Summary Report
Executive Industry Survey
1993 Multi-Level Marketing
Mail List and Respondents

5% out of those contacted did not respond. This is simply the result of rounding, which causes in a reporting error of
0.5% and 0.00. This is why, in tables that report percentages, not all of the percentages add
up to 100%. For example, in tables that report percentages, not all of the percentages add
up to 100. Careful readers will note that, in some cases, the averages do not reconcile

min: 5
max: 200
ave: 45

For instance, in the example below, the average is 45, but the responses ranged between
5 and 200. Because the purpose of this project was primarily descriptive, the results in this

A Note on the Statistical Analysis

This report focuses on these descriptive statistics.

Industry trends and properties. This report focuses on these descriptive statistics.

We also believe that, although multi-level marketing is used successfully by a wide
successfull companies, we are currently at work on developing this model, although
marketing journals. We are currently at work on developing this model, although
employed use in a successful marketing model for publication in academic
managing new salespeople. Our purpose of this study was to gather data that can
presented only for selling products--that is, for conventional salespeople--are also rewarded for recruiting and
exploiting new salespeople. One of the unique

The researchers associated with the project believe that multi-level marketing is an

Purpose of the Survey

1
Ways in which Distributors Spend Their Time

Questions that encouraged them to estimate the percentages of time expended on each of these activities are often performed simultaneously, we asked respondents a series of questions. Each time, the respondents were asked if they spent more than 50% of their time on a particular activity.

One conclusion that can be reached from these tables is that, at least 0.7% to 1.6% of the General population is likely to become an above-average performer, and 6.9% to 20% is likely to become an above-average performer.

A general conclusion that can be reached from these tables is that about 6% are top earners.

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Executive were asked to estimate how many of their active distributors are top earners, and that about 6% would be unlikely to become distributors.

The General population would be either very likely or moderately likely to become the General population that is likely to become a distributor, and of those, the percentage of new recruits is.

The results in Tables C and D reflect executive's estimates of the percentage of General Character of the Network.

Executive were asked to consider an American town whose residents have never heard of your company. If you think of your company, did you think of your company?
Differences in Distributor Productivity

Now compare Average and Above-Average distributors to Top distributors. Top distributors have a larger network, which requires a larger percentage of management time. Retail selling time is lower than the other two types of distributors. This is not surprising since a Top distributor has a larger network, which requires a larger percentage of management time. Retail selling time is lower than the other two types of distributors. This is not surprising since a Top distributor spends more time on retail selling than the other two types of distributors. However, they spend 20% more time on network management, and 50% less time on these activities. Distributors allocate the same percentage of their time to distributor recruiting. Table E and F report these results. Table E reports the average hours spent per month on each activity by each distributor type. Table F reports the average productivity of each of the three types of distributors. The productivity of Above-Average distributors is between 50% and 100% higher than the average distributor. The productivity of Top distributors is between 200% and 500% higher than the average distributor. The productivity of Top distributors is significantly higher than the average distributor.

Looking at the results, it is clear that Above-Average distributors spend significantly more time on retail selling, and significantly less time on network management. Top distributors spend significantly more time on retail selling, and significantly less time on network management. Retail selling is the most important activity for a Top distributor, followed by network management, and then Above-Average distributors.
Second, it is important to remember that, when compared with recrui". 

tur, this makes more sense for a Top Distributor to spend the remaining time on

ean of contacts. In other words, after spending 60 hours on recuiting and selling in

products, you decrease dramatically because there is a material limit to each distributor's

profitability. On average, distributors spend 76 hours per month earning $2,217 (7282 per

hour) in Above-Average Distributor works. An Average Distributor works 34 hours per month, earning $124 (712 per

hour). The income figures in Table C add a further perspective to distributor non-marginal

results. Sales figures are almost six times larger. However, as prices are more than these figures, a Top Distributor spends almost as many

hours recruiting (when compared with an Above-Average Distributor) but the

distributors are almost six times as efficient as Above-Average Distributors. Because of

these greater efficiencies, an Above-Average Distributor spends five as much time

selling when compared with Above-Average Distributors. Yet, Top Distributors are

However, these factors certainly do not mitigate efficiency to the point that

Distributors have a Top Distributor a Top Distributor, all commission plans level off at some level. All of these factors mitigate a Top

