

The Coming Network Marketing Boom!

Eight Reasons Why You Are in For the Ride of Your Life

By Leonard Clements, Foreword By John Milton Fogg

"Network marketing is exploding all around the world!"

"Fortune 500 companies are going MLM..."

"More millionaires will be made in network marketing than in any other business..."

"Network marketing is reaching critical mass!"

"Network marketing is achieving momentum—now!"

"Network marketing is the wave of the future—you better get in today!"

Are you ready for the "coming MLM boom"? From the sound of all that amazing enthusiasm, you'd better be, or you'll be missing out, *big-time!* Or is all of that just the MLM choir singing hopefully and hysterically to itself? Just more of the same old network marketer's hype and hustle? In my dozen-plus years as an author and editor in network marketing, I've heard these rallying cries thousands of times. And I sure would love to believe them—but I don't...

...or didn't, anyway. Until now.

Whenever I want the TRUTH about network marketing (in capital letters), I ask Leonard Clements. An acclaimed author and industry analyst, Len founded the highly regarded "watchdog" publication *MarketWave*. In my opinion (and experience), he is the most honest and knowledgeable network marketing industry expert we have. I ask Len because I *know* he does his homework. He is both advocate and devil's advocate; he believes only what he sees in black and white.

Len had an idea for an exposé that would tear apart those excited headlines and hysteric hyperbole—tear 'em apart with Len's favorite tool, the facts. He was on a mission to expose these gross exaggerations, distortions and fabrications. Why? Because Len loves this industry and its people, and is convinced that such lies will destroy us—if lies they be.

So Len dove in to set the record straight.

You'll never guess what happened.

He changed his mind: 180 degrees!

Not only did Len establish the proof of the truth of those "MLM is about to explode!" claims, his research also dug up more and better reasons than ever before to show that network marketers are in fact in for the *ride of their lives!*

Is this like buying gold at \$43 an ounce? Getting in early on those real estate explosions? Buying dot-com and tech stocks in the early 90s?

Listen to Len—and judge for yourself.

For the first time in history there are solid, logical, verifiable, reasons for you to believe in a forthcoming network marketing boom. Eight reasons, in fact—any one of which could result in a significant expansion of network marketing in the US alone over the next few years. And these eight factors will soon be coming together to create a “perfect storm”—the convergence of powerful economic, demographic and psychological factors all hitting at the exact same time and place.

Finally, you and I can honestly make the claim that there really IS a “network marketing explosion” on the horizon. It absolutely will happen, and here’s why:

The Eight Reasons

#1: The Economy. What’s bad economic news to most people is good news to network marketers. And there’s a lot of “good news” today.

#2: Demographics. Not only is the pool of eligible prospects increasing at unprecedented levels, but that segment of society most ready, willing and able to pursue network marketing is also exploding.

#3: Wall Street. Securities investors look for companies and industries that are about to rise up fast, and they are looking closely at network marketing right now.

#4: Supply and Demand. The greatest inhibitor of our industry’s growth the last few years has been a huge supply-side glut of networking opportunities. That’s already changed.

#5: New Blood. Our entire industry is about to go into momentum for the same reason individual networking companies enter momentum: a massive influx of folks who’ve never been in network marketing before.

#6: Positive Media Exposure. If the mainstream media could only find a way to make money from this typically non-advertising industry, would they have a much greater incentive to promote the positive side? Yes, they would. They’ve found a way.

#7: Federal Regulation. I know it sounds scary; it’s not. In fact, more and better laws will be the #1 legitimizing catalyst to the network marketing explosion.

Last, and certainly not least:

#8: Current Trends The current, positive and powerful growth trends of the network marketing industry itself.

Interesting? Exciting? You bet!

Let’s look at each of these eight solid reasons in detail.

1 The Economy

What's bad economic news to most people is good news to network marketers. And there's a lot of "good news" today.

I've always believed that, sure, the state of the economy exerts some influence on our business—but not significantly. (I mean, was there ever an economy where people didn't want more money and free time?) When I began to do some digging to support my contrarian position, I soon learned I was wrong. First clue: one of the strongest growth phases in network marketing history occurred from 1990 to '92—coinciding with the last economic recession. And there was so much more.

