post Cards, Flyers, Etc.) Directing Prospects to the Store Location. This Can Increase the Number of People Walking Into Their Store. Similarly, A Distributor in an Mlm Company Can Use Some or All of the 4 Other Methods As Well As Getting Customers Through Friends and Family. The Main Point to Understand Is That Distributing Any Product Means to Make It Known. Mlm and the Other Four Primary Ways to Distribute a Product Are Simply Methods Used To make a Product Known.

# ****Mlm Is Organic****

organically, The Mlm Industry Is a Fantastic Model. Organic Means it Is the Purest Way to Move a Product to a Consumer and the Purest Way to Be Compensated. it Is Organic Because:

1. In It's Organic State One Person Shares a Valuable Product or Service with Another (Not Because They Will Profit, But Because the Product Is Valuable). “i Like It, Maybe You Will Too.” That Is Clean and Pure.
2. A Person Shares a Business Idea with Another - This Is the Foundation of All Businesses Throughout History. “i Found a Business I Like and Maybe You’d Like to Work On It with Me.” That Too Is Clean and Pure.
3. The Person Who Shares the Business with Another Only Profits If the Person They Shared the Business with Succeeds - That Is Ultra-Responsible, Which Is Also Clean and Pure.

# Mlm Vs Pyramid Selling

The Big Difference Between Mlm and a Pyramid Scheme Is in the Business' Operations. The Entire Purpose of a Pyramid Scheme Is to Get your money and Then Use You to Recruit Other Suckers. The Entire Purpose of Mlm Is to Move Product. The Theory Behind Mlm Is That the Larger the Network of Distributors, The More Product the Business Will Be Able to Sell.

1. **Position in the Scheme Is Important**

The Pyramid Scheme Consists of Few People at the Top and an Increasing Number of Members in Each Layer Below. Money Paid in by New Investors' Flows From the Bottom to the Top. It Is Therefore Important to Be At, Or Close To, The Top of the Pyramid. By Design Around 90% Of Members Will Make a Loss and Only 1% Will Make a Significant Profit. It Is The position Within the Scheme Which Dictates Whether or Not You'll Make Money; Not How Hard You Work at It.

Mlm Was Born Out of Pyramid Schemes and As Such the Structure and the Nature Is Very Similar. The Concept of the Downline That Will Earn Money Works in the Same Way; You Sponsor New Members and Earn Commission From Them in a Multilevel Structure. As with an Illegal Pyramid Scheme, Unless You Are at or Near the Top of the Pyramid It Is Likely That You Will Lose Money. Once the Scheme has Passed It's Saturation Point, No Amount of Hard Work or Enthusiasm Will Make a Difference.

1. **Earn Money by Recruiting**

The Idea of a Pyramid Scheme Is to Encourage Other People to Join It Below You in a Potentially Endless Chain. You Then Take a Percentage of Their Joining Fee and You Also Get a Percentage of the Joining Fee of Any New Members Signed Up by Your New Recruit, And so On, Up to Several Layers Deep. This Is Where the Promise of Great Wealth Comes in and Is How the Scam Is Sold.

In Reality This Cannot Be Achieved. Due the Difficulty of Attracting New Recruits, 90% Of Members Are Always At, Or Near, The Bottom of the Pyramid and Will Lose Their Money. It Is This built-In Feature of Pyramids, which Guarantees Failure for the Vast Majority That Renders Them Illegal.

The Difference Between a Pyramid Scheme and an Mlm Is That Mlm Schemes Are in the Business of Selling Goods to Consumers. This Is What Makes Them Legal. Most Mlm Schemes in Reality, However, Promote Themselves with the Promise of Great Wealth: The Appeal to Greed. Selling Products to Consumers Is Not the Way to Make Riches in Mlm. Any Mlm Scheme Will Make It Absolutely Clear That the Only Way to Make Real Money Is Through The recruitment of New Members and the Creation of a Downline.

1. **Profits Come From Others' Investments**

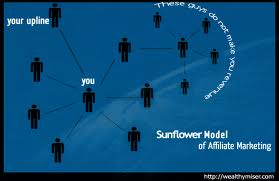
The Promise of Great Wealth Comes From the Concept of a "Downline". This Downline Consists of the Members That You Yourself Introduce to the Scheme, And Subsequently the New Recruits That Your Members Also Introduce. You Will Receive a Percentage of The investment that Each Member Introduces to the Scheme. With a Downline Several Layers Deep the Potential Is There for a Downline Consisting of Many Thousands of People.  
in Reality This Downline Is Unachievable Both Practically and Mathematically. This Is the Inherent Fraud in Pyramid Schemes. They Are Bound to Fail by Design.

