

# **Network Marketing Structure Part 2**

# Network Marketing Structure – Part 2

## “Mastering the Product Synergy, Downline Development Tactics, & Techniques to Building the Best Network Marketing Company!”

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# **Network Marketing Structure – Part 2**

“Mastering the Product Synergy, Downline Development  
Tactics, & Techniques to Building the Best Network  
Marketing Company

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# Down the Rabbit Hole

Welcome to **Network Marketing Structure – Part 2!** Although this book is the second part of a 2 part series, the content here is designed to be stand-alone and each book is written with lessons applicable for every aspect in network marketing.

Let me just give you a few facts to ponder about:

Average network marketing companies today spend roughly a few hundred to a thousand dollars on Compensation or Marketing Plan Training in just **hall/training room rental, speaker salaries and question and answer sessions!** And to think that most people assume that plans are all about numbers only.

If you plan to recruit **professional networkers** (people who do network marketing for a living), and you hope to bring over their entire organization of maybe 50 – 2,000 people, your chances of sponsoring them is **close to zero** unless you are an influential leader yourself AND **you know your company's marketing plan even better than the company themselves!**

These facts are definitely worth pondering. If I am running my own network marketing company, **imagine how much money I would save.**

On the other hand, if I were building a network, **I wouldn't want to lose my people to networkers in other companies because of lack of training!** If I am not careful, I would lose up to tens of thousands of dollars!

**In this book, we are taking a more in depth look at plan mechanics as well as practical steps to boost your career. Learn the tips and tricks how to:**

- Avoid the various pitfalls of typical plans and how to use them to your advantage
- Stay in control in spite of quotas and use them to drive your team to success
- How to use products and create a cash flow generating machine
- Work with the right people and the right plan to become a networking juggernaut
- Learn other nifty secrets your upline might be too busy to teach you 😊

In the words of **THE MATRIX:**

Those of you, who are ready to take the *red pill* in network marketing to get to the truth behind the confusion, **get ready to find out how far down the rabbit hole goes.**

NOTE: Just like the first book, the applications of each chapter will once again be split into 3 sections: *Downline Building Strategies, Product Synergy, and Starting Your Own*

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*Network Marketing Company.*

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# Pros and Cons of Accumulation

## *What is accumulation?*

In typical marketing plans, accumulation is a system of rewards that allows the distributor to save up purchase products and accumulate the point value to reach the next rank. For example: If I need 10,000 points to go from 5% to 10%, I can purchase 3,000 points in the first month, 2,000 in the second and the remainder 5,000 in the final month so I would achieve the rank.

## **Advantages of Accumulation**

- It gives the distributor a longer time frame (sometimes no time frame) to move from one rank to another giving them less pressure and less stress
- Volume gained from sales in previous months doesn't get flushed away. Meaning, you can gather the volume, go away on a 3 month holiday, and you can **start immediately again as though you haven't left.**
- Protected against the effects of **demotion** (see later chapters)

## **Disadvantages of Accumulation**

- Encourages **Front Loading** and **Buying Position** (see later chapters)
- No time frame means no pressure. No pressure means no incentive to go out and look for sales so giving too much time frame also works both ways.
- If there are no repeat sales in the business, **you will have a hollow organization**. Most people stop buying or recruiting once they hit a new level in an accumulation system. In other words, since there are no quotas, you can have **10 Super Diamond Ambassadors** in your organization who don't buy anything.

## *Downline Building Strategies*

To overcome the shortfalls of accumulation, educate your team to be good product users. Emphasize on teaching them to buy stuff that has a high consumption and higher repeat sales (like vitamins or skin care products). This way, you will not only have income from recruiting opportunity seekers, when each downline has their own set of customers and are consumers themselves; they will generate more volume from their own purchases than from recruiting a new downline.

**Remember: repeat sales are what keeps a business running long term.**

## *Product Synergy*

Just like a normal business, it is very important to have market demand. The reason why the government has scrutinized the network marketing industry or has so many rules and regulations is because most unscrupulous companies use the product as an excuse to run a business. How do you spot one such company? Simple. The market will saturate with **many people accumulating lots of product** but once there are no repeat sales, the company will collapse and those former distributors will be left with tons of

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stock that nobody wants. **The litmus test would be this: If the company were to disappear tomorrow, will you immediately think of how to get rid off or liquidate your stocks, or find out where to get more of them tomorrow onwards?**

*Starting your Own Company*

In addition to having good repeat sales, the company must also focus on enforcing an 80/20 or 70/30 rule where 70-80 percent of the products purchased by a distributor should be sold to customers and the remainder 20-30 percent is used for personal consumption. This will counteract the negative effects distributors accumulating products only for the sole purpose of reaching the next rank faster.



