

THE ONLY REAL INCOME IS RESIDUAL INCOME



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GLOSSARY OF TERMS

CHAPTER 1 - RESIDUAL INCOME AND ITS SOURCES

A. DEFINITIONS

Residual Income - Recurring payments that you receive long after the initial sale is made, usually in specific amounts and at regular intervals.

Passive Income - Income derived from business investments in which the individual is not actively involved.

From these definitions, it's obvious that Residual Income can be considered a form of Passive Income. Once you make the initial sale, your residual income can be considered passive. In most cases, you do not have to "work", or make additional sales, in order to continue to reap the profits.

B. FORMS OF PASSIVE/RESIDUAL INCOME

Most of these are reserved for a very small number of people that either have the resources or the ability.

1. Royalties - Music/Film

Royalties from having produced a piece of music, from a film or from continued sales of any product are one of the best ways to create passive income.

2. Real Estate

If you become a real estate broker you can have agents producing income for you from their housing sales, but it's limited to the agents that stay with you and don't become brokers themselves.

3. Insurance

Once you have a large enough customer base that renews yearly - but this takes a long time to build up and requires ongoing rebuilding.

4. Internet Marketing

Work from home, select several affiliate programs, build your own product and create ongoing sales...much like direct sales; it requires long term build up and constant adjustment.

5. Investment

If you want to receive passive income from investments then let's take a look first at how much money you need to have in the bank to receive certain levels of ongoing income from interest:

If you receive 5% (not what you get from banks today), you need the following savings:

Savings:	Monthly Income from Interest:
\$12,000	\$50
\$24,000	\$100
\$48,000	\$200
\$150,000	\$625
\$300,000	\$1,250
\$600,000	\$2,500
\$1,200,000	\$5,000

So for a decent full-time income, you need to have around a million dollars saved. How about investing in the stock market? How secure is that? For that to work, you need surplus money to invest.

Here are the stats for the distribution of stocks, bonds and mutual funds (US 2007):

The top 1% owns 50.9%

90 - 99% = 39.4%

50 - 90% = 9.3%

Bottom 50% = 0.5%

This shows you how likely it is for the average person to ever earn money by investing in the stock market.

6. MLM/Network Marketing

Multi-level Marketing (MLM) / Network Marketing is a marketing strategy that was designed by companies to promote their products or services through independent distributors, offering multiple levels of compensation.

The main idea behind the MLM / Network Marketing strategy is to promote the maximum number of distributors for the product and exponentially increase the

sales force. The promoters get commission on the sale of the product as well as compensation for sales their recruits make. Thus, the compensation plan in multi-level marketing is structured so that commissions are paid to individuals at multiple levels when a single sale is made (residual income) and the amount of commission depends on the total volume of sales generated.

CHAPTER 2 - WHY CHOOSE MLM / NETWORK MARKETING?

A. ADVANTAGES OF NETWORK MARKETING

1. An idea whose time has come
2. Timing
3. Reasonable Investment
4. Tax advantages
5. High Quality Products / Services
6. Unlimited Income Potential
7. Start part-time
8. No Employees
9. No Inventory
10. No invoicing
11. Low Overhead
12. Residual Income
13. Making a difference

B. ETHICS OF NETWORK MARKETING

Legitimacy

The Federal Trade Commission (FTC) has set guidelines that help consumers discern legitimate plans from illegal ones. The difference between Network Marketing and pyramid schemes under these guidelines are shown below:

1. The sales of actual product or services to consumers, Network Marketing Companies offer products whereas Pyramid schemes do not.
2. Commissions are paid on sale of products and not on enrolments; Network Marketing opportunities have a hierarchical commission set up on the sales of products.

Pyramid schemes are fraudulent schemes, disguised as a Network Marketing strategy. The difference between a pyramid scheme and a lawful Network Marketing program is that there is no real product/service that is sold in a pyramid scheme, and commissions are based only on the number of new individuals one introduces into the scheme.

In the case of pyramid schemes, money is charged simply for enrolling other people into the scheme and no real product/service is actually sold. Only a few people (those who are involved in starting the scheme) make money, and when no new individuals can be recruited, the scheme fails and most of the promoters, except the top ones, lose their money.

3. MLM Companies buy back inventory from participants at the time of termination: pyramid schemes do not have any inventory.

C. HOW NETWORK MARKETING WORKS

Network Marketing compensation plans reward members for bringing new sales into the company.

Unlike a traditional affiliate program which pays only on direct sales, Network Marketing pays commissions on multiple levels. This allows a sponsoring member to leverage their down-line team members by earning a commission on sales they make as well.

Example of a 3 tier (or 3 levels) straight line compensation plan, paying \$5 per level:

Level 1 - I refer Tim. I make \$5

Level 2 - Tim refers Fred. I also make \$5

Level 3 - Fred refers Sam. I also make \$5

I will now earn \$5 on every sale Tim, Fred and Sam make. This pattern repeats for all members I bring into the company. As you can see, this is very powerful. Network Marketing has been responsible for creating thousands of millionaires, in varied companies around the world. Perhaps the most famous Network Marketing Company is Amway. You may also recognize Avon, Melaleuca, Herbalife and Mary Kay.

