

## **The Coming Network Marketing Boom!**

*Eight rock-solid reasons (with eye-opening facts, figures and perhaps more than you wanted to know) why network marketing is about to EXPLODE....*

By Leonard W. Clements

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It seems the network marketing, or MLM, industry has been on the verge of an "explosion" for about as long as, well; there has been a network marketing industry. Certainly there have been growth spurts in popularity over the years, but the business just never really - exploded, at least for any sustained period of time. Even those occasional growth pops were always followed by slumps in the MLM economy. Yet, throughout it's history, even in the midst of those slumps, and especially over the last two decades, many of those who would promote it would tell us that, soon, the network marketing industry is going to, dare I say it again... EXPLODE! Ah...

**If I only had a dollar for every time I've heard any derivative of the word "explode" as it relates to network marketing I'd be a wealthy man.**

About as wealthy as I'd be if I got a dollar for every time an MLM distributor used the term "revolutionary," but that's another subject.

The various promoters of this alleged upcoming MLM boom have always had at least one good reason for believing their claim. It wasn't entirely on hype. Nothing more than the monumental and numerous advantages that network marketing offers to those who want to start a home based business certainly should have been reason enough to think that, soon, the masses are going to discover those advantages and flock to MLM en mass. We could surely forgive them for their optimistic delusion.

As history has shown us in many industries, the merits of a product alone won't necessarily sell it. When Ruth Stafford Peale said, "find a need and fill it", she was close. Personally, I'd rather find a "want" and fill it. Obviously, people would be more likely to obtain something they want as oppose to need, and they've not flocked to network marketing en mass for no other reason than they simply can't want something they neither understand nor even know exists! There is overwhelming evidence that the reason this industry stands at a little over 7 million distributors is because, for the most part, those 7 million network marketers are all pitching their opportunities - to each other. This has created a great ignorance about network marketing among most Americans. And I use the word "ignorance" deliberately here, which does not mean unintelligent. Ignorance means simply, to ignore readily available information. And the vast majority of the U.S. population has, at least up until now, utterly ignored network marketing not only due to a lack of want, but a lack of knowledge as to its benefits, or that it even exists.

But that is all about to change... forever.

**For the first time in network marketing history, there are solid, logical, verifiable, reasons to believe in an upcoming network marketing boom.**

In fact, there are eight reasons, any one of which could result in a significant expansion of network marketing in the U.S. over the next few years, and these eight factors will soon be overlaying, one on top of the other, creating the "perfect storm" so to speak, where we have the convergence of several powerful economic, demographic, and psychological factors all hitting at the exact same time and place in network marketing history. Finally, we can make claim to an upcoming MLM explosion and it won't be just wishful thinking. It absolutely will happen, and here's why:

## **Reason #1: The Economy.**

I have always had the belief that the condition of the U.S. economy did influence the condition of network marketing, somewhat, but not significantly. I based that belief on the simple conclusion that there was never an economy where people didn't want more money and more free time. In fact, a few months ago I set out to write an article debunking this age-old assumption that bad economic conditions favor network marketing. I began to really do some digging to find as much evidence as I could to support my contrarian's position. And what I soon discovered was, I was wrong.

**The fact that one of the strongest growth phases in network marketing history, which occurred between 1990 to '92, also coincided with the last economic recession should have been a clue.**

But there was so much more.

First, an analysis of unemployment rates over the decades is key here. After all, the want for network marketing is created by the desire for alternative sources of income, and income sources that we have control over. And when we compare the popularity trends of network marketing to unemployment rates, on a semi-decade basis, there are some intriguing and very exciting revelations.

Although multilevel marketing existed as far back as 1936, for all intents and purposed MLM really began in earnest in the 1950s. So let's start there. Now, tracking MLM popularity trends is somewhat subjective, but surely there would be no argument that network marketing was far more popular in the second half of the 50's than the first. Not a single company of consequence launched from 1950 to 1955, however industry giants Shaklee, NeoLife, and Amway all came into existence from 1956 to 1959.

