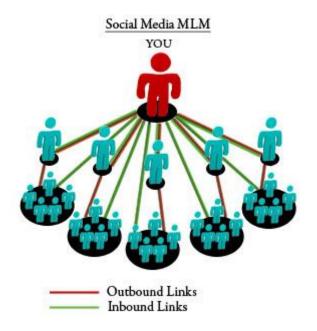
MLM -Multi Level Marketing



HISTORY OF MLM- MULTI LEVEL MARKETING

- The history of network marketing originates back to the 1940's where a company trading under the name of "California Vitamins" discovered they could make more sales when they had a lot of sales representatives selling a small amount of product each, compared to the traditional business model, of trying to have a few sales representatives selling a lot. California Vitamins also discovered that most of their growing customer base was made up of the friends and family of their existing sales representatives who had essentially referred them to the company as they were impressed with their product line.
- New sales representatives were then created from existing satisfied customers and a commission based system was developed. Both teams and individuals were rewarded according to their sales efforts and as a result network marketing was born. The same company later changed their trading name to Nutrilite Food Supplement Corporation.
- ❖ In 1959 Richard DeVos and Jay Van Andel founded the company Amway which was an abbreviation for the term "the American way". Amway from day one was based on the same network marketing concept. Almost 50 years later Amway is a well established network marketing company operating in more than 80 countries around the world and with more than 3 million business operators.



Jay Van Andel and Richard DeVos

- Currently it is estimated that there are more than 50 million people worldwide involved in network marketing with almost 100 billion in annual wholesale revenue. Given the history of network marketing and it's rapidly growing popularity, the network marketing industry is recognized as one of the fastest growing industries in the world today and is predicted to have significant growth well into the future as more and more companies are choosing to capitalize on this networking trend and choose to sell their products direct to the consumer. This emerging trend is also being driven by a wave of entrepreneurs who continue to drive the concept of improving quality of life and working from home.
- ❖ Although the history of network marketing dates back to the 1940's it is only now that the industry has come of age. Network marketing has now grown to the point where it is creating more millionaires today than the dot com boom industry did before the bubble burst.
- ❖ The history of network marketing has stood the test of time and over the past 50 years has proven itself to be a successful distribution model and home-based business opportunity. The industry itself is now currently being endorsed by many business leaders as a proven system for anyone who wishes to achieve financial success. It is not surprising that network marketing is now one of the fastest growing industries of all time with an estimated 150 000 people just like you, joining the industry every single week.
- ❖ Given the proven history of the network marketing business model and the emerging business trends the timing could not be better to capitalize on this trend and we encourage all entrepreneurs looking for a home-based business opportunity to seriously consider a network marketing business
- ❖ Today, the MLM scheme of selling is very much still alive. Networks of people currently work in each and every country with the ultimate goal of pushing products on to consumers and making large quantity, fast transactions. Indeed, profits are still made by many people in the MLM business; however critics claim that anyone starting out for the first time is doomed to fail, because of the competition that is rife and active throughout our current communities.

PURPOSE OF MLM- MULTI LEVEL MARKETING

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".

WHAT IS MLM- MULTI LEVEL MARKETING

MLM stands for Multi Level Marketing. Marketing means to "move" a product or service from the manufacturer or provider to the consumer. Multi Level refers to

the system of compensation provided to the persons who are causing the product to move or the service that is provided. "Multi" means more than one, and "Level" means generation.

It is also called as **Reference marketing**, <u>Networking Marketing</u>, **Matrix Marketing**, **Chain Marketing etc.**

HOW DOES IT WORK?

In MLM marketing, you share information and develop personal and professional contacts. You are rewarded for sharing information that results in product sales. Network Marketing empowers you to build your own networking sales organization from your personal and professional contacts, which also empowers everyone to do the same, creating exponential growth of your network. You can earn income from the successful efforts of your network of business associates.

MULTILEVEL MARKETING COMPANIES ACN Inc. 2 Agel (MLM Company) 3 Alticor 4 Amsoil 5 Amway Global As Well Known as Quixtar 6 **Avon Products** 7 BioPerformance 8 Cobra Group 9 Discovery Toys 10 Dynamic Essentials (Company Dissolved in 2003) 11 Equinox International 12 **Excel Communications** 13 **ENG** 14 Forever Living Products 15 Freelife 16 Fuel Freedom International 17 Fund America Inc. 18 Herbalife 19 Holiday Magic (Company Dissolved in 1974) Juice Plus 20 21 Kleeneze 22 Mannatech 23 Mary Kay 24 Mini IQ 25 Mona Vie 26 National Safety Associates 27 Neways 28 New Skin Enterprises 29 Omegetrend 30 Oriflame Pre-paid Legal Services 31 32 Primerica 33 Quest International