D. NETWORK MARKETING VS. DIRECT SALES

Network Marketing is a relationship game!

Network Marketing is the ideal form of building a business for people that don't like to be involved with sales. We say it this way because the goal is to build long term relationships with the people you are working with.

The focus then is on building a relationship rather than making a sale.

The power of network marketing is found in the creation of a loyal, honest and supportive partnership with a few people and teaching them how to do the same. This opens the door to exponential growth that no other industry can match.

Unfortunately, the training in network marketing is dominated by ideas that come from the direct selling industry.

Direct Sales is a numbers game!

Direct sales is essentially a single level marketing strategy. You have a salesperson that is compensated based on the amount of product or service they can sell directly to customers...most of whom can be considered one time purchasers.

In direct sales you have to make sales over and over again; therefore, the customers from today have to be replaced by new customers tomorrow. As a result, you have to have an ever increasing list of people to market your products to; while in network marketing, you have to find a few people that you dedicate yourself to and help them to find their own few people and so on.

Of course the goal of network marketing companies is to sell as many products or services as possible and therefore they recognize the sales people in their network first. These people then become the trainers and tend to teach these 'sales' techniques to the rest of the distributors in order to have them do the same things that they are doing.

They infer that, "If you would be a little bit more like me and a little bit less like you everything would work so much better."

This is not only impossible for people who don't want to be involved in this kind of 'sales' behavior, it's also not the right kind of training for network marketing distributors.

E. REPUTATION AND OUTLOOK

The opportunity that network marketing affords has yet to unlock its full potential because of the direct selling dominated sales techniques prevalent in network marketing training today.

Network marketing's reputation can even be considered somewhat shaky, and yet it is still one of the most favorable business models of the future simply because it is the most powerful vehicle for the average person to free themselves from financial stress.

When there is increasing stress and insecurity in the economy more and more people turn toward this amazing business model.

More and more network marketing companies are starting to understand that the traditional sales type training they have endorsed does not work for most of their members most of the time. The true power of network marketing lies ahead of us, especially with better and better models that help to define a true network marketing professional.

CHAPTER 3 - HOW NETWORK MARKETING COMPANIES DIFFER

A. NICHES

There are several niches to consider when you select a network marketing company.

The following is a brief overview of those niches to inform you about your options and to give you the tools to select a company that may work for you.

You always want to keep in mind if the company you are looking at is in a sector that is changing very quickly and is technology based (i.e. telecommunications). What's hot today may be quickly gone tomorrow.

1. Health and Wellness

Health and wellness companies make up a large percentage of the opportunities available in the network marketing world. Why? Because the consumable products they sell are perfect for building a solid income based on month-to-month consumption.

Another very important reason is that when a product makes a difference in someone's life it creates a great deal of loyalty (or a bond) and a great story to make sharing easier. That's why you will find many companies that will put a lot of effort into high quality products that work for their members. That's smart business!

Other reasons why health and wellness work very well:

- * Trend: baby boomers want to live long and feel great.

- * Combining a strategy that increases your income and your free time with a strategy that increases your health and well-being makes a lot of sense. Many companies provide ongoing education about their products so that you also have a chance to learn more about staying well, prevention and your nutritional needs.

- * Most of the health and wellness companies also have a cosmetics aspect to their business which increases the opportunity for sales and connection.

2. Miscellaneous Merchandise

From cookware to stationary, candles to gift baskets, and there are many other products you will find in this section of network marketing companies.

This can be summarized as a catalogue buying program with commission attached.

The biggest and oldest company - Amway - is built on this system and you can buy almost anything from this company.

3. Travel

Travel discount companies with a commissionable membership program that provide discount travel to their members have become very popular in recent years. Once a company has reached a larger membership it puts them into a very powerful position to negotiate great travel packages.

This can be a lot of fun for people who like to travel and build a business at the same time.

4. Services

Like travel, the power of the membership of a network marketing company allows companies to negotiate discount services in many areas; legal, insurance and financial services are some examples.

5. Communication

Telecommunications, internet services, replicable websites, lead generation and so on are companies that you will find in this sector.

They tend to come and go rather quickly because what works today is quickly obsolete tomorrow, and therefore necessitates deep pockets just for a company to get started. Use caution!

6. Investment

This is a relatively new niche and promises to be very attractive in our rather unstable economical times.

Precious metals like gold and silver that you acquire on a monthly basis also generate commissions so you are building up financial stability while generating income.

7. Others

There are many other types of network marketing opportunities available which can all be found on the internet. It can be difficult to find the right selection, but Chapter 4 will take you through the points to consider when selecting a company.

B. COMPENSATION PLANS

How can you recognize a good compensation plan? It is quite difficult unless you know what the components of a good compensation plan are.

95% of people are involved part-time in building additional income, or have started out that way. So one of the core questions is...Does the compensation plan pay part-timers well?

