The REAL Truth About Network Marketing

By Patrick Bet-David

This eBook is based on a video that you can find at http://patrickbetdavid.com/network-marketing

Recently John Oliver who has his own show on HBO did a video on multilevel marketing and network marketing. It prompted hundreds of emails and messages sent our way asking, "Pat, what do you think about what John Oliver said about network marketing?" Mario and I then watched the video.

One thing I love about comedians is that they can, for example, talk about how bad Republicans are one week and then the next week talk about how bad Democrats are. This is one thing I love about Jon Stewart. Even though he leans to the left, he's willing to give both sides. They say things in a way that are funny and they can get away with it because at the end of the day they can say, "I'm just a comedian! I didn't mean anything by it." So it's cool.

I was a bit disappointed with how John Oliver handled this topic because while he's a great comedian, he only gave one side of the story when it comes to network marketing. So today I want to completely break it down and cover the following six things with you about network marketing:

- What is Network Marketing?

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- Types of MLM Products
- Common Criticisms of Network Marketing
- Different Types of Network Marketing Compensation Plans
- The Benefits of Joining a Network Marketing Company
- What to Look for in a Network Marketing Company

My Personal Experience with Network Marketing

But first, let me share with you my personal experience with network marketing.

I used to work at Bally Total Fitness many years ago. I was a 20-year-old and had just recently gotten out of the Army. MLMers and network marketers often love to target gym salesmen because people who work at the gym know everybody. Everyone comes to the gym and the best guys at the gym are connected with everybody.

So everyone tried to recruit me, and everybody else to a network marketing company. So eventually, one of my friends gave me a tool commonly used at the time - a VHS video to watch. Up to that point, I had no idea what network marketing was. I had just gotten out of the Army, and in the Army one of our sergeants, that was making $60,000 a year as a master sergeant was making $150,000 in a legal network marketing company. So I knew there was something there, but I didn't fully know about it.

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So on the day that he gave me the video, I was ticked off at my job. I got home from a nightclub at 2:00 in the morning, and put on the video. It was an hour-and-a half video, and after watching it, I said, "I'm interested." I called the guy and used my credit card to pay the $1500 to get started.

I had a guy that I was working with in my upline that changed companies seven different times. So at the time, since he was older than me, I just followed him from one company to the next, since he kept telling me, "this one's going to be better."

Finally I said, "Don't call me. Don't touch me. Don't talk to me. Don't approach me about anything to do with any of this stuff." I was so annoyed because all of my friends thought of me as someone that only wanted to sell them something.

I decided to go back to pure, traditional business, and went to Morgan Stanley Dean Witter.

But after I left, I saw there was something very attractive about network marketing that turns people on. That drove me to investigate the entire industry to find out exactly what worked and what didn't work, and that's what I'm presenting to you today.

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#1: What is Network Marketing?

So what is network marketing? Network marketing is not an industry. Direct marketing is not an industry. Even MLM, multilevel marketing is not an industry. It's a philosophy of marketing. That's all it is. It's a philosophy of marketing.

And what is marketing? Marketing is a certain strategy you use to get the customer's attention so that he eventually ends up buying your product. That is all network marketing is.

Let me explain. There are about 150 different ways you can market your product. I'm just going to give you an example of some of them here.

Direct Marketing

Direct marketing is for me to sell my product by going directly to the consumer. Or going directly to the business. With direct marketing, I have a product; let me show it to you. Will you buy it? If yes, you pay me and in exchange for money, I give you the product, and I make a profit off the sale.

Email Marketing

Next you have email marketing. For many years people that did email marketing were called the biggest con artists because they would say things like,

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"This is an elite thing that only seven people will be a part of, and you have an opportunity to be part of the seven." And people would respond, "Oh my gosh, I've got to be part of it." A lot of people called people that did this con artists, but there's a creative part to it and it can be very effective.

Telemarketing

Some do telemarketing. Telemarketing is a philosophy of marketing where people in a call center make sales calls and some people buy. It's effective for some people because if you throw enough against the wall, some of it sticks.

Affiliate Marketing

Another one is affiliate marketing. What's affiliate marketing? Affiliate marketing is hey, let us put this on your website. If somebody clicks on it, we'll give you $3. If somebody buys the product, we'll give you $25."

Network Marketing

Another one is network marketing. What is network marketing? I am marketing my product to who? To my network. That's all it is. I am marketing my product to my network. That's network marketing.

Multilevel Marketing

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An example of network marketing is when back in the day, ING Direct said, "If you help someone else open up an ING Direct account, we'll give you $25."

But, multi-level marketing says the following. "If you find somebody else who refers ING and they open up an account, we'll pay him $25, and we'll pay you $5." Now it becomes a level. So it's multilevel. We'll pay two generations, that's where the level comes in.

