



NETWORK MARKETING, THE BUSINESS MODEL

Network marketing is a multi-billion dollar business. As a business model, it is taught in major universities around the world. The Wall Street Journal stated, "...between 50% and 65% of all goods and services sold in this millennium will be through network marketing." It is a business model that is perfectly suited to the "information age."

What is this "Business Model?"

Network marketing is a way of doing business that is different from the "traditional" model used by most consumer packaged goods, food and drug companies. It is one of the most promising income opportunities in American today. It is the idea of many people each doing a little work, as opposed to a few people doing a lot of work. To quote J. Paul Getty, the world's first billionaire, "I'd rather have 1% of the efforts of 100 people than 100% of my own."

Rather than using the customary distribution process of moving products from manufacturer to wholesaler to retailer to consumer, network marketing companies use a network of independent marketers to move products directly from the manufacturer to the consumer. Further, the cost structure of a network marketing organization is different than a traditional packaged goods marketer.

With a traditional company, millions of dollars are spent on advertising to entice consumers to buy that company's products instead of the virtually identical product from another company. With a network company, the advertising expense is channeled into sales commissions for distributors who promote the product through "word-of-mouth" advertising, i.e. by telling other people about the product. In the traditional business model, money is spent BEFORE the sale in the form of advertising; in the network marketing model, the money is paid AFTER the sale in the form of commissions. Which model seems to make the most sense from a business standpoint?

With network marketing, you have two sources of income: (1) direct commissions from sales you make yourself, and (2) commissions from sales made by people you introduce to the business, called residual income. You can invest your time and money once and get paid multiple times for the effort. It means getting paid for the work of others. In traditional sales, you may be a great salesperson and have a few dozen good customers and earn your income from all their purchases. However, you probably have to nurture these customers and spend most of your working time making sure they are buying from you and not someone else.

In network marketing, you can build a downline of 100, 1,000, or even 10,000 people, most of whom you will not know nor ever have contact with. This is because the majority of the people in your downline will be people who know somebody, who know somebody, who know somebody, who know you. By having a downline that is working with you, and for you, you can multiply your efforts many times. The earning potential of a downline of 1,000 people, each putting in only one hour a day five days a week, represents 20,000 hours of work in a month. It would take one person 10 years to produce the same amount of work. That's the power of a network.

Perhaps Robert T. Kiyosaki, author of the Rich Dad, Poor Dad series, said it best. "The richest people in the world look for networks. Everyone else looks for work."

It is estimated that more than 50,000 people start a home-based business every week in the United States. The average person owning a home-based business earns more than \$50,000 a year (often working part-time), while the national average annual household income is less than \$45,000 (and most of those people are working at least 40 hours per week). Additionally, a home-based business owner can qualify for many legitimate tax breaks, and tax experts suggest that the average person can save between \$2,000 and \$10,000 on taxes every year just by starting a home-based business.

How is this possible? Well, consider these two tax structures: a wage earner first earns income, then pays tax on that income, and then pays for expenses with after-tax income. A business owner first earns income, then pays for expenses, and then pays tax on net income after expenses. In other words, a business owner can legitimately reduce the amount of tax he or she has to pay because business expenses are paid with pre-tax income, not after-tax, income.

Network marketing is a \$36 Billion industry in the United States. More than 20 per cent of the estimated one million millionaires in America today have earned their fortunes over the previous six years through network marketing. Worldwide, there are over 3.5 million millionaires, and more than 700,000 have made their millions via network marketing. Conservative estimates are that network marketing in America is creating 40 new millionaires every month from average people. This means that a person's greatest chance of financial success is through "networking." Again, Robert Kiyosaki observed, "If I had it to do all over again, I would choose network marketing."

For people who are interested in starting a home-based business, supplementing their income, and providing greater security for retirement and for their children and grandchildren, network marketing is an obvious choice.

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