

The Laws of Network Marketing

By Michael Goss

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An understanding of the laws that govern success is important when starting a new business. Network marketing as an industry has been around for nearly a century. But, many people still lack an understanding of the basic principles upon which the industry is built.

Here are the basic principles of network marketing:

- Circles of Influence
- Residual Income
- Leverage
- Duplication
- Geometric Progression
- Retention

Circles of Influence

ForMor is built upon the idea that we all have circles of influence or existing networks of people. In traditional marketing, the company and the salesperson must develop rapport with the customer base. Developing this relationship takes time and money. Reaping the benefits of the association can require months or even years when using traditional marketing.

In our business, the company seeks to tap into the rapport that already exists between you and your circle of influence. Because of the level of trust your circle has with you, word-of-mouth advertising works. People with whom you have a relationship believe you will steer them toward only good and positive ventures. By tapping into your existing network of family, friends, business associates, schoolmates, neighbors, etc., you are adhering to the first law of network marketing.

What happens when I exhaust my circle of influence? Most experts agree that you will probably never exhaust your existing circle of influence. In fact, many experts suggest that the average person knows approximately 2,000 people. In any case, your circle of influence should always be expanding.

It is virtually impossible to effectively sponsor someone who is not within your circle of influence. So, before we can sponsor people from the cold market, we must first build a relationship and bring them into our circle of influence. Cold market refers to people with whom you do not have a current relationship.

“Before people will do business with me, they need to know me, like me and trust me.”

Platinum Diamond Elite Todd Bates

Developing a relationship with a new person is a process that takes time and cannot be rushed. In certain situations, you can speed the process when the individual is highly motivated. But, do not be surprised if the process takes a few weeks, a few months or even a year or more.

Sponsoring is a sorting process. We want to sponsor just the right type of people, those who fit our criteria. They should want to earn more money and be willing to work for it. They need enough money to start a business, and they must be able to devote the time necessary to be successful.

The Laws of Network Marketing are built upon circles of influence. Long-term success depends upon working within that circle and continually expanding that circle. We are looking for people who are willing to commit 10 to 15 hours a week to their home-based business. We cannot expect this kind of commitment from a person we have just met.

Residual Income

The second law deals with the motivation that drives most network marketing people...money. The fact is that most people desire and need more income. For many, that alone is enough to attract them to our great business. This industry was designed to enable anyone with desire to develop a part-time, residual income.

People in our business, an overwhelming majority of between 90 to 95 percent, are part-time. Most people join, at least in part, to earn additional income. With that being the case, it makes sense to build a financial plan that supports the part-time person's ability to earn between \$300 and \$1,000 a month.

In order for that money to be considered residual, it must come month after month, year after year. The only way that can occur is for a great majority of the part-time distributors to be in a positive cash-flow each month.

The ForMor Financial Plan is designed to operate in harmony with this law. A person can earn \$780 with just 20 people in their organization. This is significant because that amount of income allows the part-time distributor to maintain a positive cash flow. As long as people are making more money than they are spending each month, they continue to purchase products. When people buy products month after month, that produces residual income.

Leverage

"I would rather have 1% of the efforts of 100 people, than 100% of my own efforts."

J. Paul Getty

The wealth building principle of leverage is one of the Laws of Network Marketing. The rich and powerful of this world have tapped into this principle for centuries. The concept is simple. Leverage allows us to control and to benefit in greater proportion relative to input.

In the commodities market, you can buy commodities on margin. You can control a commodity with only a small percentage of the money that the entire contract would cost. Therefore, you can control more with less money per unit.

In our great business, you can leverage time, effort and money. This means that you can benefit financially from the time and efforts of people with whom you partner in our business. When you bring someone into the business and they bring in another person, you benefit even though you did not actually do all the work yourself.

Leverage is powerful because we are limited in our own ability. There are just 24 hours in each day. We have time enough to personally sponsor only so many people. Time limits the number of CD's you can give away personally. Leverage multiplies the number of hours you have to multiply your efforts.