Guerrilla Marketing

Then you have guerrilla marketing. An example of guerrilla marketing is when you had guys that came out with a CD and they marketed it in the streets, just hitting a ton of people at the same time. Some call this a very con and deceptive way of doing it, but it's effective. And many major hip hop people and movie people in the world that you respect started with guerrilla marketing.

Behavioral Marketing

Next is behavioral marketing. Sometimes people say, "Hey, the weirdest thing happened today. I went on this website just two days ago to buy furniture, and today every website I go to is advertising the same furniture to me. There's something weird going on." No, it's called behavioral marketing. Some people feel this is a little deceptive, but it's just marketing! And people buy the product because they simply see your fingerprints of where you went on the web and they advertise accordingly.

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Digital Marketing

Next is digital marketing. What's digital marketing? Social media. It's very, very effective. Now some people say, "I'm sick and tired of seeing ads on social media. Every time I watch a video, this guy keeps coming up." But this is digital marketing and it works.

Celebrity Marketing

Celebrity Marketing is when a celebrity or athlete says, "Hey, I used this product and it changed my life!" MJ Hanes, LeBron, and Shaq are examples.

Cross Marketing

Then you have cross marketing. Cross marketing is when, for example, a real estate agent teams up with accountants. It's when you team up with someone and cross market products.

Trade Show Marketing

Next, trade show marketing. Trade shows are all some people talk about. And others say, "I would never do a trade show. It's so annoying." But there are many successful trade show marketers.

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T.V. Marketing

Then you have T.V. marketing. A lot of people do T.V. advertisement. It's some of the most manipulative marketing tactics. You know why? It gives people the impressions such as, "If you drink this beer you're going to get laid." Or, "Take this pill and your erections may last for the rest of your life!" People watching that may say, "Oh my gosh! Give me one of those pills! I want an erection that lasts a lifetime." Give me a break! This is manipulative, but it works.

Radio

And then you have radio. Nowadays I think there are only three people that listen to the radio. I think the best people in radio marketing are those that sell radio. In 2009, 2010, I spent $100,000 on radio and it didn't work. Radio's not what it used to be, but some people still do radio marketing.

Why Companies Do Network Marketing

So with all that said and done, network marketing, multilevel marketing and direct marketing are just philosophies of how you market your product.

And do you know why companies do network marketing? Here's why. Because the cost acquisition to get the customer is cheaper. I don't have to do a T.V. ad and spend $400,000. I simply get it cheaper and have somebody else go

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sell it, and I can pay more to the field or whatever it is. There's still a problem there that I'm going to get into, that I don't like what they do in network marketing. But there's a reason why people do network marketing. Cost is cheaper to get the consumer.

Now, this is network marketing. This is what we're talking about with network marketing.

Pyramid Schemes

By the way, a lot of people say that network marketing and multilevel marketing are pyramid schemes. And every time somebody says, "pyramid scheme" they sound uneducated, so I'm going to explain it so people understand it and stop using it incorrectly.

In a pyramid scheme, a product doesn't exist. There's a reason why Amway and Herbalife haven't gone out of business yet. Beckham wears an Herbalife shirt and the Orlando Magic play in the Amway arena. There's a reason for that. It's not accidental. If they were pyramid schemes, they would be closed down.

I remember when I worked at Bally's a guy showed me this thing. He said, "Hey, you pay $500 to me. I keep $200 of it, $100 of it goes to the guy above me, and $100 goes above me. But you go out there and get five other people that pay $500, and they get five other people, and then you get five other people, you're

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going to make $100,000 a month." I said, "What's the product?" He said, "There is no product! That's the great thing about it. There is no product!"

He was a con artist. Six months later he went to prison, which is exactly what needs to happen with people who run pyramid schemes.

Ponzi Schemes

Another common thing that people say about network marketing or MLM is that it's a Ponzi scheme. But most people don't even know the history of Ponzi schemes.

Ponzi scheme came from an Italian businessman named Charles Ponzi. He was a con artist that did business in the U.S. and Canada. He went to people and said, "If you give me $100, I'll return it to you with $150 in 60 days, and I'll give you $200 within 90 days". He was the first original Bernie Madoff type of guy, who made I think $10 million during that time, which is a lot of money.

So people may say, "This is a Ponzi scheme," but in a Ponzi scheme, there is no product. Money just moves around. And when money moves, with no product, you go straight to prison. And people who do this belong in prison for trying to rip people off.

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And by the way, if capitalism ever gets a bad name because people try to win in the game of capitalism with shortcuts, and they try to hurt people, those people belong in prison.

#2: Types of MLM Products

Here are some of the types of MLM products.