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# Buying Position

In certain network marketing companies, there are some instances where the purchase of additional products and/or account will enable you to climb the ladder of network marketing success faster by giving you a jump start.

Examples would be something like this:

- Buying high volume of products in **Stairstep** plans to start at a higher rank
- Purchasing 3 (instead of 1) tracking centers in a **Binary** plan
- Buying names of multiple accounts and **stacking them under each other** so that income from the networks all flow back into one person's pocket

This often has received criticisms within the industry and certain governments have outlawed extremely **high entry fees** (companies that encourage a new distributor to join at very high costs or purchasing insane amounts of products to start their business). Regardless of the controversy, there are many, many companies that allow you to buy positions so it is very common in the industry and your own choice to embrace it or not.

## *Downline Building Strategies*

If I were to build a network of leaders, I would want all my downlines to move in the same direction with the same aim. I would communicate to all my people that if they want to succeed in this business, they are expected to join at the highest entry level and at the maximum auto-ship level (monthly purchases). We want to build strength and not cater to the weakness of others. It may seem harsh, but unless you are willing to pay the price, you must invest to a point it hurts then only will you have the drive to succeed.

## *Product Synergy*

Choose products that are easy to move. In other words, if I were to come in at a high-entry level, I would select products that are **very easy to retail**. There are people who treat all their initial purchases when they join as an investment and neglect selecting the right products. There are some who even buy all the high-ticket products only. There is nothing wrong with doing this. Just bear in mind that in order to operate a business, **you need cash flow**. Retailing products give you easy cash flow and less financial pressure. You can also choose products that come in packages because they are usually cheaper to buy in a set and you can retail those products separately and get more profit.

## *Starting your Own Company*

Emphasis on buying position is acceptable as long as the products that come with it are reasonably priced and it matches the demand in the market. As I had mentioned before, there are many unscrupulous companies who distribute useless products. A good way to give more value for people is to include better selection of products in the form of packages so that they pay the same relative value and have more products to use.

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A good way to generate more sales is through converting your preferred customers into distributors by offering them the same incentive of a preferred customer with an accumulation system that allows them to buy cheaper the more they consume: just like a loyalty program.

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## Caution: Front Loading and their Dangers

I especially wish to highlight the dangers of front loading in a separate chapter in relation to the 2 topics above because through proper understanding of these features in the marketing plan will prevent people from losing money in the network marketing industry.

Front loading or inventory loading is more of a business maneuver where a distributor decides to **buy lots of products** in an effort to meet his quota or target faster and even buy his way up the ranking system (not usually at the entry level of the business).

Front loading can also occur when new distributors buy positions especially those at a medium to higher level. I have personally seen people invest more than \$100,000 in buying products when joining a network marketing company.

More than they would like to admit, they are more interested in climbing the ranking and not as interested in using or selling all those products. Their decision in purchasing those products is purely to be in a more strategic business position (higher rank means better income) and most of the time, those products sit in their store rooms or under their beds.

**I would like to stress that there is no crime or unethical actions in doing this.**

However, the danger is that many people fail to control their finances properly and that leads to financial struggles and ill feelings towards their company and their upline.

Furthermore, many people new in this industry make the serious error after they buy up their position. They sit around thinking that their 'investment' will grow. This kind of thinking is **extremely wrong** because after you have bought your position, you are not making any income (in fact people who build their network the 'slower' way has a more stable income than you) and you should work even harder to build your network since you have spent more money than before.

In the end of the day, network marketing requires a good business mindset in order to succeed. Being able to plan your finances is one thing.

Just like people in the real world, they work very hard to make a living promising to buy gifts and vacations for their families but only winds up putting more hours into their work; in network marketing many distributors tend to spend their hard earned money **buying up more positions, volume, or tracking centers** so they can earn more in the future, at the same time neglecting their families. Striking a balance is very important.