Distributor. In addition, at very large volume levels, commission rates do not usually

increase dramatically when volume increases. Over the commission levels, commissions rise do not usually

mean anything to distributors, who, in general, are likely to be less efficient than a Top

Distributor. Yet, Top Distributors spend 76 hours per month earning $2,217 (7282 per

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enjoyed the recognition (3)
interested in the business (3)
more free time (7)
associate with others (27)

Personal/Social Reasons (16%)

Others want to get products through them (1)
share products with loved ones (9)
get products at wholesale (6)
love/like products (19)

Product-Related Reasons (27%)

develop new career (1)
business opportunity (4)
financial independence (3)
change of building own business (2)
income opportunity (4)

Business/Financial Reasons (41%)

Reasons, categorized and sub-categorized:

Respondents were asked to list the four most common things that individuals mentioned as the reason they first became a distributor. Below are the most common Reasons for First Becoming a Distributor.

People were mentioned more than once. Jonathan, a long time member of the company, said, "I was hoping that some of the more popular materials could be combined with the existing materials and work to increase our profits. History has shown that WLM training materials can be very effective when it comes to offer their favorite pick for these classes. This means that Top Distributors can earn a significantly larger gross monthly profit than others with the same level of effort."

Training Material
Benefits and drawbacks of one-on-one (v.s. group) recruitment

BenEFITS

What they say:

of one-on-one recruitment, particularly as compared with group recruitment. Here is

These and other factors may not be

SuFFicient for success,

However, they recognize their income opportunity in a multi-level network is enhanced by

While it would be misleading to interpret such a wide array of reasons narrowly,

Several other reasons were mentioned only once. These included:

Help others
Absence of hype
Help non-profit groups
Self-determination
Develop new career

Several other reasons were mentioned only once. These included:

Simplicity of plan (1%)

Plan-related Reasons (6%)

Mission (2%)
Teaching program/support (2%)
Company track record/reputation (6%)

Company-related Reasons (10%)

are easier to organize a time to meet (5%)
allow the prospect ask questions and get answers (7%)
are easier to close (12%)
allow for better training, education, motivation (14%)
can be more effective on prospects' needs & objections (19%)
are more personal and/or individualized (26%)

As compared with groups, one-on-one presentations
Future M/L trends

determination of which approach is better for different situations. In their research, they identified potential factors that could influence the decision. The methods identified here may provide a benchmark for assessing the potential success of different M/L approaches. Furthermore, more productive and effective M/L models are usually more exciting and engaging for the audience. These trade-offs might be primarily in the area that the one-on-one

As most experienced distributors know, there are tradeoffs between one-on-one

\[ \text{Some single, common mistakes include:} \]
- Require a very knowledgeable recipient (5%)
- Are inconsistent in their methods (5%)
- Do not use any "show how"
- Result in fewer referrals (9%)
- Are not as professional/personal (10%)
- Are difficult to arrange or arrange (11%) (12%)
- Do not allow for third-party endorsement or testimony
- Take more time (13%)
- Have less (extended) easy (33%)

As compared with groups, one-on-one presentations

\[ \text{Drawbacks} \]
- Encourage a more open mind on the prospect's part
- Allow you to sell yourself
- Are more personal
- Do not require a "show how"
- Are better for higher retention
- Are better for long-term retail sales
- Are better for selection

\[ \text{Some single common mistakes include:} \]
- Are more realistic with less hype (4%)
- Are more relaxed and secure (4%)
- Establish better relationships
- Keep the prospect's attention (5%)
Less hype
Service, education and information

truthfulness
Simplicity
Service

Lastly, there were the following general predictions:

- Print, direct mail
- Multi-media strategies to support field sales division (TV, radio,
- IDM principles, initiating distributor networks
- More sales to actual customer
- Career path approaches
- A combination of direct marketing and network marketing
- More Eastern European expansion
- More Eastern European expansion
- More Eastern European expansion

Respondents also offered the following management-oriented predictions:

Product development innovation
- Bigger, better items
- Waterless technology
- Environmental
- Training and self-improvement programs
- Maintaining consumer products
- High tech products
- Computer-related items
- Communications products

The following product-oriented predictions were also made:

- Competitive pricing and greater use by major companies of MLM plans.
- 6% of respondents predicted increased MLM participation, including more
- 6% of respondents predicted general improvements in training programs.