Telecommunication

Back in the day there used to be a company called Excel. The founder of Excel, I believe started with calling cards. He eventually ended up having a horse that was in the Kentucky Derby that raced in the Derby. If you go find that about the founder of Excel. His net worth is somewhere around two to four billion dollars. I don't know the exact number, but it's around two to four billion dollars. Because calling cards were very, very big and guess who wanted calling cards? Everybody wanted calling cards in the '80s.

Then in the '90s there was ACN. They were competing with Qwest, 499 service with I think it was 4.9 cents a minute type of thing and then that went away.

Those are examples of telecommunication.

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Technology

Technology is by far the worst type of company to even consider being a part of because it changes so quickly. There was a company called FutureNet that came out with a set top box. And they were selling it for $600. So people would come to your house and they would sit this box on top of the T.V. and say, "Watch this." While you're watching T.V. the next thing you know you chat on the bottom on AOL with anybody else. And people were amazed by it. Everybody was buying this $600 box from this company called FutureNet. They were doing so well, but eventually, Sears came out and sold the same exact system for $99 and they quickly went out of business. So technology is a waste of time.

Energy

Energy, it happens, if you've got a good story today, there's ways of doing it for gas and other things.

Water

Water. There's a lot of different water stories. I remember one time one water story guy came out to introduce his product to us. He was a great, very nice guy. He took my dad and me to a restaurant. At the time, my dad was having heart problems. He said to my dad, "Look do you want to look younger? Let me tell you what to do to look younger." And he started spraying water on my dad's face. My dad doesn’t like when people touch him, much less spray water on his

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face without asking permission. My dad cursed him out with every Assyrian word you could think of. I said, "Look, we've got to go" and took my dad by the hand and led him out.

But there are water companies that sell machines for $4500.

Skin

Let me tell you about my wife. I said, "Babe, you want to buy MAC? No, babe. My wife likes three companies. ULTA, which is a traditional company, ULTA that competes with Sephora. She likes Youngblood and she like Arbonne. I believe Youngblood and Arbonne are network marketing and she's never joined either one of them. But she loves their products. So it works very well on the skin side.

Coffee, Tea, Berry

There are a lot of Noni and coffee and tea companies out there.

Legal

There used to be a company called Pre-Paid Legal, which I believe is now Legal Shield.

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Nutritional

There are a lot of nutritional companies such as Amway, Shaklee, Melaleuca and Herbalife.

Travel

There used to be a lot of big travel companies back in the '80s and '90s because you used to go to travel agencies to book travel, but now it's all online.

Weed

There are actually network marketing companies for weed.

Sex Toys

When I say there are sex toys companies, I literally mean sex toys.

Financial Products

The last one is financial products.

Gary Keller, the founder of Keller Williams wrote a book called *The One Thing*. And if you go online and type in "Keller Williams MLM" you'll see a bunch of accusations saying that it's a network marketing company.

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And by the way, when I've talked with people with Keller Willams and asked them if it's a network marketing company, they will say yes, there are components of that. No real estate company in the U.S. has more licensed agents than Keller Williams. They got criticized for the longest time. No one cares today. They earned saint status.

As a matter of fact, the multi-million-dollar home that I just recently bought, is bought from an agent that works for Keller Williams, and she is absolutely the most ridiculous real estate agent I've ever bought a home from. Amazing.

By the way, a lot of people like to bash New York Life. If you go online and type things like "New York Life pyramid scheme and network marketing and MLM" all kinds of negative things come up. But one thing you'll see about New York Life is that last year they did $27 billion in revenue and I believe they have roughly 12,000 employees.

And by the way, nowadays anybody and everybody can bash anybody.

I run a financial firm myself, and I can tell you for myself, there is a component of network marketing that I LOVE, because it's so effective, because I can pay a higher comp to my guys if I choose to.

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#3: Common Criticisms of Network Marketing

Now with that being said, let me get into a few things when you think about network marketing that gives network marketing a bad rep.

People that Join Everything

One is when people join everything. It's extremely annoying. No one likes it. You lose friends, because every day you want to sell a new product. Just so you know, people get tired of it.

I experienced this when I was 20 years old. There was a period of time when my friends said, "I don't want to have anything to do with this." That's why I said that I would never touch anything again that has anything to do with network marketing.

But there are a lot of people that want to join anything and everything. They tell people, "Hey, you should join this! I found this new thing!" It's too much. It's like you're prostituting products. There's a lot of that in network marketing and that's a turn off.

Something New to Sell Every Single Month

The second one is when they have something new to sell every single month. This is similar to the other one that I told you about. One month they're

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selling you some travel product. The next month it's a Tahitian Noni that's going to change your life. The next day it's a water that if you drink it will make you younger. Every day there's something new to sell.