The unemployment rate the first half of the decade averaged 4%, and was the second lowest in U.S. history in 1953 at 2.9% (only during WWII was it ever lower). However, it averaged 5.3% the second half of the decade reaching it's highest level since the Great Depression in 1958 at 6.8%. Although the difference may seem small from a statistical standpoint, translated into today's numbers that would mean almost 6 million more people becoming unemployed between 1953 to '58.

The first half of the 1960's all types of direct sales continued to flourish with the launch of Mary Kay Cosmetics in 1963, and companies such as Avon, Fuller Brush and Tupperware all achieving momentum. Although the industry continued to grow from '65 to '69, it was not nearly at the same pace with no new major company launches taking place. The unemployment rate the first half of the decade was significantly higher than the second half when 2-and-a-half million unemployed people went back to work.

Let's jump ahead to the 1980's. Again, few MLM veterans would disagree that the first half of this decade definitely outperformed the second. Although there were about as many company launches in each half of the decade, there are actually more companies that launched during the first half that are still in business today than during the second. While network marketing flourished from 1980 to '85, the rest of the decade saw some of the worst fiasco in network marketing history. Also, another indicator of MLM economic conditions is the number of legal actions.

## **During industry slumps companies and distributors tend to be more aggressive and take greater risks.**

The number of lawsuits almost doubled during the second half of the 80's compared to the first. And, while network marketing was thriving the first half of the 80's, unemployment continued to rise. In fact, in 1982 it was at its highest level in 40 years at 9.7%. During the second half MLM slump unemployment

dropped considerably, and by the end of the decade the number of those out of work was almost half of what it was at the beginning of the decade.

The 1990's saw perhaps the clearest distinction between halves of any decade with more major company launches and more companies going into momentum than any other time in history. There was also more wealth being created by way of MLM from 1990 to 1994 than any other 5-year period in network marketing history. The second half, as many of you probably still remember, wasn't exactly the best of times for network marketing. In fact, if there ever was such thing as an MLM recession, we had one from about 1996 through 1999. Why? One reason may have been the very high unemployment rate from 1990 to '94, and the sharp drop during the second half of the decade where it hit a 30-year low at 4.2% in 1999.

The only exception to this half-century long pattern is the 1970's, but that was an exceptional decade. Remember, the last half of the 60's industry growth slowed as unemployment dropped to a post-war low. During the first half of the 70's network marketing started rocking again as unemployment rates jumped. Unfortunately, all that rocking started rocking some boats, and the result was over five times as many MLM related law suits from 1970 to 1974 than all of the 50's and 60's combined. These included landmark cases involving Koscot, Bestline, Holiday Magic, Culture Farms, and others, and in 1975, there was a federal action, which essentially questioned the legality of network marketing in general. Fortunately, one company, Amway, had the financial ability to defend themselves, and in essence, the entire multilevel marketing industry. This case lasted until late 1979 when the court eventually ruled in favor of Amway and as a result there was, for the first time, a clear delineation between illegal pyramids and legitimate network marketing companies. So, obviously, there was a pretty dark cloud hanging over the industry the last half of the 70's and there wasn't a lot of expansion in spite of the even higher unemployment rate.

## **The last, and arguably greatest MLM growth phase began in 1990, the same year we went into our last economic recession.**

And, again, from 1980 to '84 were boom years for network marketing and we experienced recessions in 1980, part of '81 and most of '82. Nineteen-seventy to '74 were also boom years, and our economy was in recession almost all of 1970, and 1974. Remember how the last half of the 50's and into the early 60's were years of great MLM expansion? We were in recession from '57 to '58 and most of 1960. In deed, every severe economic downturn in the last 50 years has been during, or immediately preceded every period of network marketing expansion.

We're not done yet. According to figures supplied by the Direct Selling Association, not all, but most of which is made up of network marketing companies, U.S. sales increased from 1990 to 1992 by an annual average of 9.25 percent. That was during our last recession. From 1997 to 2000, at the peak of our last economic boom, annual sales within the direct selling industry increased by a little more than half as much. Clearly, the condition of our national economy absolutely does affect the condition of the network marketing industry.