There is a very simple equation, just ask the following questions to whoever wants to enroll you in their program:

"How many distributors do members need on their team to earn a recurring income check of \$500 per month?"

There are companies out there that require as many as 500 and as few as 20. You will easily find well established companies that require 150 to 350 people and they are still able to attract new distributors. That alone will cause massive attrition. If the person who wants to enroll you won't or can't answer this basic question, you should not get involved.

Also, keep in mind that compensation plans are secondary to the overall quality of the product you are promoting. In other words, you can have the best compensation plan in the world but if your customers don't get benefits from the product, they will not stay and you have to rebuild over and over again.

If you join a company because of the compensation plan and promote it that way, you will definitely have people who will move on when the next "better" compensation plan shows up.

Most important, is that the plan is balanced, and here is what this means:

- * A reasonably quick way for part-timers to break even and start making \$300 - \$500/month.
- * A solid middle ground that allows people to create a part-time income of \$1,000 - \$1,500/month.
- * A lucrative back-end that allows you to create an above average income for people who desire to do so.

The following overview of compensation plans is just that - an overview. Each program is different and we encourage you to ask the right questions before you join any company.

Important: roll-up and compression. When one of your distributors is inactive or doesn't qualify, the bonus volume is compressed and rolls up so that "holes" are filled. *Stay away from plans that don't use compression, unless they pay on volume alone rather than on levels.*

1. Forced

Forced plans only allow you to place a certain number of positions directly under you on your first level. If you sponsor more people you have to place them under the ones you already sign up.

2. Binary

In binary plans you can only sign up 2 people directly under you on your first level. Your whole business will be built in 2 legs and every member will have only 2 legs.

Statistically, it is known that the average networker only signs up 2.3 people and therefore a binary plan gives the best chances to the average network marketer.

While that statistic has never been verified, there is truth to it. Binary plans are currently quite popular, but hardly perfect.

In general, you will need a lot of people in your organization to make a plan like this work for you.

Common pitfall: you have one leg that grows quickly and you are never able to catch up with that leg. In the hope of making it work some day, you stay in and keep paying for product or membership even though you are not earning any money.

Another major downside of binaries is that in order to work, they have to pay on volume rather than on levels. This means they pay infinitely down on each side, and with that, also infinitely up. Ultimately, people who get in early will always have a better chance than others and the promise of fairness in network marketing is sometimes difficult to maintain.

3. Forced matrix

This kind of plan is currently not very popular. As in all forced plans, you will only be able to sign up a limited number of people directly under you (an example of this kind of matrix is a 3 x 9 matrix).

Each time someone becomes inactive or is just an occasional product customer, this person will lock one level and push that leg down one level. Because it's a forced matrix there is no roll-up or compression. Companies tried to get around this by allowing you to sign up again once your matrix is maxed out. This strategy has not proven to work very well and therefore very few companies today use this kind of plan.

4. Not Forced

In these plans, you can sign up as many people you wish directly under you on your first level. That way if you sign someone up that turns out to be just a customer, you don't lose a valuable spot in your organizational structure. You can then wait and see if your new member takes any action before deciding to put your energy into this leg.

5. Stair step breakaway

This is the oldest and probably the most used compensation plan. It might seem a little outdated for today's network marketing entrepreneur because it is setup to create more income for fewer people. The reason for this is simply that it requires ongoing active participation AND it takes longer for the average person to create an income with it.

Although there is good potential for residual income, these kinds of plans require you to build new groups over and over again because they "break-away" from you once they reach a certain level.

The good side of these plans is that once you've built it up to a certain level it will provide very stable income; though many people never make it there because it takes so long to create that income.

6. Unilevel

Unilevel plans are in general the ones that provide the most fairness and opportunity for all kinds of people.

They allow you to sponsor as many people as you want on your first level and structure your organization in the way that works best for you.

It is also the plan that tends to be the easiest to understand.

7. Others

There are all types of plans that have been developed over the years but most of them have come and gone.

There is always someone who will come up with a new "breakthrough" plan that will make everybody rich in no time.

8. Australian 2up

An Aussie 2-up is always about the front-end big ticket item. It is never a plan that creates residual income.

People who make lots of money with this kind of plan generally have a "sales" personality and need to be money driven. If you can bring that to the table, this plan can make you a lot of money relatively fast because the Aussie 2-up compensation plan is usually associated with a \$1,000; \$2,000; \$5,000; \$10,000; even \$25,000 packages that generate big bonuses on each sale.

Not widely recommended.

CHAPTER 4 - CHOOSING YOUR COMPANY: SUGGESTED REQUIREMENTS

Most people select their company based on a friend's introduction. Their decision is emotional, spur of the moment and without much strategic planning involved. Often the decision is made while experiencing a sense of urgency or the fear of loss. While this kind of 'reaction' is really human nature, you can avoid becoming a member of a weak company by being prepared to make a strong choice with GPN's company selection model.

COMPANY OVERVIEW

A. TIMING OF THE PRODUCT

Select a product or service that is either at the beginning of a trend or is part of an existing trend that will continue for the lifetime of your business.