34	Sahara Care House
35	Shaklee Corporation
36	Stream Energy
37	Success University
38	Sunrider International
39	World Financial Group
40	YourTravelBiz.com
41	XanGo
42	Vector Marketing
43	United Science of America, Inc.
44	The Southwestern Company
45	Telecom Company
46	The Pampered Chef
47	Tahitian Noni International
48	Success International
49	USANA Health Sciences
50	Meleleusa

ADVANTAGES

1. Limitless Earning Potential

One of the main advantages of multi-level marketing is that the sky really is the limit when it comes to earning potential. Unlike traditional businesses where you only earn profits on goods or products you sell, you will share a percentage of the profits from everyone you recruit. A system where the more people you recruit who will then recruit many others enables all of you to earn a lot of money. There is no such thing as a salary cap or wage freeze in the world of MLM!

2. Very Low Risk

Becoming a multi-level marketing distributor is a very low-risk adventure. You don't need to spend a large amount of your hard-earned money to start working for a MLM company. With a very small initial investment, you can begin to earn a very healthy income. Being surrounded by a very solid and supportive support network also lowers the risk factor. Helpful advice or answers to your questions are only a phone call or email away. You can network with other professionals within your industry at the inspirational meetings held by your particular MLM company. They will not only keep you inspired and motivated, but also help you succeed. Despite the low risk of MLM, the emotional and financial rewards of becoming a MLM distributor can be very high!

3. No Employees to Hire

With multi-level marketing, you will be recruiting as many people as possible to sell your goods and services. However, you won't need to pay to hire any employees since you will be working for yourself. This means no hiring costs, no benefit costs, no employee wages and no vacation pay. A system of individual business people all working together can be very advantageous; the money you earn can right back where it belongs - in your pocket!

4. No Inventory to Store

Perhaps you have tried opening a home-based business before, only to become quickly overwhelmed with the growing volume of inventory. Most independent sales positions require you to purchase and store large quantities of products. This can clutter your

home and make it very difficult to remain organized. Fortunately, with multi-level marketing this is never a problem. You don't have to store many products, because you will be focusing on recruiting other individuals who will be selling them for you. In fact, many MLM companies offer reliable dropshipping options so you never have to store a single item that you sell!

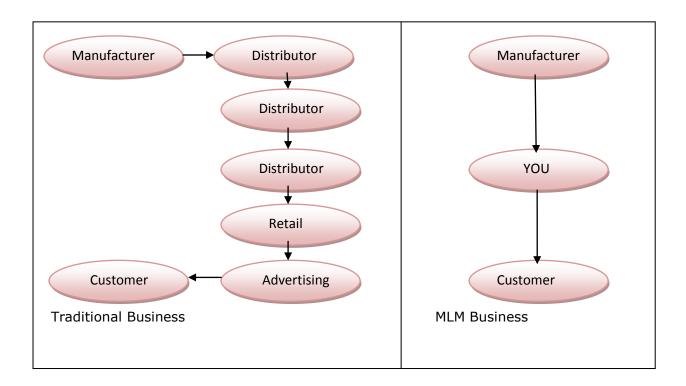
5. Low Operating Costs

Many traditional home businesses require you to pay high operating costs that can significantly reduce your annual revenue. This is definitely not the case with multi-level marketing. Once you purchase your initial batch of products, you are ready to start selling and earning money.

6. Flexible Hours

Well, the system of multi-level marketing will enable you to work the exact hours you want. You no longer have to worry about juggling your work and personal schedule because you can set your own schedule. This enables you to spend much more quality time with your friends and family members.

TRADITIONAL BUSINESS VS MLM BUSINESS

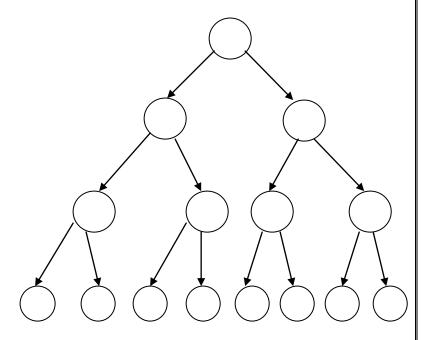


❖ A traditional business is most successful when a sound business model is used. One that includes a financial plan, effective marketing, quality customer/client relation practices and offers a product or service that is demand by the market place. Network marketing MLM isn't any different. There are a lot of people in the industry that would like to make you think otherwise but for the most part, if you use the same business principles that have been proven to be effective time and time again in other industries, you'll have success in network marketing MLM.