So where does this lead us? Well, as I write this it's early 2002 and we are in a recession, and have been for several months. Most recessions last around 12-18 months, but that doesn't mean that when a recession is over, so is a slumping economy, or high unemployment rates. And again, it's rising unemployment rates that are most closely tied to rising interest in network marketing.

**Here's a rather remarkable fact - we've had eight recessions in the last 50 years, and during the 12 months immediately after the end of the**

## **recession the unemployment rate went up!**

Every time. What's more, most economic experts today are predicting a much slower recovery than that which followed previous downturns, followed by volatile economic swings for the next several years.

And remember, we're only on reason number one. Let's move on to what I feel is an even more powerful reason to believe in a coming network marketing explosion.

### **Reason #2: Demographics.**

Although the network marketing industry offers almost every conceivable product or service imaginable, most product lines are made up primarily of personal care products, diet, and health related products. These are all products that would be of most interest to again baby boomers. Now, this concept of what Dr. Ken Dychtwald refers to as the "Age Wave" in his book of the same name, is certainly not a new concept as it relates to network marketing. Purveyors of personal and health care products have been emphasizing this concept for several years now. But it does warrant a brief overview.

Baby Boomers are those born from the years of 1946 to 1964. The reason for this baby boom doesn't need a lot of explanation. During the great depression, immediately followed by WWII, folk just weren't economically, psychologically, or geographically able to make a lot of babies. So, once WWII was over they had some catching up to do – and they did. There were about 76 million babies born during this 18-year period, which at the time accounted for almost one-third of the entire U.S. population.

This explains why diaper and baby food companies flourished in the later 40's and early 50's, or why rock & roll records and drive-ins were so popular in the mid- to late 50's. It also explains why more grade schools were built in the early 60's and more college campuses were built in the later 60's than any other time in our history. Think back to the 70's and early 80's. How many athletic clubs, health stores, or ads for energy or

weight loss products did you see? Very few. Today, they're everywhere! Why? Because most of those 76 million people are now in their 40's and 50's. You can see exactly where this giant bubble in the population is at any moment in time by simply looking at what products are most popular. And when it comes to charting the market size for what most network marketing companies offer, we're not even half way up the curve yet! The market for products that will make us look and feel younger is going to continue to expand for at least another 25 years, and will expand most dramatically over the next 5 to 10 years where some predict it will more than double.

But this baby boom is exciting for another completely different reason. The age of contractual consent in most states is 18, that's why virtually all network marketing companies require distributors to be at least 18 years old. Well, guess what happened about 25 years after the baby boom?

Those 76 million baby boomers had about 75 million babies. And about 41 million of them will turn 18 over the next 7 years.

**At no other time in history, other than the original baby boom itself, have this many people been added to the body of eligible MLM prospects in this short a period of time.**

Of course, the number of people eligible to join is not as important as the number actually joining. So, let's take another look at the annual survey of the direct selling industry conducted by the DSA. According to their analysis, there was a net gain of direct sellers of 400,000 from 1997 to 98. By "net" I mean 400,000 more joined than quit. There was a 600,000 net gain from '98 to '99, and a 700,000 distributor gain from '99 to 2000. Not only is the number increasing, but also the rate of increase is increasing, which is one of the indicators of impending momentum. However, if we did nothing more than take this 700,000 annual growth rate of direct sellers, figure about 470,000 are network marketers, assume the rate of

increase never goes any higher, and extend that forward for another ten years, we end up with 4.7 million additional network marketers. To put that in perspective, it took us over 50 years to get to 7.5 million distributors, and we're conservatively projected to add another 4.7 million in just the next ten years, which means, by the way, your average downline will be 37% larger - and this isn't even factoring in any of the things we're discussing here that will cause this growth rate to increase! This is just assuming everything stays the same.

And as far as a demographic reason for believing in an upcoming MLM boom, these aren't even the best ones! Check this out:

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

## **We're barely past the half way point of that upward curve!**

Does this really benefit us, as network marketers? Are 40-somethings more open to MLM opportunities? Well, the average American is 36 years old. According to a MarketWave survey of over 6,000 network marketers from 1990 to 2000, the average network marketer is 38.6, and that number has consistently risen over the years of the survey. Other MLM surveys have found the average age to be almost 40. An exceptional number of those over 40 do participate in network marketing, and this segment of the population, which is most ready, willing, and able to invest in a residual income generating business venture is going to continue to increase dramatically for another seven years!