Many Network Marketing Companies are in the health and wellness sector simply because the baby boomers are getting older and want to continue living a healthy life for many decades to come.

Beware of high-tech products that might be trendy right now but may be quickly overtaken by the continued development of new technologies.

B. TIMING OF THE SECTOR

The same criteria apply to the sector as they do to the product above.

C. FULL COMPLIANCE WITH REGULATORS - NO OUTSTANDING LEGAL/REGULATORY ISSUES

It may be a little more difficult to get this information but obviously it's a very important aspect of building a long term business. To work with a company that is in full compliance and has planned for the future.

D. NUMBER OF YEARS IN BUSINESS (IDEALLY A MINIMUM OF 2 YEARS)

This is where the promise of "getting in early" continues to lure people into joining a brand new company because they believe that it will give them an edge over other programs.

If it's a start-up, is it very well funded and does it have breakthrough potential? Be ready to wait for certain aspects of the business to be fully functional; expect to see changes in the compensation plan and product line (they may be launching with only 1 product with others in various stages of development), etc.

We generally recommend staying away from companies during their first 2 years.

E. IDEALLY A MINIMUM OF 10,000 MEMBERS

Even if a company is over 2 years old, it doesn't mean that they have done the right things. You don't know what happened during those first couple of years. A good indicator of a company doing the right things is the number of active members.

This is also information that is difficult to acquire but a company that has 10,000 ACTIVE members has generally proven that they have a working business model. There is no hard and fast rule here, but this is a general guideline.

F. INTERNATIONAL PRESENCE

Many people look at this as a nice added benefit, but in reality, it is actually a very powerful aspect of any network marketing business. You may not have contacts in other countries but ask yourself how long it would take you to have someone on your team who does?

It is very exciting to have an international business that allows you to connect with people who you would likely never have met in your life.

Once you have a group in another country, you can go there to support them and write off your travel expenses as a business deduction (please consult with your tax advisor for details).

G. KNOWLEDGEABLE AND EFFECTIVE CLIENT SERVICE TEAM

Are you able to call up the company and get your questions answered? What is their attitude? How quickly do they deflect your questions and have you talk to your sponsor instead of helping you directly? Do they actually understand the compensation plan?

To have professional and friendly support from your company makes everyone's life much easier.

H. INVESTMENT IN R&D TO CONTINUALLY UPGRADE/EXPAND PRODUCT LINE

Today there are many companies with small product lines. Although this might be simpler for people to promote, what is the company's plan in regards to product development?

In today's marketplace nothing stays hidden. As soon as a new "berry" is discovered your company will only have exclusive access to it for a short time before the "Costcos & Wal-Marts" will also have similar, CHEAPER products in their stores.

The advantage of a company with a broader product line is that everyone can find something that works for their particular situation.

Good companies will have an R&D department that makes sure that they stay on top of the latest developments in their particular niche.

I. IS THE COMPANY PUBLICLY TRADED?

Stay away from publicly traded companies because of one simple reason - investors come before members. The board of directors will always make decisions that will benefit the investor rather than you, the member.

The board of directors is not likely to understand network marketing and it has happened many times that they make decisions because of that lack of knowledge.

J. FOCUS ON RESIDUAL INCOME

This is where companies set their cultural and philosophical attitude. There are many companies that don't like the idea that their members will retire, or partly retire, from building their business.

What these companies fail to see is that if a network marketing professional has successfully developed a team of people to continue developing their business, that this is not only residual income for the person that is retiring but for the company as a whole. The more people a company has that have built a solid residual income, the more solid the company's income will be.

If you strive to build a higher income while increasing your free time, make sure you get into a company that endorses the concept of passive and residual income.

K. CHARGES FOR TRAINING, COMPANY WEBSITE OR ADMIN ON PAYCHECKS

Are there any hidden charges? Especially for company replicated websites.

How much do they charge for events and training?

Do a little digging to find out how many of these extra charges the company is leaving out of the monthly subscription. And yes, these are additional business expenses that may qualify as tax deductions (please consult your tax advisor), but they can also be a considerable burden on your cash flow, especially when you're beginning your business.

L. POLICIES & PROCEDURES

Read your "Policies & Procedures" and "Terms & Conditions", both are part of your Legal Contract.

Look for policies that strike you as "Unreasonable" like "Termination, with or without cause". Ask yourself, "Does this contract protect me or the company?" or "Is it completely one-sided to benefit only the company?"

Your contracts with the company are not to be taken lightly. They represent the basis of the relationship that you're building your future on.

1. Contractual restrictions on being a part of other Network Marketing companies

This does not make any sense to GPN. By definition and the nature of your contract you are an "independent distributor/member" of the company you are with. That means that you have to pay your own taxes and that you are an entrepreneur that uses the network marketing model to build your business.

Why should you be restricted to being a member of just one company?

While there are many distributors that fully endorse the idea that you can only build one company, they are also doing that to convince you to put all your effort into their business.

