

# Harvard Business School Review

## Direct Sales & Multi-Level Marketing

### 2011

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This article is credited to the Harvard Business School.

Network Marketing is being taught at more than 200 colleges, including Harvard Business School. After extensive research into the network marketing industry, Harvard Business School developed three criteria that a network marketing company must have in order to make it a most desirable opportunity. They are as follows:

- 1) The company must be at least 18 months old.
- 2) The company must have a product that is highly consumable. Having a product that is highly consumable means repeated sales, thereby guaranteeing customer loyalty versus a one-time sale and having to source new customers.
- 3) It needs to be a “ground floor opportunity”. Harvard Business School suggests that in order for the opportunity to qualify as ground floor the number of existing reps must be less than 1% of the total population of the country where the company is operating. In the United States, this figure is equal to 1.5 million people. If the company has less than 100,000 distributors, Harvard Business School considers it to be ONCE-IN-A-LIFETIME opportunity.

In addition, Harvard Business School states there are four distinct stages of growth in a network marketing company. They are as follows:

- 1) Foundation - This usually last approximately six months and is when a company develops its products and marketing plan.
- 2) Concentration - This period lasts approximately 2 to 4 years from when the distributor network is started.
- 3) Momentum- This period lasts 2-4 years also. This is when the company experiences phenomenal growth and distributorships’ businesses explode. It is during this period that the company virtually sweeps the nation. When a company’s sales reach 50 million, it reaches what is called critical mass (Sales go vertically right off the graph)

For example, when Herbalife reached \$50 million, sales jumped to \$151 million in only 12 months and they added over 800,000 new distributors to their organization. Say an organization is producing a bonus check in the amount of \$1,000.00 per month. When the company reaches critical mass, distributors automatically experience a 10 fold increase in their earnings. In other words a \$1,000.00 check per month becomes \$10,000.00 per month. This is the reason for getting involved on the ground floor, so you will experience the benefits of explosive growth

- 4) Stability- This is the period that lasts for the life of the company. A network marketing company that is dedicated to the success of its distributors will experience longevity, thereby insuring that an active distributorship will realize continued earnings growth

So, based on this data, the people that are preaching about waiting until a company is 4 years old lose out on the true, high dollar positions. If you are NOT in by year 4, you will make money BUT the upline makes SUBSTANTIALLY more money...because of their position.