- Nutrition and wellness products, including herbal and stress-relieving products.
- 12% of respondents predicted greater expansion and development of health,

Fax on demand

FacetoFace meetings, audio text phone, communication systems, computer conferencing and
faxes. Respondents predicted that this will include direct broadcast satellite to homes,
"family" forums, and "club" communication through satellite or (CD). Personal
advances in the communication technologies used to retail and manage sales
in addition to the unique perspectives listed below, 18% of respondents predicted
comfortable being candid.

you will have a good sense about whether or not these guarantees helped you to feel
business school by Business Week magazine. If you were a respondent to this survey,
Management (which has for the past four years been the country's number-one
Management Department and by the reputation of the Kellogg Graduate School of
ensured by the faculty member performing this research by the chairman of the
assist managers who would read these results. In addition, since confidentiality was

which, candid results would not jeopardize any individual company, and might very well

What's your guess as to how the results were used for a commercial's marketing gain. The survey pocket
results were not going to be used for a commercial's marketing gain. The survey pocket
concern, we made sure to focus on the academic nature of our research, and that our
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wants to make their company's situation look better than it really is. To address this
want to make their company's situation look better than it really is. To address this
report results because they fear they may be perceived as complicating or because they
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Lastly, here's a question about whether or not respondents reported what they

Representativeness of the Industry as a Whole.

executives have had experience as WLM distributors and managers, the results are
executives have had experience as WLM distributors and managers. However, to the extent that WLM company
of active distributors or network managers. However, to the extent that WLM company
the results represent their perspective on the industry, and not necessarily the perspective
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Second, because these surveys were completed primarily by industry executives,
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Generalization.

the respondents in this survey do seem to be representative, so there is good grounds for
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as to whether or not the results can be generalized to the industry as a whole. However,
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First, if the respondents are not representative of the industry, there is a question
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As with any survey responses, there are inevitable biases, but there is reason to
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A Note on Generalizing from These Results

the years go by,

Clearly see the industry maturing and developing greater credibility and competition as
the years go by,
dominance of health and nutrition products, a product category that has always been a
dominance of health and nutrition products, a product category that has always been a
may feel a greater impact from these advances. Respondents also predicted continued
may feel a greater impact from these advances. Respondents also predicted continued
unquestionable communication challenges associated with WLM management. The WLM Industry
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advancement of communication technologies. These respondents suggest that because of the
advancement of communication technologies. These respondents suggest that because of the

While it is true that sales forces of all kinds will benefit from greater use and

More honesty
The usefulness for network productivity improvement small number of multi-level marketing firms on fine-tuning the model and demonstrating data allows us to begin implementing the model, but we hope this work closely with a helping manage the productivity and growth rate of their networks. Our survey networks. This model, when used and implemented, will be available in analyzes how particular compensation plans affect the growth and productivity of MLMs. Results will greatly enhance our efforts in developing a computer-based model designed to enhance research effort. These surveys

Future Research
<table>
<thead>
<tr>
<th>Minimum</th>
<th>Maximum</th>
<th>Average</th>
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</thead>
<tbody>
<tr>
<td>0</td>
<td>93</td>
<td>12</td>
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Percent of Business that is Not in U.S.