The other side of this question of whether or not network marketing MLM is much different than a traditional business is how the actual transaction takes place. This is where the difference becomes very apparent. As you saw in the video and the diagram below, the way in which network marketing customers receive the product is a lot different from the traditional sense.

BASIC TERMINOLOGIES IN MLM- MULTILEVEL MARKETING

- 1. Sponsor
- 2. Downline
- 3. Genealogy
- 4. Leg Count
- 5. Tree
- 6. Adjusted to
- 7. Spill
- 8. Spill Network
- 9. Directs
- 10. Payout/Incentive
- 11. Turnover
- 12. Earning
- 13. Deduction
- 14. MCA- Minimum Cheque Amount
- 15. Paid/Confirm ID
- 16. Credit Entry
- 17. Free Entry
- 18. Simulation
- 19. Payout Analysis
- 20. Set/Pair
- 21. CF/BF Carry Forward/Brought Forward
- 22. Capping
- 23. Royalty
- 24. Upline
- 25. Direct Upline
- 26. Set Amount
- 27. Reserved Amount
- 28. Registrations/Options
- 29. Member Leg
- 30. Repurchase
- 31. BV/PV-Business Volume/Personal Value
- 32. Differential
- 33. Epin
- 34. Binary Plan
- 35. Generation Plan
- 36. Mother Tree



- 37. Board
- 38. Board Plan
- 39. Hyper Binary Plan
- 40. Matrix/Auto Matrix

Downline:

Downline is the term used to denote the group of members under one particular member.

Ex - In fig. 1 A, B, C, D are the downlines of 'U'.

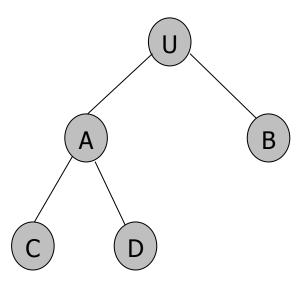


Fig. 1

Upline:

Members present above the member in chain like structure in mother tree, is known as upline, who earns money on their downline.

Ex - In fig. 1: A, U are the uplines of 'C'.

• Direct Upline:

The adjacent to is the sponsor of the member, is called its direct upline.

Ex - In fig. 1: A is the direct upline of 'C'.

• Genealogy:

Genealogy is a graphical representation of member network. It shows tree like structure of its downline.

Ex - Fig. 1 shows the Genealogy of 'U'.

Leg count :

Leg Count is the down count of a particular member on left side & right side, i.e. left leg & right leg.

Ex - In figure 1: 'U' has following leg counts; left count is 3 & right count is 1.

Tree:

It's a specific structure, in which members are placed. The root of tree is company, branches of tree is formed by different member's network.

• Sponsor:

Sponsor is the member who provides direct reference to its downline. Ex – In figure 1 'U' is sponsor for A & B.

• Directs:

The members directly sponsored by a particular member is supposed to known as directs of that member.

Ex - In figure 1 - A, B are the directs of U.

Adjusted to :

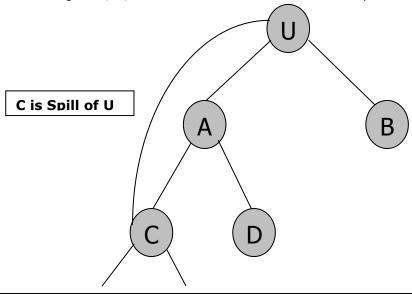
The member to whom the new member is actually get attached, is called As Adjusted to for that new member. Adjusted to & Sponsor may or may not be same.

Ex – In figure 1 'U' is sponsor & also adjusted to of A & B.

• Spill:

Third direct onwards all directs are known as spill. In Binary plan, a member can sponsor 2 IDs immediately, if he wants more ids to sponsor then those ids get placed in his network; get attached to other members called as Adjusted to.

Ex – In fig. 2 A, B, C are three directs of U and C is Spill of U.



E

• Spill N/W:

Spill network is known as spill's directs network.

Ex – In fig. 2 'C' is the spill of 'U' & E is the direct of 'C'. Then E's network is known as spill network of 'U'.

• Payout/ Incentive:

Member will get incentive on his downline network according to business plan. It can be calculated daily/ monthly/ weekly.