The leveraging power of our business allows you to benefit from the efforts of many people working with you. This power allows you benefit from a lot of people who each contribute a little.

For example, assume that you are able to spend 10 hours a week working the business. That is a finite amount of time you personally can spend. If you bring in four additional people who commit to working 10 hours a week, you are now benefiting from 50 hours of activity a week, but you are still just investing 10 hours. If those four each find four additional people, it would add another 16 people to the mix, and you would be benefiting from over 200 hours of activity a week. You are still investing just 10 hours a week.

As your organization grows, your leveraging capability grows also. Our business is one of the few that afford the average person the opportunity to tap into the wealth-building principle of leverage with a relatively small investment of time and money.

Duplication

Duplication is one of the major Laws of Network Marketing. Duplicate means to reproduce, imitate or copy. Finding others, who want to duplicate our success and are willing to do what we are doing, is critical to success in our business. We must be willing to duplicate the success of our upline before we can find others who will continue the duplication process.

We must plant the seeds of duplication by being a duplicator. There is no need to re-invent to wheel. Simply tap into the system that we have developed, and teach others to do the same. Stress the importance of utilizing proven principles and techniques.

Make sure that you are duplicating the efforts of someone who is achieving a level of success that you want. Success leaves clues. This business works because it is so easy to duplicate. When we duplicate successful activities in a successful way, we can expect to achieve personal success.

If everyone in my organization did what I did today, would my business grow?

Since duplication is a law that governs our success, we have put a whopping 45 percent on the second level to reward duplication. The ForMor Financial Plan was designed to be in harmony with the Laws of Network Marketing.

Geometric Progression

As duplication continues over time, one becomes two; two become four; four become sixteen; sixteen become sixty-four and so forth. Geometric progression describes the way in which an organization can grow. Geometric progression is a mathematical concept that consists of the laws of duplication, multiplication and exponential growth, or compounding.

Geometric progression is a powerful principle to those who are able to build a large group although very few people actually build an organization large enough to tap into it. In our business, geometric progression occurs when we have a lot of people doing a little bit. Having a lot of people doing something is the key.

When geometric progression kicks in, the growth of the organization takes on a life of its own creating its own energy and generating its own momentum. The organization begins to grow without a lot of assistance, even when you take some time off.

The Financial Plan must support this element of the Laws of Network Marketing. In ForMor, we have designed the Infinity Bonus and the Leadership Generational Bonus to empower our leaders to take advantage of serious geometric progression. These two elements of our Financial Plan allow people to be paid from activity very deep in their organizations. You can take advantage of a lot of people doing a little bit.

Retention

Retention is the final law that regulates success in our business. Retention is the number or percentage of people that continue to purchase products each month. Typically in marketing, the retention rate is between 10 and 15 percent. That means that out of every 100 salespeople recruited, on average 10 to 15 will continue to stay involved.

These numbers hold true in virtually all sales efforts. In network marketing, the numbers are typically even lower due to the increased number of part-time (non-professional) distributors. Determining why people stay involved and then working toward that is one of these keys to success.

Several factors that keep people involved. They love the products; they love the people or they love making the money. Generally, retention boils down to one of these three basic components.

Many people are initially attracted because of our great products. Over time, they may begin to build a business, and, as they do, their motivation starts to shift. At that point, making money becomes a high priority.

The ForMor business model is built to support all of these three key elements. We market outstanding, life-changing products that get results. We have a Financial Plan that gets people into profit with six people. And we have great people who want to help others succeed.

As long as people are making more money with our company than they spend each month with our company, they will continue to purchase our products. The vast majority of the people who leave our company or our industry do so because they were unable to make the kind of money they wanted to make.

That is why we have built the ForMor Financial Plan to be in harmony with the Laws of Network Marketing. You can feel confident knowing that your business works with the laws not against them. Natural laws cannot be broken with impunity. We can only break ourselves against them.