### **Reason #3: Wall Street**

Securities investors are, for the most part, a pretty savvy group of people. Obviously there are a lot of exceptions, but generally, these are men and women who research and analyze public companies in an effort to try to determine which ones have the strongest growth potential. Based on their due diligence they eventually invest their funds in companies who's growth they expect to go up. These are people who are, in general, pretty adept at knowing what signals to look for that might indicate an upcoming boom. So, what do they see when they turn their magnifying glass on network marketing companies? Well, first let's take a look at what they've seen.

There are over 20 publicly traded network marketing companies, but the bottom third or so are so small and trade so infrequently they're really meaningless as far as overall industry trends, so let's focus on the top 12. These are the larger, well-established companies. Well, if you were to chart their stock price over the last 5 years, starting December 1996, in almost every case you'd see a line that looks a lot like the path of an airplane -- coming in for a landing. With very few exceptions, MLM company stock values have flattened out at their all time lows and stayed there for about two to three years. Clearly, Wall Street wasn't impressed with network marketing's growth potential the last half of the 90's.

So, what do they see now? Well, the S&P 500, an index that gauges the overall condition of the stock market, reached its peak in September of 2000. By mid-December 2001 it was down by 23%. However, over the exact same period of time our index of the top 12 network marketing companies was UP by 7.3%. And again, this is from a basket of stocks that, for the most part, haven't budged upwards in years. And now, all of a sudden, in just the last 12 months these network marketing companies are outperforming the overall stock market by over thirty percent. Go to your favorite investment web site is and take a look at the stock charts of these companies. What you'll see is than plane coming in for a landing, taxing across the bottom of the chart, and then, right at the end - they're just starting to take off again.

So don't just take my word for it.

**There are a few thousand other trend analysts out there that seem to also be very optimistic about the future growth potential of this industry.**

**Reason #4: Supply and Demand.**

I read an article a few years ago that described how network marketing was "booming." The author validated this claim by citing the huge growth in the number of MLM companies. Of course, anyone who got even a C- in Economics 101 could tell you that an industry booms when the demand for its product dramatically increases. In deed, when there is only a tremendous increase in supply, this often times results in an industry slump. And sure enough, during this massive proliferation of MLM companies the last half of the 90's, which there very definitely was, we had a pretty tough industry slump.

A very prominent MLM publication published a survey they had conducted from 1994 to 1997 where they polled all the major MLM company software providers to try to determine how many MLM companies were launching in each of these years. They found that in 1994 there were about 700. In '95 over 1,000. There were about 1,400 company launches in 1996, and 1,800 in 1997. These are not cumulative totals, this is each year. And there is a lot of anecdotal evidence to show that there were about as many start-ups in 1998 and 1999. What's even more troubling is that those in the software businesses estimate that perhaps half of all MLM start-ups don't go to the major software houses, but rather hire in house programmers. Do you understand what that means? It's possible that the actual number of start-ups could have been double these numbers. As many as 13,000 network marketing companies may have launched from 1994 through 1999, and at least as many as 8,000, yet we only had a net gain of about 600 companies, from 900 to 1,500. For many years distributors for older, mature network marketing companies often warned prospects away

from start ups with the claim that 95% of all MLM companies fail in the first two years. Up to this point, it was really just a scare tactic based on a wild guess. However, what this survey inadvertently did was verify the figure!

Yet, during this same period, based on a consensus of various educated sources including the DSA, the number of network marketing distributors in the U.S., during the last half of the 90's, only increased from about 5 million to 7.5 million. That means the number of distributors went up about 50%, but the number of companies increased by three times that much! If you do the math, you'll discover that this means the average distributor's downline shrunk by 40%.