Comparing the popularity trends of network marketing to unemployment rates, on a semi-decade basis, yields some exciting revelations.

Network marketing was born in the 1930s—perhaps significantly, in the midst of the Great Depression—but it began in earnest in the 1950s. It was far more popular in the second half of the 50's than the first. Not a single company of consequence launched from 1950 to 1955, yet the following four years saw the birth of industry giants Shaklee, NeoLife, and Amway. In the first half of the decade, unemployment averaged four percent, reaching 2.9 percent in 1953—the second lowest in US history. In the second half of the decade, it averaged 5.3 percent, reaching its highest level since the Great Depression (6.8 percent in 1958).

[Networking Times has an editorial policy of not using networking company names in our coverage. We felt that the historical references in Len's cover story demanded an exception to this rule—Ed.]

In the first half of the 60's all types of direct sales continued to flourish. Mary Kay Cosmetics started in 1963; Avon, Fuller Brush and Tupperware all achieved momentum. The industry continued to grow from '65 to '69, but not nearly at the same pace. And guess what? The unemployment rate of the first half-decade was significantly higher than that of the second, when 2.5 million unemployed people went back to work.

Network marketing was thriving during the first half of the 1980's, as unemployment continued to rise. In 1982 unemployment was at its highest level in 40 years (9.7 percent). During the later 80's, an era of MLM "slump," unemployment dropped considerably; by decade's end the number of those out of work was barely half what it was at the decade's beginning.

The 1990's saw perhaps the clearest distinction between halves of any decade. The first half saw more major company launches and more companies going into momentum than any other time in history. There was also more wealth being created through network marketing from 1990 to 1994 than in any other five-year period.

The second half was not exactly the best of times for network marketing. If there is such a thing as an "MLM recession," we had one from 1996 through 1999. Why? The very high unemployment rate from 1990 to '94 dropped sharply during the second half of the decade, hitting a 30-year low at 4.2 percent in 1999.

The only exception to this half-century-long pattern is the 1970's, but that was an exceptional decade for this industry.

Remember the last half of the 60's? Industry growth slowed as unemployment dropped to a post-war low. During the first half of the 70's, network marketing started rocking as unemployment rates jumped. Unfortunately, all that rocking rocked some boats. The result:

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more than five times as many MLM-related lawsuits from 1970 to 1974 than in all of the 50's and 60's combined. 1975 saw a federal action that essentially questioned the legality of network marketing itself.

Fortunately, one company, Amway, had the financial ability to defend itself and the entire multilevel marketing industry. The case lasted until late 1979, when the court ruled in favor of Amway. As a result, there was—for the first time ever—a clear delineation between illegal pyramids and legitimate network marketing companies. A fairly dark cloud hung over the industry for the last half of the 70's, and there was not much expansion, despite even higher unemployment rates.

The last and arguably greatest network marketing growth phase began in 1990, the same year the US went into our last economic recession.

1980 to '84 were boom years for network marketing; we experienced recessions in 1980, part of '81 and most of '82.

1970 to '74 were also boom years for our business; the economy was in recession for almost all of 1970 and 1974.

The last half of the 50's and into the early 60's were years of great MLM expansion; the country was in recession from '57 to '58 and most of 1960.

Most recessions last 12 to 18 months; however, the end of a recession doesn't necessarily mean the end of a slumping economy or high unemployment. We've had eight recessions in the last 50 years; during the 12 months immediately following the "end" of each, unemployment actually rose!

Every severe economic downturn in the last 50 years has been during or immediately preceding every period of substantial network marketing expansion.

Strong evidence. And we're only on Reason Number One! Let's talk about an even more powerful justification to believe in a coming network marketing explosion.

2 Demographics

Not only is the pool of eligible prospects increasing at unprecedented levels; that segment of society most ready, willing and able to pursue networking is also exploding.

