

What is MLM (Multi-level Marketing)?



Multi-level marketing, also referred to as MLM or Network Marketing, is a sales and marketing strategy often used by [direct selling](#) companies. The independent sellers who are registered with these companies gain commission for sponsoring/recruiting others to join the business model.

How does MLM work?

Most MLM programs work on the following principles or similar, although the compensation plan varies depending on the company:

- Shelley joins a direct selling company – she is ambitious, enthusiastic and wants to build a full time business
- Shelley will gain a typical 20 – 30% commission on what she sells
- There may also be more bonuses available for high sales over a certain amount in any given month
- In order to tap into more of the financial incentives via MLM, Shelley wants to sponsor/recruit other people to join the business
- Anyone that Shelley sponsors is referred to as her ‘downline’
- Shelley is referred to as the ‘sponsor’ or ‘upline’
- For each person that she sponsors to join the business, Shelley will receive a percentage of that persons own sales (usually between 3-8%)
- There is no limit for the amount of people Shelley can sponsor
- During Shelley’s MLM journey she will achieve various targets which will enable her to gain more commissions
- If Shelley’s downline start to sponsor, Shelley will be able to earn commissions on those people too
- To maintain her business, Shelley must help her downline to grow their own businesses by training and supporting them

- Shelley's business will continue to grow over a number of years – MLM is by no means a get rich quick scheme

The above is rather a simplistic story of how MLM works and there are many other factors to consider before getting involved with MLM schemes.

Is MLM Like Pyramid Selling?

In a word, **NO!** This information from [Wikipedia](#) explains Pyramid Selling as follows:

A successful pyramid scheme combines a fake yet seemingly credible business with a simple-to-understand yet sophisticated-sounding money-making formula which is used for profit. The essential idea is that a “con artist” Mr. X, makes only one payment. To start earning, Mr. X has to recruit others like him who will also make one payment each. Mr. X gets paid out of receipts from those new recruits. They then go on to recruit others. As each new recruit makes a payment, Mr. X gets a cut. He is thus promised exponential benefits as the “business” expands.

Such “businesses” seldom involve sales of real products or services to which a monetary value might be easily attached. However, sometimes the “payment” itself may be a non-cash valuable. To enhance credibility, most such scams are well equipped with fake referrals, testimonials, and information. The flaw is that there is no end benefit. The money simply travels up the chain. Only the originator (sometimes called the “pharaoh”) and a very few at the top levels of the pyramid make significant amounts of money. The amounts dwindle steeply down the pyramid slopes. Individuals at the bottom of the pyramid (those who subscribed to the plan, but were not able to recruit any followers themselves) end up with a deficit.

Most direct selling companies have structures in place to ensure that the upline cannot benefit from recruiting alone. Often they have to be personally active in their own business, obtaining and maintaining a high level of sales themselves whilst continuing to train and motivate their downline. This is what gives MLM its credibility. You can be assured that the people at the ‘Top’ have worked very hard to make a success of their business over many years.

The Pros of Multi-level Marketing

- Start up costs are usually quite low
- You can work around existing work commitments earning some additional income to top up your wage
- The hours are flexible
- You can work from home
- There is no boss – you are the boss!
- There is no glass ceiling – you can continue to grow your business and the potential earnings are huge

- You get to meet lots of new (like-minded) people
- Most successful MLM'ers report they have changed their life through MLM – developing confidence and changing the way they look at life

The Cons of Multi-level Marketing

- You need to be **very** self-motivated and dedicated to make a success of your business
- You need to motivate not only yourself, but your downline too
- Not everyone in your downline will engage in the business model – approx. 30% of people joining will leave within a year
- You will need to keep positive, as with any business, there are high points and low points
- It may take years before your earnings meet your required level consistently
- You will need to put in many hours as you won't reap the rewards straight away

Things to Consider...

- MLM is not a get rich quick scheme
- Research thoroughly before choosing a company. If you are UK based choose a company that is registered with the [Direct Selling Association](#) (DSA)
- What are the products like...are they good quality...will people re-order?
- Does the company have a good reputation? some simple web searches will provide you some ideas
- When did the company start trading – how has their growth been....will they continue to grow?
- Is the compensation/commission structure sound.....can you understand it?
- Does the company offer training and support?

Once you have chosen a company that has an MLM scheme, ensure you make the most of the training and support that is on offer, both from the company and from your upline. If your upline is successful then they are the best person to learn from, so don't be shy to ask for guidance.