<table>
<thead>
<tr>
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<th>Maximum</th>
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<tbody>
<tr>
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<td>6</td>
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Years in Business

<table>
<thead>
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<th>Maximum</th>
<th>Average</th>
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</thead>
<tbody>
<tr>
<td>0</td>
<td>31,600,000</td>
<td>31,600,000</td>
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Annual Revenues

<table>
<thead>
<tr>
<th>Minimum</th>
<th>Maximum</th>
<th>Average</th>
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<tbody>
<tr>
<td>250</td>
<td>300,000</td>
<td>40,000</td>
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</table>

Size of Network

Who Responded to the Survey?

Table A
**Retail Markup**

Minimum: 20%
Maximum: 100%
Average: 49%

Distributors tend to sell at the suggested markup. (Note: an overwhelming number of respondents reported that retail markup is over 50%)

**Minimum Wholesale Group Volume**

Minimum: 2,000
Maximum: 2,900
Average: $16

Required to Earn Lowest Commission Rate

**Lowest Commission Rate Available in the Plan**

Minimum: 4%
Maximum: 33%
Average: 10%

**Minimum Wholesale Group Volume**

Minimum: 50
Maximum: 55,000
Average: $36,000

Required to Earn Highest Commission Rate

**Highest Commission Rate Available in the Plan**

Minimum: 8%
Maximum: 75%
Average: 30%

What were respondents’ commission structures?

**Table B**
Percent of the General Population that is...

**TABLE D**

Percent of Distributors Reported To Be...

Minimum: 74%
Average: 70%
Maximum: 97%

**Unlikely to Become a Distributor**

Minimum: 2%
Average: 16%
Maximum: 46%

**Moderately Likely to Become a Distributor**

Minimum: 1%
Average: 12%
Maximum: 50%

**Very Likely to Become a Distributor**

Minimum: 0.5%
Average: 6%
Maximum: 20%

(Those who make outstanding monthly income)

**Top Income Earners**

Minimum: 1%
Average: 21%
Maximum: 69%

(Those who do well but not outstanding)

**Above-Average Earners**

Minimum: 20%
Average: 72%
Maximum: 98%

(Those who earn the lowest monthly income)

**Average Income Earners**
<table>
<thead>
<tr>
<th>DISTRIBUTOR</th>
<th>DISTRIBUTOR</th>
<th>DISTRIBUTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ave</td>
<td>Ave</td>
<td>Ave</td>
</tr>
<tr>
<td>%36</td>
<td>%34</td>
<td>%32</td>
</tr>
<tr>
<td>%10</td>
<td>%21</td>
<td>%23</td>
</tr>
<tr>
<td>%52</td>
<td>%42</td>
<td>%44</td>
</tr>
</tbody>
</table>

(Expressed as a percentage of total hours)

**Average Distribution of Distributor Activities**

**Table E**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
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<tbody>
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<td>0</td>
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<td>11</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>500</td>
<td>490</td>
<td>34</td>
</tr>
</tbody>
</table>

(Expressed as hours per month)

**Distribution of Distributor Activities**

**Table E**
<table>
<thead>
<tr>
<th>Productivity of Distributor Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ABOVE-AVERAGE DISTRIBUTOR</strong></td>
</tr>
<tr>
<td>Number of New Recruits Per Month</td>
</tr>
<tr>
<td>Max 15</td>
</tr>
<tr>
<td>Min 0</td>
</tr>
<tr>
<td>Avg 418</td>
</tr>
<tr>
<td>Income Per Month (in dollars)</td>
</tr>
<tr>
<td>Max 1,100</td>
</tr>
<tr>
<td>Min 24</td>
</tr>
<tr>
<td>Avg 2523</td>
</tr>
<tr>
<td>Value of Product Sold (wholesale $)</td>
</tr>
<tr>
<td>Max 48</td>
</tr>
<tr>
<td>Min 0</td>
</tr>
<tr>
<td>Avg 8</td>
</tr>
</tbody>
</table>

| **TOP DISTRIBUTOR**                   |
| Number of New Recruits Per Month     |
| Max 160                              |
| Min 0                                |
| Avg 20                               |
| Income Per Month (in dollars)         |
| Max 63,000                           |
| Min 1,000                            |
| Avg 12,217                           |