• Turnover:

Turnover is the total collection of a company for a particular period. It depends on no. of joining & reserve amount per joining. This is used as distribution amount in a payout. The mathematical expression is,

T.O. = No. of joining * Reserve amount per joining.

Earning:

The sources of income according to the business plan are known as earning. It is also called as income / Incentive. Ex – Binary, Spill, Royalty.

Cumulative Earning of member means sum of all earnings that a member get by different types of incentive in different payout.

Payout	Amount	Binary	Spill
1	5000	4000	1000
2	4000	3500	500
3	2000	2000	0

In the above example, U gets 11,000/- as total or cumulative earnings in three payouts.

• Deduction:

All the charges on income get deducted from income as per company's policy. The ID will get cheque of an amount as

Total earnings – Total Deduction.

Ex – U gets 1000/- as binary income in a payout. If 10% is service charge, then he will get 10% of 1000/- amount.

• MCA:

MCA is the abbreviation of **Minimum Cheque Amount**. It is decided by the company. MCA is the barrier point between **paid & unpaid members**. If net amount is greater than MCA, then only cheque will be processed.

Paid Member: The member whose net payable amount is greater than MCA, is called as Paid member.

Unpaid Member: The member whose net payable amount is less than MCA, is called as unpaid member.

• Paid/ Confirm ID:

The member who have paid the amount before joining are called as Paid/Confirm ID. The Paid/Confirm IDs are green in color. Members are joined in various methods like using E-pins, DD, cash payment.

Credit entry :

Member joins to the company without paying joining amount or paying partial amount, those members are called 'Credit Members' until recovery of joining amount. A member cannot get any income on a credit entry on its downline. Credit members can get income on paid members.

How does credit member convert to Paid member?

- a) Credit member becomes paid by paying rest of the joining amount. It is also known as forcefully paid members.
- b) Credit member's joining amount will be recovered from his payout income by deducting as advance. When joining amount will be fully recovered from payout, then that member will become paid member.

Free entry :

Those Members who join to the company without paying joining amount.

Free entries will get income on paid entries in its downline network. Paid entries will not get any income on free entries from its downline network.

• Simulation:

Company reserves a specific amount from package cost for distribution. After a period situation comes where distribution amount is greater than reserve amount. In such case Company applies a policy, in following way:

All members who earn a specific amount, get qualify for simulation. Simulation occurs as percentage wise. Suppose 10,000/- is the specified amount, then all the members who earn cumulative 10,000/- from binary plan are eligible for Simulation. Rest of the members get full amount. Eligible members get that percentage of net amount.

payout analysis:

Payout Analysis gives us a detailed idea about the particular payout i.e. it shows total no. of joining, total collection, total reserved amount, total available amount, amount to be distributed, brought forward amount, carry forward amount, TDS, processing/ service charges, advance amount, net amount.

• Set /Pair:

Set/ Pair is the confirm count of left & right side. Binary Earning depends upon no. of sets/ pairs. Set / Pair may be of 1:1, 1:2, 2:1, 1:3, 3:1, etc.

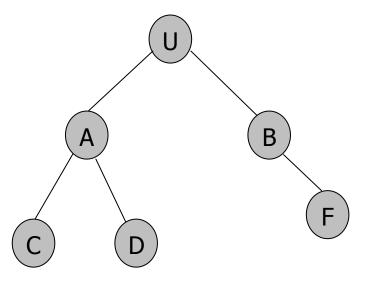


Fig. 3

Ex – Suppose in a company, first set is of 1:2 or 2:1 & then second set onwards considered as 1:1. Here in fig. 3 $^{\circ}$ U' has two sets/ pairs. one is for 2:1 & another one is 1:1.

• CF/BF:

CF is the abbreviation of Carry Forward & BF is the abbreviation of Brought Forward. The deficiency of amount/ count will be considered as CF and in the next payout, it is called as BF.

Ex - Suppose MCA = Rs. 300/- One member earns 250/- in a payout then that will be CF to next payout. In the next payout this amount is considered as BF.

Suppose 'A' is a member who has left count 12 & right count 3. He earns income for 3 sets only, then he has 8 counts CF in left side. It will be count in the next payout also as BF.

Capping:

The maximum amount/ pair which can be earned/ considered by a member in a particular time period is called as capping. Capping will have been decided by the company.

Ex - suppose it is 20,000/- If a member earns 50,000/- in certain payout. That member will get only 20,000/- because of capping. Rest amount will be lapsed.

Royalty:

Royalty is one type of earning. There is a certain percentage of T.O. of the company will be distributed among all royalty qualifiers. For royalty qualification, member has to satisfy the criteria, in a certain time period a particular no. of pairs has to formed.