**There is no question that the supply of MLM opportunities was far exceeding demand the last half of the 90's.**

So, what's the good news? Well, some very encouraging things began to happen in the year 2000, not the least of which is, it seems would be MLM company owners finally began to realize that starting a network marketing company in the U.S. market was an entrepreneurial death wish! Also, more and more of those considering starting MLM companies are coming to realize that it really defeats the whole purpose of getting involved in network marketing – they're essentially creating for themselves a 12 hour a day J-O-B. Instead, they could apply their resources to building an organization in an already well established, stable network marketing program and make just as much, if not more money with far less effort, and fraction of the responsibility and risk. And understand, this isn't just my assumption. I've been a consultant to start up companies, more of a Devil's advocate for hire, actually, since 1992. So, not only from my own consulting experience, but by scanning the ads in all of the various MLM publications, interviewing other consultants, trainers, and suppliers, visiting the on-line MLM message boards, reading the abundance of MLM related spam I receive, and interviewing literally hundreds of prospects and distributors every year, it's

very clear that the number of start up network marketing companies has declined significantly since the beginning of 2000.

**This fact, along with the increasing number of company mergers and acquisitions that are taking place each year, will only make the industry stronger.**

The last half of the 90's the whole industry was groaning under the weight of this massive overload of MLM companies. As more and more companies entered the market the national distributor base was spread thinner and thinner. The result was smaller downlines, higher attrition, and generally fewer success stories. But, think about it. If there were just as many distributors, but half as many companies, the average downline would be twice as big. I'm not suggesting the number of companies will contract to half, but any reduction in supply will certainly help spur an increase in demand as more and more distributors are condensed into common downlines, which will then increase the number of those getting into profit, and those reaching their income goals. The more success stories we have, the more motivation and less resistance we have to building our downlines even larger. Even larger downlines mean even greater motivation, even lesser resistance, resulting in even larger downlines - and the cycle continues upward, rather than down or flat as it has in the past.

### **Reason #5: New Blood.**

Almost every network marketing company today would like to think, and most claim, they are about to go into momentum. Momentum, as it applies to network marketing, is the stage in a company's growth cycle where sales volume begins to increase geometrically and the company doubles, triples, and perhaps even quadruples in size in a relatively short period of time. Most momentum phases last about 6 to 24 months. Much like buying a stock low right before it goes up in price, most distributors want to attach themselves to a pre-momentum company right

before it explodes. Thus, practically every distributor will try to make a case that their company is "about to go into momentum." How do they know? Eh, they don't. No one every really knows exactly when momentum phases kick in. Some MLM theorists have claimed it commences at a certain sales volume, or around a certain number of years in business. Yet, the exceptions far outnumber the rule. But much like stock picking, we can look for clues - for historical trends and patterns to help us make better guesses. And if we go back and study every major post-momentum company and analyze what happened right before they went into momentum, there is a common event. Although they each may have accomplished this in different ways, every momentum phase in MLM history was facilitated by massive numbers of people moving into the opportunity, either as reps or customers, who have never been involved in network marketing before.

**No company has ever gone into a momentum phase by this ebb and flow distributors roaming from company to company. Momentum is caused by a massive injection of new blood.**

Where is this new blood going to come from? How are we going to expose massive numbers of people to our products and opportunities that we've never been able to reach in the past? Of course, from... how many of you saw this coming?... the Internet.

Now, some of you may be thinking, yeah, but the Internet's been around for years. Where is all this new blood? Well, the Internet may have been around in 1990, but it didn't go into it's own momentum phase until after 1995 when only 14% of Americans used the Internet. By 1998 that number had almost tripled. Today it's over 60% and many predict that virtually all of Americans will be using the Internet in some capacity by the year 2010. And it wasn't until around 1997 or so that the

network marketing industry really began to use, or a better term might be "abuse" the Internet. Certainly there are exceptions to this, but for the most part MLMers got a little over zealous in their utilization of this amazing new technology. Rather than use it to help us build our downlines and sell our products, it was, in way too many cases, used in an attempt to have it build our downlines for us. The result was, in some cases, big recruiting numbers, but very little sales volume and overwhelming attrition. The reason is obvious. People get into network marketing with the goal of quitting their jobs and doing this for a living. In other words, they are potentially making a career choice. That's a pretty serious decision, isn't it? Well, how serious could a prospect have taken this decision when they only based it on a few pretty pictures and some jazzy words on a web site?