2. Renewal Policy

Contracts have to be renewed on a yearly basis. How much will it cost to renew every year?

Does the company reserve the right to not renew your contract for whatever reason? **BIG RED FLAG!**

3. Terms of cancellation

How much power does the company have to cancel your membership? If the company can terminate your membership without warning, or reasonable warning, or without giving you reasonable time to respond...stay away!

M. LEADERSHIP

1. Experience with Network Marketing organizations

Do officers of the company have experience with building a network marketing organization?

Have they built their organization with integrity?

2. Corporate experience

Network Marketing distributor experience alone is not sufficient for running a corporation. What corporate experience does the team bring to the table?

3. Experience with the product

What background does the leadership bring in terms of product development, manufacturing, distribution, branding, etc.?

4. Demonstration of integrity, honesty, fairness and stability

Is this a value driven model or just profit driven?

5. Promotion of the culture of caring for their members

The culture of a company is expressed in everything that a company does and the way they do it. Is it a culture that cares for the members or just looks at them as a "fancy form" of sales people that hire and fire themselves?

N. PRODUCT/SERVICE

Main Product Line (2 - 5 core products); the more of the following aspects are present, the better:

1. Is the product or service of high quality? (i.e. top of its class)
2. Can the monthly purchase requirements be fulfilled through a self-use model (i.e. Is the product you buy every month being used, if so, you are either replacing your usual expenditures which means your monthly expenditures do not increase or it's adding some value that you wanted and are willing to make that expenditure.)
3. Is there a barrier of entry for competitors? (i.e. patents, etc.)
4. Is the product a consumable product that needs to be ordered every month?
5. Is the product not only attractive but scientifically sound as well?
6. Is there a wide target market?
7. Is the product/service unique in relation to other MLMs?
8. Is there developed marketing material?
9. Are there samples of product available for distribution, if applicable?
10. Are the products and services reasonably priced?
11. Is there an exclusive contract with "inventor"? / Is there a contingency plan in the event of losing leader?
12. Does the product have long-term viability?
13. Is the product or service an essential or discretionary expenditure?
14. Do the additional Products fulfill more specialized needs and provide variety?
15. Is there a monthly auto-ship requirement? (This assures stable volume and consistent growth but may also prevent people from joining if they can't afford it.)

O. HUMANITARIAN CONTRIBUTION

In today's world many companies have a humanitarian, environmental or social component that does not only pay lip service but is an essential piece of the company's mission.

Why? Because that is what more and more customers demand and it is one of the ways the company shows its culture and fundamental philosophy.

P. HIGH PROFILE/CELEBRITY ENDORSEMENT

Not really needed but useful when present.

Q. KEY LEADERS IDENTIFIED

It's always wise to find some key leaders in the field to connect with. Interviewing those leaders is the quickest way to get a read on the culture of the company.

It is very important to note that not all up-lines in the company provide the same support. Make sure you are in an up-line that has all the contacts, tools and systems in place.

Just a small group of companies have a "cross-line" support structure in which everybody is there for the success of everyone else. That is the most favorable environment and supports a culture of cooperation where "everyone wins".

CHAPTER 5 - MAXIMIZE YOUR CHANCES FOR SUCCESS

A. PLANNING

During take-off an airplane has to put out a lot of power in order to get off the ground, but once at its cruising altitude it can reduce its energy output considerably. It would not have the chance to take off with the cruising energy only. It has to start strong.

This is also true for your network marketing business. The stronger you start the easier it is to get to your cruising altitude!

1. Before you invest a dime!

Get clear in your mind exactly what you are willing to invest in building a business from home, and if you have to establish personal financing or borrowing before getting started we highly recommend you do so.

Don't get started just on the hope that it will work without creating a monthly budget that you are willing to invest until your business is up and running.

One of the great advantages of network marketing is the low initial investment to get started. Be careful, because this might also cause a problem. New distributors can sometimes start off without the proper understanding of what it takes to build a lasting, reliable and successful business. The low initial cost may give a new member the impression that this is the only investment it takes to get their business going.

If you compare network marketing with any other business model with similar income potential, you would quickly realize that network marketing has a huge advantage over any other industry. This is truly the case, but only if you look at and understand the whole picture.

Besides the initial investment of signing up with your primary company you have to invest in marketing your business in a professional way. ***Remember: you are the one who does the marketing!***

Even if you add the additional cost of marketing your business, the investment is still substantially lower than any other business model available to us today.

2. Treat this as a business

If you treat this like a serious business endeavor from the beginning, you have increased your likelihood for success in a very big way.

This is one of the biggest reasons why most people fail. They start with the hope that it might work without a plan built around actions that are proven to work.

Once you have that plan and a budget to support it with, you will see how truly powerful this business model is and how you can turn a very reasonable investment into a passive, residual income of the amount you desire.

Again, deception of low start up cost

The start-up cost associated with signing up with a company and placing your first order is often presented as all the cost you will have to start building your business.

While that might be true for people who have a large circle of influence and a good business reputation, it is certainly not true for most people, most of the time.