Inventory in Garage

Third, inventory in the garage. This is very problematic. Here's why. People end up with inventory in the garage when they've been oversold a product that they can't afford and shouldn't buy. Don't tell people, "Hey, come buy $5,000 worth of products."

Why are you doing that? The person doesn't need it and if they don't have a track record of selling a lot of products, they shouldn't do it.

People need to like and use the product and if they want to buy more products, you can show them other elements of the product. Otherwise people spend $5,000 on products that they end up selling on eBay for $600. That's a rip off, and you shouldn't do that to people.

Get Rich Quick Message

Next is get rich quick. This is one that's very annoying to most people. It's the idea that you'll be a millionaire in no time. People don't like that. It's deceptive and it's not something you ought to be doing.

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Misrepresentation

Misrepresentation is when you say things like, "This is the cure to cancer" or claim to cure aging, make people happy, improve your sex life, and give you more energy.

Misrepresentation happens way too much in the world of network marketing and it gives a bad rep.

More Focus on Compensation Plan Than on the Product

Here's the other one that's very concerning. When a guy comes up to you and sells you the company like this, "Hey, who cares what the product is? We have the best compensation plan." Listen. Run away as far as possible. When they sell compensation plan first, product second, I have a problem. When they sell compensation plan first and product second, we have a very, very big problem. It's got to be product first, then compensation plan. You first have to buy into the product. But there are a lot of people that sell compensation plan first. As a matter of fact, you'll see a lot of videos and you'll see a lot of people present and they'll say, "We have this. . . " and you still don't know what the product is. "Here's how much money was made with this." No, no, no. It's not a good approach and it gives the industry a bad rep.

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Too Many Fake Scripts

Next, too many fake scripts. Look, I remember one of the reasons why I didn't like going to church, one of the reasons why I was an Atheist for 25 years. Let me tell you why I was an Atheist for 25 years. I was an Atheist and an agnostic, it would always change. And I wouldn't like going to church. Here's why. People had the best scripts in the world. “Oh praise the Lord, my brother! God bless you! You know John 3:16? Oh my gosh!” And I remember this one guy one time pulled me aside and he says, “there's nothing more annoying than a Christian man who's learned the script but never lives it themselves.”

And in the world of business and especially network marketing, there are people that know the script. It sounds the same, but there's no results and nothing going on. It's too much scripted without anything really happening in their lives. It's very obvious and people can read it.

No Real Product

Next, red flags to pay attention to. You know I already told you about no real product. So there was a company called ZeekRewards. And I remember one guy came and met with me at Maggiano's. Very, very smart guy. He was a very open guy. Here's what he told me about ZekeRewards. He said, "Pat, I know this company's not going to last for another two years. But we can do this and maybe we can make a million dollars in the next six, 12 months.” I don't have the desire to do anything like that.

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They ended up going out of business, but not only going out of business; they owner owes people I think $600 million, and the attorney general shut them down. If you go online and type them up you'll see it. It's companies like that that give bad rep to all these industries. I mean, people like that don't need to be in the business world, right?

Not effective. Not effective. So you've got to make sure there's a real product.

Only Make Money From Recruiting

And then last but not least, is the obvious one. If you just make money from recruiting, that's the pyramid scheme. There was a company back in the day, it was called 2x2.net and what it did was it allowed you to buy seven spots. Let me tell you what seven spots is. You literally would buy your own position, then you would buy two other positions and you would buy two other positions and it was $420 per position. I never got involved, but I studied it. I had to find out exactly what was going on in the marketplace. So one position. . . $2800. The Attorney General came. . . guys were rolling in Lamborghinis. Every single place you saw, there was a Lamborghini. Green Lamborghini, purple Lamborghini. Everywhere you saw Lamborghinis, with 2x2.net stickers on the side.

They eventually went out of business. Why? Because you can't just buy multiple spots. That is not the real way of doing business. And their only product was a portal, and that's not how the money was being made. Eventually it got

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shut down. There's got to be real, tangible product, and you cannot make money from just recruiting people, when they pay $420 and make 200 bucks, that cannot happen if there's not a real product that's taking place.

So those are the common criticisms.

The Truth About MLM and Network Marketing

So now let's talk about the truth about MLM and network marketing which is an area I would have liked for John Oliver to have touched upon.

#1: Few People Make It

Number one. Out of 100 people in network marketing, you know how many people make it? Is it 50? 40? 20? How many people do you think make it in network marketing? No matter what anybody tells you, one in a hundred make it in network marketing.

Everybody wants to brag that in their company, more people make it. And let's define what is making it. Making it is not making $17 an hour. Making it is not making $100 an hour. Making it is making a full-time salary where you can actually pay your bills and live off of it. That to me is making it.