Lastly, front loading has the potential of **DEVALUING** a product if executed wrongly. Let us say a new distributor joins a company and buys up \$10,000 worth of products. If he decides to quit the business, what is the first thing he would do? **Try to cut losses! He might even try to sell off his products way below his costs!**

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Now, if the company encourages front loading and there is attrition by the masses, imagine everyone doing the same thing to the product. In the end of the day, the overall value of the product will drop so much that the entire retail market will no longer be viable (*why should I get the product from the company? My friend sells them much cheaper*).

In the end of the day, remember:

- Only front load if you are financially able and have a large social network
- Have a fair assessment of your abilities and be prepared to go all the way
- Pace yourself in your business. Don't overspend and hurt yourself financially
- Focus on high demand products with repeat sales

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# The Dreaded Demotion

Demotion is a marketing plan feature (that is usually not transparently stated in most marketing plans) that is very important to consider in evaluating a plan and pacing yourself month after month. Demotion means **dropping from one position to a lower position or rank in a network marketing company.**

For example, let's say a **Silver Rank Producer** works hard to become a **Gold Rank Producer**. The next month he fails to reach his target and he drops back to a Silver Rank Producer. This normally results in a loss of potential income or even resetting his quota back to square one.

Demotion can also occur in certain plans where people are qualifying or challenging a certain position in a plan where they require distributors to produce large sales volumes in a short period of time. If they fail to reach their target, they do not necessarily drop in rank but they have to build their volume all over again. They may not lose all of their volume but retail some of it as they roll into another month to start qualifying again.

## *Downline Building Strategies*

How can we use demotion to your advantage? It is often said in life that **we are not pulled up to success but rather, we are lifted up to success by the people around us.** This is even more so in network marketing because there's no way you can succeed alone. You need the support of your downlines if you wish to beat your quotas and get to the next rank!

You must develop 2 very important factors within your network. **TEAM RAPPORT** and **MARKETING PLAN EDUCATION**. If you or your downline is in a qualifying phase, you must strategize with your entire team because volume needs to be created to achieve the target. Teach your downlines that if they support their upline now, they will become a good upline and in future, their downlines will support them as well. With everyone doing a little each day, achieving the target is not difficult.

If you educate your downline enough and they support you enough, they will realize that you as a qualifying upline is in a challenging phase and they will feel that **your success is in their hands!** They don't want you to fail and will work hard to help you reach your target (while they earn most of the money because it is THEIR sales. They are merely helping you fulfill your 'conditions'). Use demotion to build the urgency in your team!

## *Product Synergy*

Demotion is not a worry for the distributor is he has a large customer base. On a personal level, the only real fear demotion poses is when they stop doing **maintenance** or cancel their **auto-ship**. This only occurs when the distributor is having financial

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struggles or is not making money from their business and they decide to stop buying products from the company.