You need to be ready to invest into marketing your business in a professional way otherwise you may set yourself up for disappointment and a loss of investment.

Opportunity of low start up cost

The opportunity that the low start-up cost provides is the ability to allocate some investment into marketing your business.

Even if you buy a franchise (at least \$5,000 and usually much more) you often have to invest a similar amount into advertising and marketing. There's no way around it. This is also true for building a network marketing business.

The good news is that the investment is reasonable, and when done right, you can break even very quickly and get into a positive cash flow.

3. Create a monthly budget

Monthly qualification

Most companies require a monthly qualification. That is typically around \$100 in personal volume (i.e. product that YOU purchase) that assures that you qualify to receive commissions. This is part one of your monthly budget.

Monthly marketing expenses

You also plan to budget a certain amount in marketing dollars for building your own marketing engine or a company that will do this for you.

4. Launch your business

The idea of a launch essentially means that you prepare for success. You start when you are ready and when you have a plan!

Define the moment of your launch, do it professionally and with the right investment and you increase the chances of your success hundredfold.

5. Creating momentum

With a proper launch, you will have people join you in your business within a few weeks or even days. Teach them to do the same thing you have done and your business continues to move forward without slowing down.

Creating that momentum is very exciting and has a potential for explosive growth allowing you and your team members to break even and possibly create positive cash flow in a reasonable timeframe.

B. START-UP COSTS/OPTIONAL PACKAGES

Start-up costs tend to be higher than the monthly budget to maintain your business.

There is a start-up investment to sign up with a company and there are start-up costs in getting your marketing going - it's very important to keep your marketing costs in mind.

The following is an example of the setup and monthly expenses to professionally market your business:

- Hosting Account for your Landing Page(s) - \$5-20/year
- Professional Auto-Responder follow up system - \$20/month
- Expert Design of your Landing and Sales pages - \$200-750 (one-time cost)
- Education on the newest and best ways to get traffic - \$500/hour
- Cost for exclusive, highest quality leads - \$65 and up (per lead)

As you can see there is additional investment needed.

You better believe it! One of the reasons why so many home-based businesses fail is because they don't look at the full picture before they get started.

C. COST OF MARKETING

Your cost of marketing is greatly determined by how fast and professionally you want to build your business. On the other hand, it's also determined by the amount of money you are able to invest.

Marketing and advertising costs are a large part of any business. As a rule these costs run in the thousands of dollars.

If your goal is to build your business more quickly, you should budget anywhere between a few hundred and several thousand dollars as an initial investment. If you lack the funds initially, but you still want to advertise, you may have to make up the difference through the investment of your own time.

In today's world, you can market on-line and off-line. The internet is one of the best options open to anyone because of its breadth of strategies available. Some of these on-line marketing methods include: Facebook, Twitter and other social networks, blogging, writing articles, and many more.

Offline marketing involves techniques like using your phone, drop cards, postcards etc. Beware! These techniques are very time-consuming, can be expensive and work with limited success.

Ultimately, choosing and investing in the right marketing strategy is a great way to get your business started.

Another effective marketing strategy is to pay for professionally generated leads targeting people who are looking for a home-based business opportunity. If partnered with the right company which can do this, it is one of the fastest ways to get your business started.

The problem here is that most leads sold today are of very low quality. Make sure you are fully educated as to where the leads are coming from and whether they have been recycled and contacted already by other marketers. It is better to pay more for a higher quality lead than to buy worthless leads in an effort to save money.

D. COMPANY STARTER PACKAGE

Some companies provide marketing starter packages that also give people a full spectrum of products for them to sample and/or give away.

While this can be helpful, it's meant to promote company sales initiatives where it's believed that all members have to behave the same to create so called "duplication" in a business. Unfortunately, it hasn't proven itself to work very well. But why is that? Well, people are not the same and they need personalized coaching that helps them to design a strategy that works for their particular situation.

E. COMPANY EVENTS

Company events tend to be important for members to attend because it exposes them to the culture of the company and connects them with their up-line (that in many cases may not be local) and provides training and coaching from successful team leaders.

They also tend to be costly and do not always work for you as a member because companies have the tendency to give training that only works for a few people - the sales people!

While it may be great for you to attend a company event, you should consider only doing so once your cash flow allows you to without compromising your marketing.

Regional events

Many up-line leaders put on regional events and we highly recommend attending those. They are free or almost free and you actually, really get connected with those people.

Never believe from company trainers, that you have to build your business in one specific way. You are an independent distributor and you should select a way to build your business that works for you and your team.

It is easy to start a small meeting at your home, and that shows that you are there to support your local team and it also offers the opportunity to deepen your relationship with your team members. This is what this business is all about!

CHAPTER 6 - MAIN REASONS PEOPLE FAIL IN NETWORK MARKETING

A. TRAINING

Training from any company requires a certain amount of understanding because there is a lot of outdated training and misinformation out there regarding Network Marketing.