Now here's a challenge. A lot of people will watch and say, "Oh my gosh, why would I ever do it if it's only one in a hundred?" Here's the truth. Tom Ferry, a real estate guy that people pay tens of thousands of dollars to for training says

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that 87% of real estate agents fail within five years. Think about that. They put five years of their life in real estate and it fails. How much money do you think they lost in that five years? How much marketing dollars? Five years!

Now here's a question. Does that mean real estate doesn't work? No! Real estate is hard work, but it works.

But even those 13% that make it, what part of the 13% do you think actually make decent money? You think all of them make six figures? No way. A small portion make six figures. Most of them make $20,000 - $50,000 a year. Some sell it part time. The average real estate agent only sells one or two properties per year.

There are a lot of rock stars that sell a hundred per year. I know a guy named Tom Hopkins who broke the record in Chatsworth and sold 365 in a year. He wrote a book called *How to Master the Art of Selling*. But most real estate agents sell one property per year. Are we going to say real estate doesn't work? Of course it works.

But, there's a part of that that you hear with network marketing. Not many make it.

#2: It's a Ton of Work

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Next one. It's a ton of work. This is what people in network marketing and MLM are afraid to say.

It's a TON of work. You're not going to work 40 hours a week. It's a lot of work to make it in network marketing and MLM. But here's a challenge. Having kids is a lot of work. We have three kids right now. We're up two to three times a night with our youngest one that is six months old right now. This morning my wife said to me, "Pat, you know what I wish I had for Christmas?" "What?" "One night where I can sleep six hours straight."

Now, are people going to stop having sex and making babies? No. But it's a lot of work. Network marketing is a lot of work. So whether you're reading this because you're considering it, or whether you're reading this because you hate it and you're a critic, or whether you're reading this because you're in it, the truth is, stop saying it's easy to become a millionaire, because it's a lot of work. If you're thinking about it, you want to do it, you need to work a lot.

#3: Too Much Overselling

Next, they oversell. There's way too much overselling. You know what it's like. It's like the guy that goes on a date with a girl and oversells himself. You know what you're doing for yourself? You're setting yourself up for failure. Why would you tell the girl you're the greatest thing since sliced bread and your second cousin was Jesus, on the other side was Martin Luther King and your

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father is related to Abraham Lincoln? And you disappoint her the next day and there's a breakup.

If you're going to do network marketing, tell people it's a lot of work. However, if you work hard, here's what your life could be like. Will you do it?

Presented that way, you will be amazed how much more approachable and open people would be versus giving this whole gimmick on how easy it is.

#4: Too Little Focus on Customers

I think the problem with network marketing is it's so focused on reps and selling, that no one focuses on the customers. That's a problem. Customers are extremely important to your business. So take care of your customers. Treat them right. Show them a good time. Actually get what's right for them.

Somebody asked me the other day and they said, "Pat, why is sales so easy to you?" I have a very simple thing with sales. Sales is a piece of cake to me. Here's why sales is a piece of cake to me. Because in my mind, any time I sell, I ask this one question: If I was that person, would I buy from me? And if I can say yes, I can easily sell. If I can't say yes, I can't sell. That's the problem.

This is why if you don't believe in your product you cannot sell that product. You've got to know your number one people are your customers. If you're in network marketing and you want to have an edge on everybody else, why don't you treat your customers a million times better than anybody else

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treats them? Why don't you go to your company and say, "Let's focus on our customers a million times better than anybody else does it."

For many in network marketing, all they're worried about is their next commission check. But those that grow are customer focused.

#5: Abusive Marketing on Social Media

Next, the abusive way of marketing on social media. One kid sent me a message on Facebook. I responded back to him. I said, "Listen, I can tell you're in multilevel marketing. Copy and pasting this script and sending it to everybody, without doing the research on the person doesn't work."

This knucklehead responded back to me and said, "Well, you have no clue what you're talking about because many people are saying yes to it. Just because you got it doesn't mean. . ." And I was like, wow, you have a lot of audacity, but at least you're being honest about what you're telling me.

But I can tell you, you've got to make sure you're not abusive and you're not the annoying marketer.

Be a smooth operator. Be gentle about it. Don't be this overbearing, annoying salesperson that no one wants to do business with. You just don't want to be that person.

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#6: Scams Do Exist

Next, scams do exist. It's very important to know this. Scams do exist. ZekeRewards was a scam. But not everybody is a scam.

Now here's the challenge. Do you remember back in the day, when a guy in high school dated a girl, and then when she broke up with him, he spread rumors about her? In some cases what the guy says is true, but other times it's just a rumor.