The Downline Is the Key Component to Making Money in Mlm. The Concept Is Identical to Illegal Pyramid Schemes - One Make Money From the People You Introduce Into the Scheme. The Pitfalls Are Exactly the Same As with Pyramids; The Vast Majority Is Bound to Lose Money by Design.

pyramids Are Illegal. Mlm Schemes Are Legal Because of the Fact That Products Are Sold. This Is the Only Real Difference Between the Two Systems. If You Remove the Products From an Mlm, All That Is Left Is a Pyramid Scheme, This Is Why Mlms Are Known As product Based Pyramid Schemes.

# Sunflower Model Vs Binary Model of Mlm

Sunflower Model of Mlm:



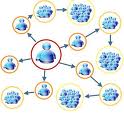
Pretty Much All of the Affiliate Programs On the Web Follow the Sunflower Model. This Means If You Refer a 100 People to Join a Website, Or Make 100 Sales, They Would All Be Counted As Direct Sales and a Decent % Of Each Sale Would Be Given to You. However, Your Commissions Are in Direct Proportion to the Direct Referrals You Bring in (Only Based On Your Direct Referrals). Say That You Referred a Friend, Who Happens to Be Great at Marketing. He Too Makes 100 Sales. This Would, In No Way Affect You. You Would Have No Advantage of His Network.

Binary Model of Mlm:



every Person Under You Would Generate Revenue for You. It Is Immaterial If the Person Under Your Position in the Chain Was Brought by You Into the Network or Someone Above You Brought Him Into the Network. The Commission Per Sale Would Be Lesser Than That of Sunflower Model, But in the Long Run, Binary Model Would Result in a Larger and Continuous Stream of Revenue As Someone Below You Would Still Continue Sales Even When You Stopped Working and You’d Keep Earning Through Leverage.

# Internet Multi Level Marketing



As the Name Implies, internet Network Marketing is When You “bring Your Business Online” And for Most That Starts with Lead Generation. Internet Multi Level Marketing Really Comes Down to Two Things - Traffic Generation and the Ability to Write or Use Video Persuasively to Get People to Do What You Want Them to Do.

Now, In Terms of Traffic Generation for the Business, It Needs to the Right Kind of Traffic, Not Just Any, But Targeted Traffic Is the Best Kind to Get.  you Need to First Pinpoint Exactly Who Wants and Needs Your Product, What Kinds of People Your Product or Opportunity Solves Problems for and Market Directly to Them to Generate the Best Kinds of Leads.

Now You Can Go About Lead Generation for Your internet Multi Level Marketing business in Any Number of Ways - Pay Per Click Marketing, Search Engine Optimization, Article or Video Marketing, Social Media Marketing, How You Do It Is Up to You.

Next Comes Converting Those Leads Into Profit in the Form Either Product Customers or Business Partners.  really What That All Comes Down to In internet Network Marketing is More Commonly Known in the Business World As the Ability to Convey Meaning Using Copywriting or Persuasive Language or Videos.

Now, One Thing That Can Be Done to Increase the Odds in the Favor Is That You Can Communicate with Those Leads Via Email and Gradually Drip Good Content to Them Over Time, Winning Them Over.

# Success Behind Amway

mlm That Is Multi-Level Marketing Is a Particularly Structured Marketing Strategy. One of the Biggest Mlm Companies Is Amway.

The Amway Business Model Is Based On Their Business Owner Compensation Plan, Low Risk and Low Cost Business Prospect Which Are Open to All. Amway’s Compensation Plan Is One of the Oldest Plans Ever Created in Mlm.

Following Are the Steps Taken by Amway That Led to the Success:

**Step 1: product Knowledge - A Good Knowledge of the Products Is Essential As That Will Help to Make Them More Marketable to the Customer. Usage of the Product by the Distributor Is the Simplest Way to Acquire Knowledge About the Different Aspects of the Product.**

**Step 2: retail Sell - It Is About Selling the Products to End Customers, I.E. People Around the Distributor, Someone He or She Knows As an Acquaintance. Good Product Knowledge Helps in Discovering the Need for Certain Products Among People Whom We Know. For Example a Distributor While Chatting with His Friend Finds Out That the Friend Is Looking for a Bathing Soap That Is Low in Alkaline Content. The Distributor From His Acquired Knowledge of the Products Knows That They Have a Soap Which Is Low in Alkaline Content and Is Good for Skin. So the Distributor Proposes His Friend to Try Out That Soap. This Is One Way Distributors Can Acquire New Customers, Essentially From the People Around Them. Each Sell in Turn Earns a Profit Margin to the Distributor As He or She has Bought the Products in a Wholesale Price From the Amway.**