There were about 76 million babies born between 1946 and 1964, at the time accounting for almost one-third of the entire US population. Since then, it has been glaringly obvious exactly where this giant bubble in the population is at any moment in time, simply by looking at what products are most popular.

When it comes to charting the market size for what most network marketing companies offer, we're not even half-way up the Baby Boom curve yet! The market for products that will make us look and feel younger is going to continue to expand most dramatically over the next five to 10 years, as the Boomers reach their 50s and 60s.

The Baby Boom is exciting for an altogether different reason, too. Virtually all network marketing companies require distributors to be at least 18 years old. Guess what happened about 25 years after the baby boom? Those 76 million Boomers had about 75 million babies. About 41 million of them will turn 18 *over the next seven years*. At no other time in history, other than the original Baby Boom itself, have this many people been added to the body of eligible network marketing prospects in this short a period of time.

Of course, the people *eligible* to join is not as important as the number who actually join. The Direct Selling Association (DSA) conducts an annual survey of salespeople in the industry. (Roughly two-thirds of “direct sellers” are network marketers.) According to their figures, there was a net gain of 400,000 direct sellers from 1997 to '98; a 600,000 net gain from '98 to '99; and a 700,000-distributor gain from '99 to 2000. Not only is the number of people increasing, but the *increase* is increasing!

Extend current growth for another 10 years and you end up with 4.7 million additional network marketers. It took network marketing over 50 years to grow to 7.5 million—and we are conservatively projecting an additional 4.7 million in just the next 10 years! (By the way, that also means the average networking organization will be 37 percent larger!)

According to Gallup Polls, Americans first decide to invest in a residual income-producing vehicle, such as stocks, bonds, real estate, or perhaps in a business venture, at the average age of 42. The average age when we invest the most into such devices is 47. Graph the number of 42- to 47-year-olds in the US and you find that starting about 1988, the line begins to point upward at almost a 45° angle as the Boomers started turning 42—and that line continues to rise at a level never before seen in history all the way to the year 2009.

We are barely past the halfway point of that dramatic upward curve!

Does this really benefit us as network marketers? Are 40-somethings more open to network marketing opportunities?

The average American is 36 years old. According to a *MarketWave* survey of over 6000 network marketers from 1990 to 2000, the average network marketer is 38.6, and that number has consistently risen over the years. An exceptional number of those over 40 do participate in network marketing, and this segment of the population which is most ready, willing and able to invest in a residual income business venture is going to continue to increase dramatically for another seven years!

3 Wall Street

Securities investors look for companies and industries that are about to rise up fast; thousands of analysts are looking closely at network marketing right now.

Professional investors are a pretty savvy group of people. Based on their due diligence, they eventually invest their funds in companies whose growth (and profits) they expect to go up. What do they see when they turn their magnifying glass on network marketing companies?

There are over 20 publicly traded network marketing companies, but the bottom third are so small I'll focus on the top 12 well-established companies. If you were to chart their stock price over the last five years, starting with December 1996, in almost every case you'd see a line that looks a lot like the path of an airplane—*coming in for a landing*. With few exceptions, network marketing company stock values flattened at their all-time lows and stayed there for about two to three years.

Clearly, Wall Street was not impressed with network marketing's growth potential during the last half of the 90's.

What do they see now?

The benchmark S&P 500 reached its peak in September of 2000; by mid-December 2001, it was down by 23 percent. Over the exact same period our index of the top 12 network marketing companies was *up by 7.3 percent!* And all of a sudden, in the last 12 months, these

network marketing companies are outperforming the overall stock market by *over 30 percent*. That level of performance *really* gets investors' attention!

4 Supply and Demand

The greatest inhibitor of MLM growth the last few years has been a huge supply-side glut of networking opportunities. That's already changing.

Anyone with even a C in Economics 101 can tell you about "supply and demand": an industry booms when demand dramatically increases. Tremendous increase in supply results in a downturn. Sure enough, during the massive proliferation of network marketing companies in the latter 90's, we had a deep industry slump.