So a lot of people like to say, "Oh real estate's a scam. Keller Williams is a scam. New York Life is a scam. This company's a scam. That company's a scam." That is like you being the insecure guy that a girl left you or you couldn't hack it because it was so hard but you called it that.

But the truth is, there are some scams out there. Fortunately, eventually they get caught, and they get shut down. The government is not set up in a way to allow scams to last for a long time. They have a life span.

#7: It Requires a Long-Term Commitment

I wish more people would talk about this. If you do network marketing, it's a 10-year commitment. Do you know why? Because any business you do is a 10-year commitment.

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So if you're going to do anything with network marketing, or MLM, follow the 10 year rule. If you want to follow the one year, two year, or even five-year rule, go get a job.

10-year rule? You can be an entrepreneur and a business owner. And if you want to give network marketing a shot, it's 10 years.

#8: It's an Easy Target for Comedians

You need to understand that network marketing is a very easy target for comedians, for media, for everybody. Why? Think about it this way. There are typically three different things that are very, very easy to target. And you can't be naive and fall for it.

Capitalism

One of them is capitalism. It's very easy to bash capitalism. If you want to listen to any comedian or media, they love bashing capitalism. Why? Because almost everyone I know tried a business at a time and they failed. Capitalism is hard. Running a business is hard. It comes with anxiety attacks. It comes with panic attacks. It comes with challenges at times. It comes with you almost losing everything. It requires you work 80 hours a week. Most people don't want to do that.

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Church and Religion

Now another one that media likes to take shots at is church, religion. It's very easy. It's very easy to take shots at churches. Why? Because a part of church and religion is annoying. You go to a church, you sit up there and the pastor gets up, "If you don't do this, you're going straight to hell. And if you do this, you're going straight to this," And I already know I'm going to hell, man. I just want to have a shot at heaven. Can I get a second chance? Please. There's a reason why churches get bashed. They're an easy target.

Network Marketing

And network marketing is also an easy target. You know why? Because anything you paint as perfect, is an easy target. Capitalism's not perfect. Church is not perfect. Network marketing's not perfect. You paint it perfect, you're an easy target. Stop painting it as perfect. Stop painting your business as being perfect. It's not perfect.

So network marketers, do yourself a favor and stop painting yourself as being perfect. Because you are not perfect. The more imperfections you talk about, the more people are willing to forgive you and listen to what you've got to talk about. You open up the door for people to want to listen to you.

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#9: There are Tax Benefits (but be careful)

Next, there are tax benefits. But here's a problem sometimes with network marketers. They have no clue how to manage their money. And because they have no clue how to manage their money, the first thing they do is spend all their money and buy some nice things. The company goes out of business and they lose everything, and now they owe the IRS money. It takes 15 years to pay a lien, you can't get a decent job. You can't get financing on a house. Boom. So if you are in the world of network marketing, if you're a leader or CEO running a company, teach your people on how to manage their finances well. Be disciplined with them on them paying their quarterly taxes. Talk to them what to do with their savings and set some money aside. Don't just get them to buy stuff because the more stuff they buy, the more they're locked into your company. It's like, hey, the more people lease cars, they have to stick. It's our retention plan because they have to work hard.

C'mon, man. Don't treat people like that. They have families. People perform better the more savings they have, and the more valuable they are to your company.

I want you to have a couple hundred thousand dollars in cash savings. So I tell them to slow down before you buy that. You need to have some savings in place.

Take that route with people that you're developing.

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#10: Network Marketing Actually Works

Next, network marketing actually works. This is the part that some people are going to like, and some people are going to hate. Network marketing actually works. It is a 35 billion dollar a year business. It has created a lot of jobs.

Every time I go home on the freeway, I see Mary Kay to my left. You know how many women I've met that talk about Mary Kay and the way that she changed their lives? Do you know how many? Do you know how many men I've met that when they bring up the name Rich Devos and Jay Van Andel and actually had a chance to work with them directly? You should hear what they talk about. People get emotional saying "this man changed my life." You know how many times people bring up the name Art Williams, and they say, "This man completely changed my life." Endless numbers of people have said this in different ways.

So what's the point? It works.

Network marketing is an industry that can be very effective. People in the industry are so competitive sometimes that they try to paint it too perfect, and it backfires on them. But there are some guys that are positively affecting the marketing place in a very good way, and I like the fact that that's taking place.

#4: Different Types of Network Marketing Compensation Plans

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Typically in the world of network marketing, you have three different types of compensation plans:

- Linear
- Binary
- Matrix

I'll give you my problems with a couple of these, and then you can be the judge of it.

Linear

Linear has the longest lifespan. Here's why. Because in linear you actually have to work. With a linear compensation plan, if you don't work, you'll be passed up, and you may not make any money. But guess what? Linear lasts.