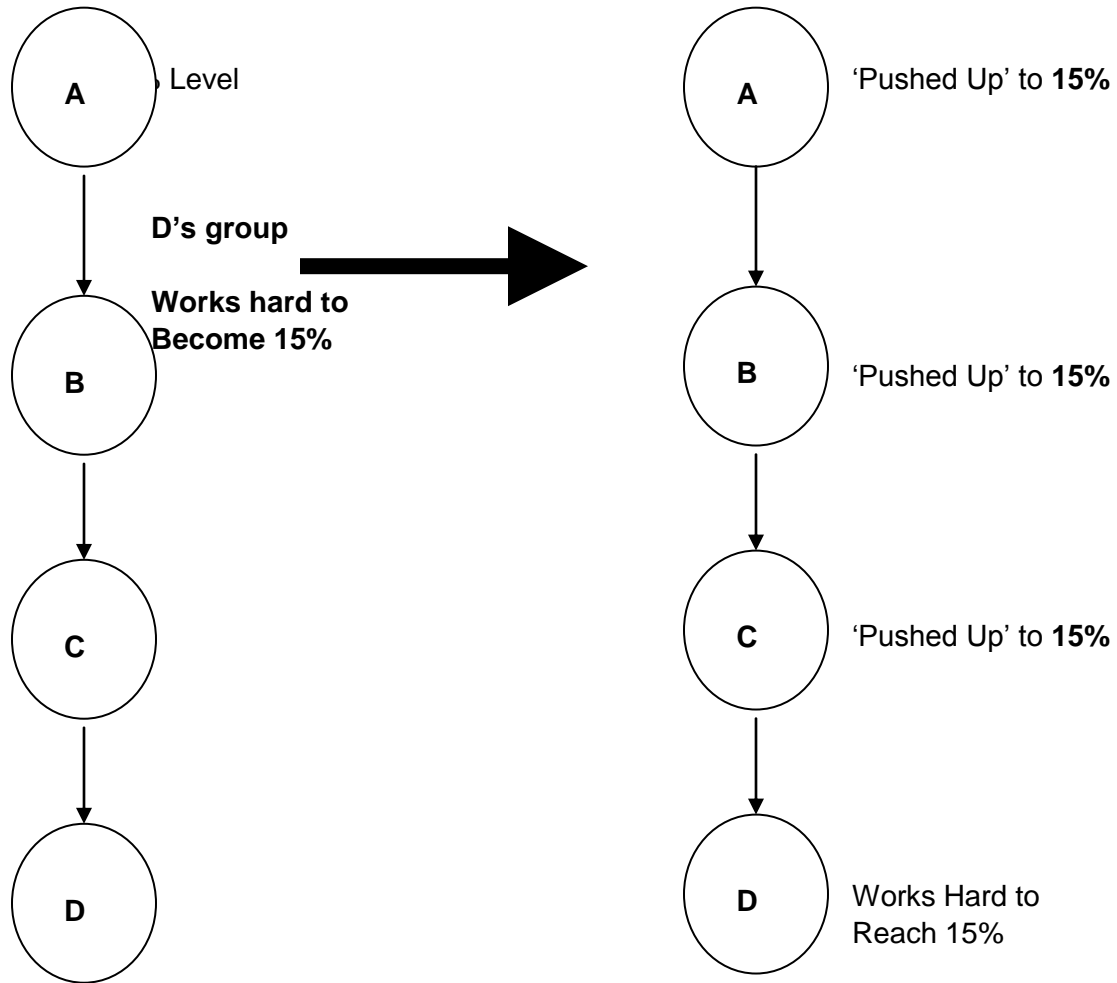
*Starting your Own Company*

I will not touch so much on whether to design a marketing plan with or without demotions due to the subjective nature of network marketing product. But here is *one basic rule to follow*: **Will demotion affect the distributor too much in a positive way or negative way? Only you know your own product and your distributors.**

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# Push-up: Taking the Short Cut

Push up is a feature in some network marketing plans where a downline achieves a position higher than his upline and all his upline immediately gets 'promoted' to the same rank as that downline. Allow me to illustrate:



This diagram shows that as long as the person at the bottom reaches the rank, all his uplines gain the **BENEFIT** of being in a higher rank (but not the commission from the **SALE**). Certain push-up systems may differ. This diagram illustrates what is known as **Single-Line Push-Up**. Other forms of push ups may have other conditions.

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### *Downline Building Strategies*

Although push up may offer benefits for the upline, I personally feel that this form actually develops weakness rather than encourage people to look for downlines. Network marketing is a copycat business where the downline will copy what the upline is doing. If the upline is 'waiting' for someone to push him up, the downline who joins will want to do the same and you will have a huge organization of people waiting for each other to produce the volume. Lead by example.

### *Product Synergy*

In relation to the above, ultimately products must move in order to generate commissions. Having a higher rank through push up but no personal sales volume only looks good in the eyes of others (ranking wise) but deep down in your heart you know that you are not making money. If you do benefit from push up, focus rather on creating volume for yourself in that month because it costs less to buy products you can sell later due to the higher commission payout you are getting.

### *Starting your Own Company*

A good plan to develop with a push-up system is one that rewards leadership and development of downline rather than having people wait for each other to create volume. A typical marketing plan today usually pays residual income to distributors who have successfully developed two strong legs rather than one. Don't design push up systems which reward too much for finding downlines that either buy in to the position (hence letting the upline benefit without doing anything) or letting the downline do all the work while the upline gains without doing anything. Set the rank limit at something reasonable.



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# Turning Maintenance into Profit

Let's face it. No one likes forking out money even when they are making millions. What is Maintenance? Maintenance is the sales volume a distributor has to buy from the company (or minimum group sales in some instances), in order to fulfill conditions set out by the company such as:

- Prevent demotion
- Generating group sales volume
- Entitlement for commissions or overriding downlines
- Eligibility for bonus pools paid either quarterly, half-yearly or yearly
- Minimum order to maintain a high rank (leaders who are earning more are expected to purchase more products)

**But the most important factor of all is that network marketing companies need to make money as well.**

Regardless of whether the company determines maintenance to be mandatory (therefore they enforce auto-ship in order for the distributor to be in business), optional or have no maintenance at all, the key point to remember for all parties to be successful is that VOLUME must be created. In other words, **everybody needs to buy something!**

Now I will share with you a little trick how to make everyone pay maintenance willingly without having people to fork out money grudgingly.