Network Marketing was created by companies that only model their ideas after the person who sells the most. They look at their members as a form of "fancy sales people" even though they shouldn't be considered in the business of sales but in the business of building relationships.

Today, this is changing and we have more and more companies and support organizations that understand the true nature of the network marketing business model.

Ineffective Communication / Follow-up

This is the area where most of us need some high quality training.

Calling people, building relationships that last, conducting conversations so that everybody feels good about it, and helping people to actually get enrolled, are skills that you have to learn. Without it, even the best people will not join your business.

Consider investing in an assistant that is well trained in talking to people and positions you as a home-based business professional before you even talk to anyone. This would also be a way of creating a qualification process for those who want to join you. A big part of building a team is talking to potential team members and finding out if they are right for your opportunity.

B. CULTURE

Lack of appropriate, personalized coaching

There is a lot of talk about duplication in this industry simply because if everybody would do the same and make it work we would all have huge and thriving businesses.

The truth is, that every person is different and has a different set of abilities, desires and time constraints that have to be taken into consideration when you get your business started.

For that you need sincere and personalized coaching. Without it, you will receive one size fits all training that creates resistance in most people; either you will not take any action at all due to not connecting with the approach you've been taught, or you will feel very uncomfortable taking action in the recommended way and that will be reflected in your results as the people you speak with will also feel your resistance.

Lack of appropriate support

Many people make the mistake of thinking that the company, with its products and compensation structure, is the solution for their financial challenges and therefore they lead with the product or the opportunity. In reality, the company is more like the vehicle that we use to drive our business.

The real power lies in the unconditional support that you give to your team and the power of the relationships that are created. Therefore, in order to be truly successful, brand yourself to create the basis of commonality with people, and that will allow relationships to develop long before your company enters the conversation.

The MYTHS of network marketing

"Our products sell themselves!"

If this were true, we would all have thriving businesses after 50 years of network marketing. It is definitely smart to have high quality products that work, but without proper marketing, those products will not be sold to anybody.

"The recommending is simple."

One of the consistent misleading ideas in this business is that you simply "recommend" - as if you were recommending a movie to a friend - the only difference is that you get paid if that person buys something. Well, in the moment you know that you will get paid, you cannot recommend in the same way anymore. That's true for most of us because the conversation is no longer solely about the other person, it's about you too, so don't believe it!

"We will build the business for you!"

Just bring the people, sit them down and we will do all the work for you. How could it be any easier?

Inviting someone to listen to a presentation is the most difficult part of the business! Presenting an opportunity to a person that is open to and is looking for a home-based business is the ideal scenario, but the real challenge is in finding that kind of person in the first place.

"We have an automated system that builds the business for you. You don't have to do anything but pay for it."

This is a people business and even though it would be great to have a system that does all the follow up, enrolling and training, it just simply does not work that way - you need the human element!

There are some aspects in the sequence of building your business that can be automated, but people are people and they need a personal connection. A relationship is not created with your website or tools, it's created with you.

"We will sign up people under you...just get in now so you don't lose out." (Spillover)

All we want to say here is...RUN!

"You just don't have a big enough WHY!"

This is one of the most persistent and from our perspective destructive training methods.

You are basically told that the problem lies with you...there must be something wrong with you as a person. So when you increase the reason why you are building a home-based business you will have the motivation to do things that you would never do otherwise. What you're being told, in essence, is get out of your "comfort zone" and do what you have resistance to doing.

Part of having a plan to build your business in a way that works for you includes having a clear vision of where you want to go. A "why" simply isn't big enough to sustain anyone because there is nothing attractive about it; you need a vision of what you want your life to look like as a result of your participation in this business to begin with. What are you hoping to gain and what are you hoping to get rid of in the process?

The three biggest reasons why people fail:

- I. Incomplete and outdated education and training.
- II. No strategy for generating sufficient flow of potential customers and/or business partners.
- III. You need a professional way to get in front of people who are currently looking to build a home-based business.

GLOSSARY OF TERMS

Understanding the language of Network Marketing is an important part of becoming successful and to be perceived as someone who knows the business. Below are the most commonly used terms in Network Marketing, review and learn them, it'll be valuable knowledge in your business building.

Binary: A type of compensation plan that limits your frontline to two people and pays out weekly on one of the two legs of your organization, or on matching sales volume between them.

Business Builder: A distributor who is actively prospecting and gathering customers, as opposed to one who is simply buying product at wholesale for personal use.

Buy-Back Policy: The money-back guarantee offered by all reputable Network Marketing Companies to distributors. Generally, companies will pay 70 to 100 percent of the wholesale price on any product that a distributor purchases, but then decides to return, for whatever reason.

BV (Bonus Volume): An alternate expression for point volume (PV) or business volume (BV). It is a value used in compensation plans to calculate overrides and commissions, based upon the wholesale price of the items for which overrides and commissions are being paid.

Circle of Influence: The people who are closest to you and who constitute your warm market, or those who might be easily influenced by you because of your reputation in a particular profession or community.