Based on a survey of network marketing company software suppliers, over 4900 network marketing companies opened from 1994 to 1997; there is anecdotal evidence to show that there were about 3600 start-ups in 1998 and 1999 alone. Even more troubling, perhaps half of all MLM start-ups don't go to the major software houses, but rather hire in-house programmers—so the actual number of start-ups could have been double these figures.

Bottom line: as many as 13,000 network marketing companies may have launched from 1994 through 1999; there were at least 8000. But we had a net gain of *only about 600 companies*—from 900 to 1500. (Have you ever heard the claim that 95 percent of all network marketing companies fail in their first two years? I thought that was a scare tactic spread by older companies, but these surveys say it's true.)

During this same time period, the number of network marketers in the US increased from about 5 million to 7.5 million. The *number of distributors* went up about 50 percent—but the *number of companies* increased by three times that much! This means that the average networking downline actually shrunk by 40 percent. No doubt about it: in the last half of the 90's, the supply of MLM opportunities far exceeded demand.

Since the beginning of 2000 the number of start-up companies has declined significantly. This, along with the increasing number of company mergers and acquisitions, will only make the industry stronger.

What's the good news? First, since the beginning of 2000 the number of start-up companies has declined significantly. This, along with the increasing number of company mergers and acquisitions, will only make the industry stronger. When more and more companies were entering the market, the available distributor base was spread thinner and thinner, resulting in smaller downline organizations, higher attrition, and generally far fewer success stories. But think about this: if there were just as many distributors but half as many companies, the average downline would be twice as big!

I'm not suggesting the number of companies will contract to half, but any reduction in supply will certainly help increase demand, which will then expand the number of those men and women getting into profit and reaching their income goals. The more success stories we have, the more motivation and less resistance we have to building our organizations even larger—and the cycle continues upward, rather than down or flat as it has in the past.

5 New Blood

Our entire industry is about to go into momentum for the same reason individual network marketing companies enter momentum: a massive influx of folks who've never been in network marketing before.

Almost every network marketing company today would like to think they are about to “go into momentum.” Momentum, as it applies to network marketing, is the stage in a company’s growth cycle where sales volume begins to increase geometrically and the company doubles, triples, and perhaps even quadruples in size in a very short period of time. Most momentum phases last about six to 24 months.

Much like buying a stock right before it goes up in price, most networkers want to attach themselves to a company right before it explodes. Thus, practically every distributor will try to make a case that their company is “about to go into momentum.”

How do they know?

They don’t. No one knows exactly when the momentum phase will kick in, but much like stock picking, we can look for clues—historical trends and patterns to help us make better guesses.

An analysis of all the successful major network marketing companies shows that every momentum phase in MLM corporate history was facilitated by massive numbers of people moving into the opportunity—either as reps or customers—*who had never been involved in network marketing before*. Momentum is never the result of people moving from one company to another; it is caused *only* by a massive injection of *new blood*.

Where will this new blood come from? Today in the US, a little over seven million people participate in network marketing—which means that about 270 million don’t! How are we going to reach those massive numbers of people we’ve never been able to reach in the past? The Internet.

The Internet began to come into its own around 1996; by 1998 the number of people on the Net had almost tripled. Today over 60 percent of adults are online; experts predict that virtually all Americans will be using the Internet in some capacity by the year 2010.

The network marketing industry cut its Internet teeth painfully from about 1997 to early 2000. As with so many other industries, there were a lot of network marketing dot-com failures. Some were ugly; legal abuses resulted in several well-publicized closures.

For the most part, networkers were a little over-zealous with this amazing new technology, in a magical-mystical attempt to have it build our networks for us. The result was big recruiting numbers, but very little sales volume and overwhelming attrition.

As the smoke clears, what is emerging is what the responsible, visionary companies knew all along: the awesome power of the Internet lies not in having it do all the work for us, but in having it help us present our products and opportunities faster, less expensively, and to far, far greater numbers of people.

New people—people *who’ve never been exposed to network marketing before*.

Our entire industry is about to go into momentum for the same reason individual network marketing companies enter momentum: a massive influx of folks who’ve never been in network marketing before.