The Internet was also abused in other ways. Like so many other dot.coms, there were a lot of company failures. Some were ugly, miserable failures. There were numerous legal abuses as well resulting in several well-publicized closures. The network marketing industry painfully cut its Internet teeth from about 1997 to early 2000. And now, as this shake out comes to an end and the smoke clears, what is just beginning to emerge are the remaining responsible, visionary companies that knew all along that the awesome power of the internet was not in having it do all the work for us, but rather having it help us present our products and opportunities faster, less expensively, and to far, far greater numbers of people.

**New people, who've never been exposed to network marketing before. They're our future superstars - our future MLM leaders.**

The internet is a sales, training and recruiting tool with unimaginable potential that we are only just now beginning to effectively and intelligently utilize, and it's an industry itself that looks to expand by 100 million users domestically over the next ten years. And as this happens, the network marketing industry

will soon go into momentum the same way everyone of it's post-momentum companies did so - by a mountainous wave of new prospects and within it these future leaders. They say a rising tide raises all boats, and in this case, this tidal wave could even cause an unprecedented event in network marketing history - the secondary momentum phase, where large, post-momentum companies actually achieve momentum again!

But the Internet isn't the only reason why I believe we're on the verge of massive "outer circle" recognition. There's another reason that's so compelling I'm making it a reason unto itself.

### **Reason #6: Positive Media Exposure.**

Radio, television, magazines and newspapers all exist primarily, if not in some cases exclusively, on advertising dollars. Network marketing is an industry that, for the most part, doesn't advertise in the mainstream media. After all, we're a "word of mouth" business. So not only has the media had no financial incentive to promote MLM, it actually has a financial incentive not to. Now, I'm not suggesting there's some grand conspiracy among these various media to hold network marketing down, but there certainly has been a consistent pattern of negative exposés of MLM companies over the years, some certainly deserving, some not, but curiously, very few corporate or individual success stories, in spite of the huge number of them to choose from.

Well, that too is changing.

## **The mainstream media is just now discovering how to cash in on network marketing without ad revenue.**

The first big step in this direction was back in 1994 when Success magazine, a well respected newsstand business magazine, featured a front cover montage of network marketing companies and a lengthy and extremely positive feature article about our industry. Sure, the companies that knew they were

going to be mentioned did break from tradition and ran display ads, but that's not where Success made the most money. The people of this credibility starved industry, long deserving of such positive recognition, sold out the entire run of that issue. In fact, Success magazine broke their all time single-issue sales record by almost twice the previous record. The result, obviously, was a lot more positive portrayals of network marketing companies in future issues. Unfortunately, in spite of this bold demonstration of exactly how profitable it could be for doing nothing more than being fair and balanced and also presenting the positive side of network marketing, few other mainstream publications followed Success's lead. So, several network marketing trade publications decided, let's do it ourselves. Soon, we had several glossy, full color, network marketing focused magazines hitting the newsstands. At the moment, none of these publications have taken the country by storm - in fact, most have struggled – but understand, the fact that they even exist is a giant step forward for network marketing, and anyone who truly cares about the well being of this industry should support their efforts in what ever way they can.

But this isn't where the greatest promise lies as far as positive media exposure. What about this idea: Let's say, instead of paying for an advertisement, you worked out an arrangement where you enrolled the media itself, got the exposure for free, but the resulting sales volume and downline that was generated from the campaign went under the company? They could potentially make far more income from overrides than from ad fees, even after the ads stop running.

**It's a perfect win-win scenario - we get the positive mainstream exposure, the media could get even more money from us that if they charged us for the ads.**

Would this work? It already is. Slowly, quietly, such a movement is taking place. I know for a fact that there are

currently over 100 radio stations in the U.S. attempting this, and some are succeeding, big time. Yet, virtually the entire network marketing industry is oblivious to the fact this is even happening. It's simply a matter of time until the mainstream media's grapevine picks up on this alternative ad revenue generator.