**Step 3: sponsoring New Distributor: The Distributor Can Also Make Profits by Introducing New Distributors to the Mlm Business Chain. In Mlm World This Is Known As Sponsoring. When a Distributor Sponsors Another New Distributor, He or She Gets a Commission From the Sell Volume That Their Sponsored Distributor Generates. This Means More Your Sponsor More Is the Commission Profit From Indirect Sells by Your Sponsors.**

# Failure of Multi-Level Marketing

  there Are Always Bad Apples in the Bushel and This Industry Was No Exception. Multi Level Marketing Is Not a Very Viable Concept, Even Theoretically, Nor Is It a Very Profitable Means of Distribution for All Parties Involved in Multi Level Marketing. This Non-Viability Is Basically Caused by a Heightened Expectation of Easy Money. in Fact the Concept of Multi Level Marketing Is No Longer New. It Is Also Exempt From the Normal Rules of the Market and the Way Goods And services are Otherwise Sold. Many Companies Have Tried the Concept of Multi Level Marketing and Most of Them Have Failed. some of the Multi Level Marketing Efforts Have in Fact Been Miserable Failures in Spite of the Fact That They Offer Excellent Products. After Almost 25 Years of Failed Attempts in the Area of Multi Level Marketing, It Is Time to Analyze the Reasons for It's Failures.

firstly It Is Important to Analyze the Driving Mechanism of Multi Level Marketing. The Driving Mechanisms Are Intrinsically Unstable, And Therefore Tend to Over Saturate the Market with No One Noticing. Multi Level Marketing Can Never Equalize Into Profitability the Way Companies in the Real World Can. This Is the Reason That the Organization As a Whole Cannot, Be Profitable. it Is Usually the Unfortunate Distributor at the Bottom Who Is the Loser. Of course money Can Be Made with Multi Level Marketing. But the Money Being Made Is Not Always Legitimate.

# **The 4 Major Factors That Hinder 95% Of Network Marketers From Achieving True Success Are:**

# **Lack of Marketing Budget/knowledge of Target Marketing**

1. **Lack of True Effective Action or Any Action at All**
2. **Lack of Consistent Flow of Quality Prospects**
3. **Lack of Training and Underdeveloped Skills**

# The Three Strategies of Selecting Number of Intermediaries

companies Must Decide On the Number of Intermediaries to Use at Each Channel Level. The Three Strategies Are:

1. Exclusive Distribution – This Means Severely Limiting the Number of Intermediaries. It's Appropriate When the Producer Wants to Maintain Control Over the Service Level and Outputs Offered by the Resellers.
2. Selective Distribution – This Relies On More Than a Few but Less Than All of the Intermediaries Willing to Carry a Particular Product. It Makes Sense for Established Companies and for New Companies Seeking Distributors. The Company Does Not Need to Worry About Too Many Outlets, It Can Gain Adequate Market Coverage with More Control and Less Cost Than Intensive Distribution.
3. Intensive Distribution - In This Type of Distribution the Manufacturer Places the Goods or Services in As Many Outlets As Possible. This Strategy Is Generally Used for Items Such As Snack Foods, Soft Drinks, News Papers, Products the Consumer Seeks to Buy Frequently or in a Variety of Locations. This Strategy May Help in the Short Term, But Can Hurt Long-Term Performance. Intensive Distribution Increases Product and Service Availability but May Also Encourage Retailers to Compete Aggressively. Price Wars May Erode Profitability, Potentially Dampening Retailer Interest in Supporting the Product and Harming Brand Equity.

# Designing the Sales Force

the Original and Oldest Form of Direct Marketing Is the Field of Sales Call. Today Most Industrial Companies Rely On a Professional Sales Force to Locate Prospects, Develop Them Into Customers and Grow the Business, Or They Hire Manufacturers' Representatives and Agents to Carry Out the Direct-Selling Task. Companies Are Trying to Increase the Productivity of the Sales Force Through Better Selection, Training, Supervision, Motivation and Compensation. Sales Representative Covers Six Positions, Ranging From the Least to the Most Creative Types of Selling:

1. *Deliverer – A Salesperson Whose Major Task Is the Delivery of a Product*
2. *Order Taker – An Inside Order Taker Stands Behind the Counter and Outsider Order Taker Calls the Manager.*
3. *Missionary – A Salesperson Not Expected or Permitted to Take an Order but Rather Build Goodwill or Educate the Actual or Potential User.*

Example: A Medical Detailer Representing an Ethical Pharmaceutical House.

1. *Technician – A Salesperson with a High Level of Technical Knowledge.*

Example: The Engineering Salesperson Who Is Primarily a Consultant to Client Companies.

1. *Demand Creator – A Salesperson Who Relies On Creative Methods for Selling Tangible Products or Intangibles.*
2. *Solution Vendor – A Salesperson Whose Expertise Is Solving a Customer's Problem, Often with a System of the Company's Products and Services.*

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