**The trick is to work depth.**

If you want all your people to do maintenance, the simplest way is to go all the way down in your organization and help the newest people to build the most volume. Don't worry about volume in the middle. If the person at the deepest level generates a large sales volume that month, do you think all his uplines all the way up to you will make a lot of money? Now, if they are making money, do you think they will have trouble paying maintenance?

**This works no matter what plan you are in!** People get more fired up when they see people at their deepest levels moving because depth gives more security. If the company doesn't require maintenance, then they will still willingly buy products because they will be making more money and buying products allows them to increase their percentages so they can override more! This will cause a chain reaction all the way upline and suddenly you will have volume bursting from your entire network!

*Downline Building Strategies*

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A good leader will never stop building depth within his networks because attrition occurs when the one at the bottom drops out and the same chain reaction occurs: only backwards. Suddenly you will have no one left in your organization.

**No recruitment = No income  
No income = No Maintenance  
No Maintenance = No volume  
No Volume = NO PROFITS!**

No matter how far down your downline is or how little you are paid at that level (sometimes you may get even less than 0.5%) keep helping them generate the volume and make money. Don't pass the baton of leadership to your downlines too early and expect them to build depth for you until you know they are truly ready.

*Product Synergy*

This point can never be emphasized enough even if I have to repeat it 10 times:

**Teach your people to use and love the product!**

Maintenance is usually an issue with distributors when they have **NO MONEY** to maintain or **DO NOT LOVE THE PRODUCT**. Cut down your expenses in the supermarket if necessary to sustain your business. If your business sells vitamins, buy from your own company instead of the pharmacy. If your business sells health drinks, buy from your own company instead of the supermarket. Once your people make the product a part of their lives, they might even buy more products from the company than the minimum auto-ship.

*Starting your Own Company*

There are pros and cons of having maintenance and not having maintenance.

Remember these few principles when designing your own marketing plan:

1. No Maintenance takes the pressure off new distributors financially because they don't have to spend money. **This minimizes attrition at the beginning.** However, if your organization is very large and nobody is maintaining, you will have to concentrate more on recruiting new blood (because new people pay higher entry fees). High level distributors might even quit and bring their entire networks elsewhere because he is not developing residual income (no volume generated monthly). Unless you have a fantastic product, make sure you enforce some form of maintenance. You don't want just one-time sales only.
2. Don't force too high a maintenance on your distributors at the start. You can set up a system that gradually increases the minimum maintenance as the distributor climbs up the ladder. You can even make maintenance optional and still allow

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them to draw commissions but not bonuses (which requires maintenance to be activated). Design a plan with an easier learning curve.

3. One other way is to use a variation of an auto-ship system which automatically deducts your commission to use for mandatory maintenance ONCE their commission exceeds the maintenance amount. This system is good because you don't need to collect money from the distributors or members, and the system runs automatically. I would recommend this type of system more for Internet based network marketing companies which deals with digital products.

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# Other Factors to Consider

No matter how good a marketing plan may be, there is one very important thing you must remember before you consider joining a company or starting your own network marketing company.

**Plans are dead without a system for recruiting new downlines!**

I am not saying the numbers and percentages are not important enough. (In fact small percentage differences can determine your income for the rest of your life). **If you can't recruit anyone, NO ONE IS MAKING MONEY no matter how good a plan is.**

I won't write about designing a recruiting system now because it would be off topic and saved for another book title, but I would leave you with this thought:

*Think of the most famous hamburger franchise in the world. You and I know what it is. We all agree that their burgers may not be the best tasting burgers in the world. But why is it doing more successful compared with Papa's homemade burgers? Those homemade burgers probably taste much better.*

Simple. **Their primary business is not selling hamburgers. It is selling a system for entrepreneurs to MAKE MONEY.** It is proven. People rarely lose money there.

If you have a recruitment system that is effective in training new people, moving the products without hard selling, doesn't require distributors to make 100 phone calls or go door-to-door and helps people generate cash flow and leads, then that company is doing the right thing.

In the end of the day, you have to make the plan work for yourself and your people. Network Marketing is not an easy business. Don't leave home without being well equipped about everything in the industry.