6 Positive Media Exposure

If the mainstream media were to find a way to make money from this typically non-advertising industry, would they have a much greater incentive to promote the positive side? Yes, they would. They’ve found a way.

Radio, television, magazines and newspapers all exist primarily on advertising dollars. But network marketing doesn't advertise in the mainstream media. (After all, we're the "word of mouth" business.) Not only has the media had no financial incentive to promote network marketing, it actually has a financial incentive *not to*.

Now that, too, is changing. The mainstream media is discovering how to cash in on network marketing.

The first big step in this direction was back in 1994, when *Success* magazine published a lengthy and extremely positive cover story about our industry and its people. The people of this credibility-starved industry sold out the entire run of that issue; *Success* broke their all-time single-issue sales record by almost double! The result was a lot more positive portrayals of network marketing companies in future issues. But even this isn't where the greatest promise lies in terms of positive media exposure.

Picture this: instead of paying for an advertisement, what if a network marketer worked out an arrangement where he sponsored the publication itself, got the ad for free and the resulting sales volume and downline commissions that were generated from the ad went to the magazine? They could potentially make far more income from overrides than from ad fees, even long after the ads stop running. It's more than just a win-win scenario—we get the positive press and the media gets even more money than if they charged us for the ads. But would it work?

It's already working. Slowly, quietly, such a movement is taking place. More than 100 radio stations in the US are currently attempting such a plan; some are succeeding admirably. Virtually the entire network marketing industry is oblivious to the fact that this is happening, but it's simply a matter of time until the media grapevine picks up on this phenomenal new ad revenue resource.

Let's not overlook the public image boost we're getting from the various athletes, celebrities, political figures and medical authorities whom network marketing is attracting like never before. Not all are paid endorsers. Many have careers based on their reputation and positive image and they've openly and willingly attached their good names to network marketing. What's more, well-respected mainstream authors and keynote speakers, such as Richard Poe, Paul Zane Pilzer, Mark Victor Hansen, Brian Tracy and Robert Kiyosaki, are now extolling the virtues of network marketing. This kind of powerful, third-party validation has never happened before. It's just starting, and it's growing *fast!*

7 Federal Regulation

I know it sounds scary; it's not. In fact, more and better laws will be the principal legitimizing catalyst of the network marketing explosion.

Recall that in the first half of each decade, network marketing historically outperforms the second half. That's been the case for the last 40 years, and there were more than purely economic reasons for this. The regulatory climate has also effected the performance of the industry, the most obvious example being the famous slew of federal actions back in the 70's.

Legal attacks by state or federal authorities on high-profile network marketing companies do occur from time to time. (Curiously, they seem to peak in pre-election years—surely just a coincidence.) Most of those larger companies, by the way, not only survive the attack but also come to be considered models of legality whose policies and enforcement systems are emulated by younger companies.

There have been many instances of true pyramid schemes being shut down. Typically the action is described as, "this network marketing company was shut down because it was an illegal pyramid scheme." It drives me nuts when I hear someone say that. It's like saying, "This really honest man was exposed as a liar." Well, then he wasn't an honest man, was he? Either you're an illegal pyramid scheme, or you're a network marketing company. You can't be both.

I want to make this very clear: Illegal pyramid schemes often try to *disguise* themselves as network marketing companies, because they want to *appear* legal. Unfortunately, when the press reports on illegal pyramid schemes, we all suffer guilt by association, and that does have an effect on our ability to retain good people and acquire new ones, at least temporarily.

The good news is that in the last few years, we've seen no significant legal attacks on network marketing companies, and several closures of illegal schemes. Not only does this make the industry stronger due to a smaller, higher quality pool of legal opportunities, but it also increases our ability to build businesses because we don't have the negative public stigma creating greater resistance toward the industry and its opportunities. It also demonstrates a greater ability among regulators to delineate between pyramids and legitimate network marketing programs. This is especially encouraging and comforting to those networkers who've built substantial incomes in "high profile" opportunities, or those who intend to.

No one knows exactly when; it could be next month, it could be next year. It could be any time in the first half of this decade. All I know for sure is this: if you get involved now and stay involved, you will be there when it happens.