Here are some examples of companies with a linear compensation plan that have stood the test of time:

- Amway
- Herbalife
- Nu Skin
- Arbonne
- Avon

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Binary

Binary compensation plans are problematic. Those of you that are part of a binary company may message me and disagree. Now there are binary companies with decent products.

But here's a problem with binary compensation plans. Binary is where people will say, "Guess what you've got to do? All you've got to do is there's a breakaway leg." And you'll hear some people brag about how many people they have on their team. They may say, "I have 6,000 people on my team" but that is only because their upline is a killer and that guy put 6,000 on one side, and only three on the other side. And the three on their other side are their three cousins. They don't have a big organization. They just know how to sell you on what they did.

So binary is 1/3, 2/3 to get a check. So for instance, if you get two recruits on one side, and four recruits on the other side, you cycle a hundred dollars. 1/3, 2/3. So every time you get two, four, two, four, you get $100, $100. So you get 20, 40, $1,000. Two hundred, four hundred, $10,000. Two thousand, four thousand, $100,000. And then there are binaries that are 50/50. That you got to get three, three, even on both sides.

As much as I'm not a fan of binary, because I'm a math guy, 50/50 has more of a shot of making it than 1/3, 2/3.

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Matrix

Then the last one is matrix. Matrix, you've got to be a little bit careful about, because this is how it goes. Hey, you get recruited and anybody that the company recruits next goes under you. So that's the first recruit. Recruit number two goes here. Number three here. Number four here. Number five here. Six, seven, eight, nine, 10, 11, 12, 13, 14, 15, 16, 17, 18, so this is how it goes. So they say, if you get recruited and anybody in the company recruits next, you get a check, Six dollars, eight dollars, 60 dollars, 80 dollars, 600 dollars, eight hundred dollars a month.

Yes, it works, but it generally only works if you're in the first four levels. After that, it's pretty much over with. So that's the problem that I have with matrix.

If a company is linear, at least you have to work to make it. I am a fan of any system that you have to work to make money. Binary and Matrix sell the lazy aspect of network marketing, I am not a fan when people sell the lazy aspect of network marketing. I'm a very big fan of a leader who's willing to tell the truth that you've got to work hard to make it in the business. That's how you get people with credibility that are actually willing to take a look at your business model to be a part of it.

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#5: The Benefits of Joining a Network Marketing Company

Here are the benefits of joining a network marketing company.

Read Good Books

I'm all for any organization that gets people to read books.

Now obviously, I'm talking about books that elevate your mind. I'm not talking about *50 Shades of Gray*.

There are a lot of celebrities and politicians that at one point were in network marketing. Many of them you would admire. They just don't advertise it.

Whatever gets you to read books, and elevate your thinking, I'm for it. I support it.

Spend Time with Good People

You know, sometimes when you're down, you want to be around other people. It's good to be around other people that elevate you, they lift you up. It eliminates shyness.

There are some people that are very shy around other people. It's good to be around other people, because it opens you up. Some people are very timid. Network marketing will open you up in the business.

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Have a Move Positive Attitude

There are a lot of people in network marketing that have a positive attitude, and being around them impacts every area of your life.

Audacity

Network marketing teaches audacity. You have to talk to strangers. And I don't care what it is; anybody that has the audacity to talk to strangers will benefit in whatever other career they do.

Let's just say you get involved in network marketing, and you never stick around. But you're in it for three to five years and you pick up some of these good habits. In your next company, you're going to excel. Someone's going to say, “Oh my gosh, he's amazing! He's so great!” Because at some point, you learned audacity through being in network marketing.

It Leads to Other Businesses

Next, network marketing leads into other businesses. You know, if you fail in network marketing, you're going to at least say, "If I want to make money, I've got to be an entrepreneur." You may just go become a realtor and make a lot of money as a real estate agent. You may go become a financial adviser, or go into a completely different business, but you learned the freedom aspect comes from entrepreneurship through being in network marketing.

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Increased Work Ethic

Next, increased work ethic. I'm all about people working hard. I'm all about people increasing their work ethic, especially the younger generation.

Improved Public Speaking Skills

Next, network marketing helps with public speaking skills. If you want to move up, you've got to learn how to speak. I used to be terrible, at public speaking, but when you give many speeches, you get good at it. I did a video on this once, which you can watch here: http://www.patrickbetdavid.com/become-a-great-public-speaker/

Recognition

Next is recognition, where you learn how to recognize other people, and you get recognized. There's a part of the recognition aspect that happens in a business.

Confidence

Network marketing instills a lot of confidence.