Finally, let's not overlook the public image boost we're getting from the various athletes, celebrities, political figures and medical authorities network marketing is attracting like never before. And no, not all are just paid endorsers, and many of them have careers that are based on their reputation and positive image, and they've openly and willingly attached their good names to network marketing. We've also got well-respected mainstream authors and speakers such as Richard Poe, Paul Zane Pilzer, Mark Victor Hansen, Brian Tracy and Robert Kiyasaki extolling the virtues of network marketing.

**This kind of powerful, third party validation has never happened before, nearly to this extent. And it's just starting, and it's growing.**

### **Reason #7: Regulation.**

Earlier we discussed the cyclical nature of network marketing as it related to the economy. I hope you picked up on the fact that the first half of every decade outperformed the second half - and that's been the case for the last 40 years.

But there were more than just economic reasons for this cycle. The regulatory climate often times influenced the mood of distributors and our prospects, and therefore, has affected the condition of the industry to an extent. The most obvious example being the previously mentioned federal actions back in the 70's. Legal attacks by state or federal authorities on high profile network marketing companies do occur from time to time, and curiously seem to peak in pre-election years, but that could just be a coincidence. Most of those larger companies, by the way, not only survived the attack, but also are considered

models of legality today whose policies and enforcement systems are emulated by younger companies. Yes, there have been many situations where pyramid schemes have been shut down, and typically the action is described as "the network marketing company that was shut down because it was an illegal pyramid scheme." It drives me nuts when I hear someone make a statement like that. It's kind of like saying "A really honest man was exposed as a liar." Well, then he wasn't an honest man, was he?

## **Either you're an illegal pyramid scheme, or you're a network marketing company. You can't be both.**

I want to make this very clear before we go any further on this subject: Illegal pyramid schemes often times try to disguise themselves as network marketing companies because they want to appear legal. Unfortunately, when the media reports on illegal pyramid schemes, we do suffer guilt by association, and again, that does have an effect on our ability to retain distributors and acquire new ones, at last temporarily.

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

And, once again, I've saved the best news for last.

**There is active lobbying going on right now by the DSA and others, to enact legislation that will create federal regulation of network marketing.**

As it is now, and always has been, operating a network marketing company in the United States is kind of like trying to do business in 50 little countries. Each state has its own set of laws pertaining to business opportunities, some specifically to MLM, and all have statutes pertaining to pyramid schemes. Although, for the most part, each state's definition of an illegal pyramid is consistent with the other 49, the interpretation and implementation of those laws has been somewhat haphazard and arbitrary over the years. It's true that there was a significant legal precedent created by the federal court's decision in the Amway case in 1979, but even that has been utterly ignored in more recent cases such as the infamous Webster vs. Omnitrition case in 1994 where the 9th circuit court of appeals (the most overturned appeals court in the land) chose to disregard personal consumption by distributors as a legitimate, commissionable sale. Fortunately, this decision didn't create law, just a seldom-followed guideline. In fact, several individual states in recent years, such as Texas, Oklahoma, Louisiana, and Kentucky have created statutes that specifically recognize personal consumption as a legitimate sale, and there's legal precedent in California that they've also adopted this position. But still, the enforcement actions over the years have been inconsistent not only between state and federal precedent, but also from state to state, and sometimes even from case to case within the same state.

**Not only will federal regulation create a clear, consistent path for all network marketing companies, and state regulators, to follow, but, much**

**like the federal regulation of franchising back in the 60's, may eventually require truer and fuller disclosure.**

Now, as I understand it, that's not what's in the current draft of legislation being proposed as of this writing. However, if this ever did come to pass, and many believe it will, it would absolutely be a good thing. Very good. Not only will it tremendously strengthen the industry by weeding out the bad apples, it will cause this massive turnover rate among start up companies to drop to a fraction of it's current level because most won't even start up in the first place. Gone will be the days of usually ex-distributors sitting around a table saying, hey, let's get a few thousand dollars together and start our own MLM company - now, what can we sell? And the ones that do launch will have to be serious players with solid backing. So not only will more distributors be packed into fewer companies, but those companies will be only the highest quality opportunities. Federal regulation will also greatly increase the respect and credibility level of our industry. This will create a tremendous boost to all established U.S. based MLM companies.