Set amount :

The amount fixed per set as per Company's rules & regulations is called set amount. How set will be formed & what will be the set amount, is decided by the company only.

Reserve Amount :

It is a particular amount, decided by the company which is reserved from package cost. Reserve amount is collected for distribution among members.

Ex – Suppose Package cost is 3500/- & Reserve amount is 2000/- per package. If there are thirty joinings in a period, then Company's turn over will be $30*\ 2000/- = 60,000/-$

Member Leg :

Down count of a member is known as leg of the member.

(Total Count = Total Left Count + Total Right Count)

• Repurchase:

Purchasing of products from the company other than the joining kit is called as repurchase.

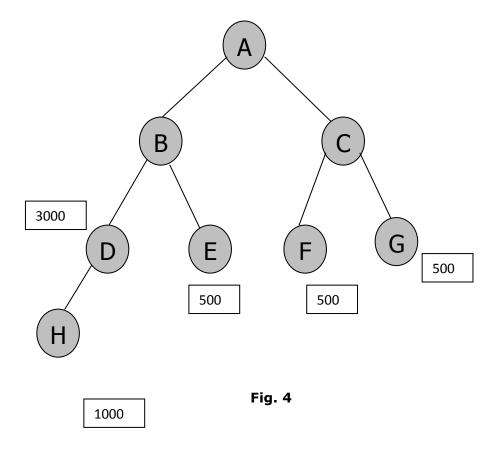
BV&PV:

BV is the abbreviation of Business Volume & PV is the abbreviation of Personal Value. The BV / PV is predefined for the different products. When member purchase product, he will get benefit in the form of BV / PV.

Ex – On purchase of Rs. 1,000/- from the company, then BV = 40 If member purchase for Rs. 5,000/- , then he will get 40 * 5 = 200BVs Depending on BVs, again member can earn income.

• Differential:

It is one of the concept regarding Repurchase.



Consider member will get commission depending on total repurchase/sale amount.

 ${\it Group Sale = Left Sale + Right Sale + Own Sale}$ In above figure group sale has been shown.

Group Sale	Commission %
1 - 500	2
501 – 2000	3
2001 & above	5

- ID 'H' will get commission = 1000* 3/100 = 30
- \bullet ID 'D' will get commission = 5% on 3000, but already 3% commission has been given on 1000/-

Hence D's commission = $1000*\ 2/100 + 2000*\ 5/100$

Epin :

E-pin is the prepaid voucher which is used for registration process. The voucher cost must be same with package cost. It is one of the option for registration.

• Binary Plan:

In Binary plan, each member can immediately sponsor only two direct members. The grow is from top to bottom.

Ex – Any member can immediately sponsor only two members as shown in fig. 5.

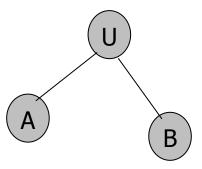
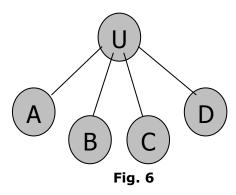


Fig. 5

• Generation Plan:

Member can sponsor n no. of directs. The grow is from left-to-right & top-to-bottom.

Ex - Fig. 6 shows Generation plan, here A, B, C, D are the Directs of U.



Mother Tree :

Mother Tree means Board placed on which basis.

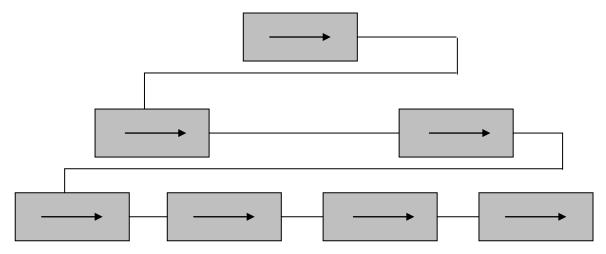
Board:

Board means it's a box type entry. It may be of 1-2-4, 1-2-4-8, 1-2-4-8-16. After all places filled in a Board, it becomes split into two boards & topmost

one is out from the board, if it satisfy the qualify criteria otherwise it will search from top-to-bottom & left-to-right to find out the qualifier one.

Ex – Fig. 7 is a 1-2-4 Board. Figure shows how entries have done in a board.

Fig.7



Board Plan :

Board Plan is one of the plan in MLM. It is a box type structure, but there is limitations in levels, after that board will split & two new boards create. In board, members are placed in FIFO (First Input and First Output) basis.