Cold Call: Cold calling is the process of approaching prospective customers or clients, typically via telephone, who were not expecting such an interaction. The word "cold" generally refers to someone who is being approached by someone with whom they have no existing relationship.

Cold Market: Prospects outside your circle of friends, family, and associates.

Commission: The percentage you earn from the sales volume of your organization.

Commissionable Volume (CV): An alternate term for bonus volume.

Community: Same as "leg," "team," or "up-line," or "down-line".

Compression: When a distributor didn't qualify, quits or is terminated, his down-line moves up one level, thus filling the empty space he left, and "compressing" the company's down-line by one level.

Crossline: Your colleagues that are building the same network marketing business as you but not as part of your organization.

Depth: The number of levels in your Network Marketing organization.

Distributor: A person who contracts independently to sell products or services for a Network Marketing company.

Down-line: All the people sponsored as distributors into a network marketing company constitute that company's down-line. Your down-line consists of everyone whom you sponsored or who are sponsored by the distributors you sponsored, and so on.

Drop Card: Also referred to as "sizzle cards", is a simple and efficient way to prospect. A sizzle card is generally the size and shape of an ordinary business card. It contains a teaser message (the sizzle), like "Make Money from Home" and a phone number or web site address.

Duplicability: The extent to which the activities of a Network Marketing opportunity can be easily mastered by new recruits.

Duplication: The process of replicating business builders in your down-line.

Frontline: Your personally sponsored distributors.

Group Volume: The total volume of wholesale purchases made by your personal group in a given month.

Home Meeting or Tasting Party: An opportunity meeting held in a distributor's home.

Hotel Meeting: An opportunity meeting held in a rented hotel conference room.

Leverage: The ability to utilize the power of a network to help yourself and others succeed.

Leader: Generally speaking a top achiever in a Network Marketing down-line.

Leg: A down-line within your down-line, usually headed by one of your personally sponsored distributors; they are often also one of your leaders.

Level: The vertical position of a distributor in your organization. If you recruit someone, he is enrolled on your first level: His recruits will be on your second level: And the recruits of his recruits on your third level.

Lukewarm Market: Prospects who are neither in your warm market nor your cold market, but somewhere in between; this can also refer to people with whom you have spoken to once or twice or people referred to you by others in your warm market.

Marketing Plan: An alternate term for compensation plan or pay plan.

Monthly Volume Requirements: An alternate term for qualifications.

Network Marketing Leads: People that have indicated an interest in a product, service or business opportunity.

Opportunity: The chance to join a network marketing distributorship, or another term for the distributorship itself.

Opportunity Meeting: A recruiting rally or business briefing held by network marketing distributors for the purpose of presenting the opportunity to prospects.

Organization: That portion of your down-line from which you are allowed to draw overrides and commissions. It includes all distributors placed on levels that fall within your pay range.

Organizational Volume: Monthly sales volume generated by your organization, through product purchases from the company.

Passive Income: The income you make without you having to put time into making the money.

Payout: The percentage of a company's total revenue that it pays out to distributors, in the form of overrides, commissions, and bonuses.

Personal Group: All distributors in your pay range, whom you have personally sponsored.

Prospect: A potential customer or recruit.

Prospecting: The process of seeking customers or recruits for your Network Marketing business.

Personal Sales Volume: The volume of product that you personally sell in a given month.

Personal Volume: The volume of product that you buy at wholesale from the company in a given month, whether for resale, demonstration or personal consumption.

Point Volume: An alternate term for bonus volume.

Qualifications: Monthly quotas that distributors are required to meet, in order to qualify for a given achievement level. Quotas are usually set in terms of group and personal volume.

Rank: Achievement level or title that is achieved by moving a certain amount of product per month and/or sponsoring a certain number of distributors who themselves have attained a certain designated achievement level.

Residual Income: Recurring payments that you receive long after the initial sale is made, usually in specific amounts and at regular intervals.

Retail Profit: The difference between the wholesale prices you pay for a product, and the retail prices at which you sell it to your customer.

Sponsor: A distributor in a Network Marketing company who sponsors and trains another distributor.

Teleconference: A recruiting rally or business briefing that is broadcast by telephone. Prospects are told to phone in at a certain time to hear the event.

Three-Way Calls: A prospecting technique that allows distributors to build a down-line while training recruits. When a raw recruit wants to interview a new prospect over the phone, he will 3-way his sponsor into the call. The sponsor gives the presentation while the recruit listens and learns.

Two-Level Plan: Another name for the compressed plan, derived from the fact that many compressed plans stack the bulk of their commissions on the first two levels.

Unilevel: A Type of compensation plan in which you must qualify for achievement levels, but in which people in your down-line cannot break away.

Up-line: All of the people above you in a network marketing organization, or it can also refer to your sponsor.

Warm List: A list of personal contacts drawn up by new recruits that constitutes their warm market.

Warm Market: All potential prospects for your business whom you personally know, either because they are family members, friends, business associates or co-workers.

Width: The number of people in a distributor's frontline, or the number of people allowed in a distributor's frontline by the rules of the compensation plan.