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

Yes, there are some people who are still apprehensive about the prospect of federal regulation. I've heard the argument made, as I'm sure many of you have, that back in 1963, congress came within 11 votes of outlawing franchising. Well, not only didn't they but the post regulatory era of franchising has created an industry that now moves over one-third of all the goods and services in this country! Federal regulation was the catalyst to the biggest boom in franchising history.

In their attempt to tidy up network marketing from a regulatory standpoint, might the feds throw the proverbial baby out with the bath water? Not a chance. Not only are there over 1,200 network marketing companies in this country, employing tens of thousands of taxpayers, and generating literally billions in sales and corporate tax revenue, there are about 5 million MLMers out there who are also registered voters. That may not be a huge percentage of the total population, but as our last presidential election clearly demonstrated, it's enough to make a huge difference in the political landscape of this country. Not only that, but there are even a few network marketers in congress, and some of our larger MLM companies have been quite generous in their political contributions.

Network marketing isn't going anywhere - but up.

### **Reason #8: Industry Growth Rates.**

There are a lot of little hints out there that the interest in entrepreneurship is on the rise, such as a recent report by Barnes & Noble that the percentage of business related books sold in the U.S. has risen the last five straight years. Also, not only has the number of small businesses increased annually since 1991, what's most exciting is that the rate of increase is just beginning to accelerate.

There's anecdotal evidence when we look at the supply vs. the demand for 800 numbers. It took 29 years to use up the 7 million 800 numbers available, and 888 numbers were introduced in 1996. It took two years to exhaust the supply of 888 numbers, and the telecom industry is already planning to roll out not only 866, but also 855 numbers. Not only does this indicate a growing market, due to the increase in small, home based, and Internet related businesses, but also certainly it's more due to the dramatically lower cost and corresponding increase in availability. This could easily be a nice segue into yet an entirely new reason for believing in an upcoming network marketing boom - the increase in technologies once affordable by only large, million dollar corporation that are now emerging in small and even home based operations. And this trend towards technological advancement, availability and affordability is still at the very beginning of that curve.

Although this tangent really deserves further discussion, let's get back to growth trends.

Based on information supplied by the Office of Employment Projections and the Bureau of Labor Statistics, the total number of self-employed workers in the U.S. changed very little from 1986 to 1996. However, they project an 11% increase from 1996 to 2006, with sales related occupations being the largest segment.

However, according to the Small Business Administration, the number of self employed people actually dropped slightly from '96 to 1999, likely due to the robust economy and abundance of good paying jobs. This means that for these projections to hold true, the entire 11% increase would have to occur from 2000 to 2006.

## **But let's get to the bottom line: What are the growth trends of the network marketing industry itself?**

Since the top twelve publicly traded MLM companies provide the most reliable information, and they make up the majority of the largest, most well established companies, I'm again directing my analysis towards them, although an informal survey of unaudited data provided by private MLM companies reinforced these results.

From 1990 to 1995 annual sales growth averaged about 16%, and some years was as high as 30%. However, if we track the growth of these public companies, based on U.S. revenue only, you'll find that the average annual sales growth from 1996 to 2000 was 8.7%, reaching a low of just over 6% from 1999 to 2000. And the entire direct selling industry's growth rate dropped to a ten year low of 4.5% around this same time. Based on this information it would seem that industry growth was about to come to a grinding halt. But instead, the growth rate of these companies from 2000 to 2001 was 14.6 percent, more than double the previous year's rate! Without question,

the slowing trend has reversed. This is by far the strongest signal of pending momentum, when there is not only an increase in growth, but the rate of growth is also accelerating. Now, one year of doubling growth rates certainly does not guarantee a boom, however, one thing is certain - every company momentum phase throughout MLM history began with that first period of doubling growth rates.

There you have it folks. Not one, not two, but eight solid, powerful, verifiable reasons for finally believing in an upcoming network marketing explosion. No one knows exactly when it will happen, it could be next month, it could be next year, it could be anytime the first half of this decade. All we know for sure is, if you get involved now, and stay involved, you will be there when it happens. So hop on, strap in, and get ready for the ride of your life. It's gonna' be a blast!



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