Network Marketing Offers a Positive Environment

And then number 11 is the fact that there are a lot of people that either had a death in the family, or they got a divorce, or something bad happened in their lives and they need to be around a positive environment. Network marketing offers that. Simple as that.

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Some people say that all churches are a con. Let's just say that's true. We could even say that God doesn't exist. But how many marriages have been saved by churches? How many millions of churches have given people a place to live that didn't have anywhere to go?

I don't care what denomination we're talking about. How many churches have helped a man or a woman that was suicidal and kept them from committing suicide?

Sometimes network marketing attracts people and they come in and they stick around because it's positive. They say, "I've got a better life. I don't need to give up my life." So there's a lot of positive to it as well to keep in mind.

#6: What to Look for in a Network Marketing Company

Last but not least, if you're going to get involved with a network marketing company, here are the things you should be thinking about when evaluating an opportunity.

Longevity

Find an industry and a product, that's going to be around for 30 years. My assumption is that you want to be a legitimate person doing network marketing

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the right way, and not changing companies every other year. You don't want to do that. You don't want that reputation.

The people that make the most money in network marketing typically chose one company and stayed in it the longest. That's the key. When I meet people that have made millions in network marketing, they typically stayed with the same company for many years.

So if you're going to do it the right way, choose a product that's going to be around 30 years from now. This is why I don't recommend technology, since technology changes all the time. You've got to choose a product that's going to be around 30 years from now.

Avoid Companies with Major Markups

Number two, avoid companies that have major markups. I have a problem with major markups in network marketing companies. Let me explain what I mean by this. Sometimes to pay bigger bonuses, a company will take a product that costs $5 to make and sell it for $50, so they can use the $45 to pay bonuses. You don't have to mark up a $5 product to $50. That product can be sold for $20, and you'll be fine.

Normally the product needs to be 40%. So if it's 10 bucks, $4, not $40, which is what some network marketing companies do.

And the market doesn't help you. I'll tell you why.

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There was a company a few years ago that was selling a Noni drink for $40 a bottle. And they were blowing up. And then all of a sudden Costco came out with identical same story, for $9.99. And you know what happened to them? They had to say, "Well, no, our noni berries come from a special place because. . ." C'mon. You really think you're going to convince me that your berries come from a different place? It's Tahitian. It's the same exact thing.

And then all of a sudden, everybody started walking away. They took a big hit. Today, no one talks about that company.

So be very careful with network marketing companies with major markups.

The Right Group of People

Next, choose the right group of people to run with. This is very important. Look at who's at the top and ask:

- Do you share common values?
- Do you share common principles?
- What do they stand for?
- How stable are the people?
- Are they fun?
- Do you connect with them?
- Do you have commonalities?
- What do they stand for?

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Really, you've got to watch that and make sure that it's a community you can run with for a long time, because you'll sometimes spend more time with the people you work with than with your own family.

The Timing of the Company

4 is timing of the company. So timing has four different levels. You have survival, the first two years. Then you have formulation, which is two to seven years, then you have explosion, which is seven years to fifteen. And then you have plateau, which is 15 years and beyond.

If you join an established company that's been around for a long time, an explosion is not going to happen because that part is already gone.

But if you want a stable company, go with one that's been around 20+ years.

If you want a company that is about to go through an explosion, choose three to seven years, to be a part of.

If you can be in seven to fifteen, you're in a good sweet spot.

Avoid joining a company in the first two years because it has a 95% chance the company's not going to be around.

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A Compensation Plan with Longevity

Next, choose a company that has a compensation plan with longevity, not a compensation plan that's just good for today. The company needs to profit. Rule #1 is if the company goes out of business, you lose reputation. The company needs to stick around long term, and they've got to have a strong compensation plan.

A Worthy Cause

A company with a worthy cause will have authentic people at the top. If they overdo it in a way that's not, you will know it.

By the way, it doesn't take a lot to figure people out. It's pretty easy. If there's deep rooted stories to back up why they believe in that, then there's some validity to it.

Being Able to Own a Piece of the Company

Last but not least, if you can, be part of a company where you can own a piece of the company. One thing about network marketing is that it can make a lot of people a lot of money.

If you can find a way to be part of the company's equity plan, where you can own a piece of the company in case it goes public, or even better in case the company gets acquired, this is even better for you because you participate in it.

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I'm not talking bonuses, I'm talking profit sharing, purely equity, those are two things I'd be looking for, if I were you.

And at the end of the day, you've got to work your tail off or else none of this stuff exists.

Improve Your Game Plan

In this eBook I probably said some things you don't like, and I probably said some things you agreed with. It's irrelevant. I wanted to give you both arguments, for you to be able to find out for yourself the real truth about network marketing.

To join the discussion, visit http://patrickbetdavid.com/network-marketing

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