Once again, I've saved the best news for last: There is active, professional lobbying going on *right now* by the Direct Selling Association (DSA) and others to enact legislation that will create federal regulation of network marketing.

Right now, operating a network marketing company in the United States is something like trying to do business in 50 different countries. Each state has its own set of laws pertaining to business opportunities, some specifically about network or multilevel marketing, and all have statutes pertaining to pyramid schemes. For the most part, each state's definition of an illegal pyramid is consistent with the other 49—but the interpretation and application of those laws has been somewhat haphazard and arbitrary over the years.

It's true that there was a significant legal precedent created by the federal court's decision in the Amway case in 1979, but still, enforcement actions have been inconsistent, not only between state and federal precedent, but from state to state—sometimes even from case to case within the same state.

(Many of these cases involve judicial opinions as to whether a distributor's personally consumed products should be recognized as legally commissionable sales. This is the focus of the federal legislation currently being proposed; several states, including Texas and California, have already recognized such volume as bona fide.)

Not only will unified federal regulation create a clear, consistent path for all network marketing companies and state regulators to follow, but also, much like the federal regulation of franchising back in the 60's, it eventually will require true and full disclosure. If this does come to pass, and many believe it will, it will absolutely be a good thing—very good. Not only will it tremendously strengthen the industry by weeding out the bad apples; it will also cause the massive turnover rate among start-up companies to drop to a fraction of the current level. They won't start up in the first place—and the ones that do launch will have to be serious players with solid backing. More distributors will be involved in fewer companies, and those businesses

will be only the highest quality opportunities. Federal regulation will also greatly increase the respect and credibility of our industry. This will create a tremendous boost to all established US-based network marketing companies.

Some people are apprehensive about the prospect of federal regulation. They fear regulators may throw their entrepreneurial baby out with the legal bath-water. Not a chance. Not only are there over 1500 network marketing companies in this country, employing tens of thousands of taxpayers and generating billions in sales and corporate tax revenue, there are also about five million network marketers who are also registered voters. Not a huge percentage, perhaps, but as the 2000 Presidential election clearly demonstrated, it's enough to make a huge difference in who has the political power in this country.

I've heard the argument made that back in 1963, Congress came within 11 votes of outlawing franchising. Not only did they not do so, but the post-regulatory era of franchising, in fact, created an industry that now moves over one-third of all the goods and services in this country! Federal regulation was the catalyst to the biggest boom in entrepreneurial history.

Not only do I not fear the concept of federal regulation, I find the vision of this new era of network marketing to be *absolutely exhilarating!*

8 Current Growth Trends

The top 12 publicly traded network marketing companies provide the most reliable information, and they make up the majority of the largest, most well-established companies; so I'll again direct my analysis towards them. (An informal survey of un-audited data provided by private network marketing companies also reinforced the following results.)

From 1990 to 1995, annual industry sales growth averaged about 16 percent, and some years was as high as 30 percent. From 1996 to 2000, average annual sales growth of these public companies—based on US revenue only—was only 8.7 percent, with a low of just over 6 percent from 1999 to 2000. The entire direct selling industry's growth rate dropped to a 10-year low of 4.5. It seemed industry growth was about to come to a grinding halt.

Instead, the growth rate of these companies from 2000 to 2001 was 14.6 percent—more than double the previous year's rate! The slowing trend of the latter 90's has unquestionably reversed. This is by far the strongest signal of coming momentum: not just an increase in growth, but an increase *in the rate of increase*.

One year of doubling growth rates certainly does not guarantee a boom. However, one thing is certain: every company momentum phase throughout network marketing history began with that first exciting period of doubling growth rates. What are the chances that the same phenomenon holds true for the entire industry?

There you have it, folks: not one, not two, but *eight* solid, powerful indicators of a forthcoming network marketing explosion.

No one knows exactly when; it could be next month, it could be next year. It could be any time in the first half of this decade. All I know for sure is this: if you get involved now and stay involved, you will be there when it happens. So hop on, strap yourself in, and get ready for the ride of your life. It's gonna be a *blast!*