

DIRECT SELLING:
**THE RIGHT PLACE,
THE RIGHT TIME**



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TAKE A CLOSE LOOK AT THE
EMERGENCE OF AN EXCITING
DISTRIBUTION CHANNEL:
DIRECT SELLING.

If you are thinking about joining a direct selling (or network marketing) company, you may well be in the right place at the right time. Although the industry dates back more than 100 years, it was profoundly changed by innovative approaches to networking developed during the 1950s. And with recent advances in computer software that could manage large sales networks, and the advent of next-day shipping and Internet technology for global communication and e-commerce, the business has mushroomed since the 1980s and 1990s. On the cusp of the new millennium, the industry is poised for major global expansion.

In direct selling companies, distributors make money by selling products directly to consumers. They can also make money by building their own sales organizations and receiving commissions or bonuses on the sales generated by the distributors in those organizations. They build these sales organizations (often called "downlines") by recruiting new distributors, and helping those new distributors recruit other distributors, and so on.

Much of the power of direct selling springs from the fact that most people tend to seek advice about products, services and even business opportunities from their friends and relatives. Direct selling allows people to put that trust to work in a positive way that can improve the lives of those who give the advice, as well as those who take it.

Hard Facts About a Growing Industry

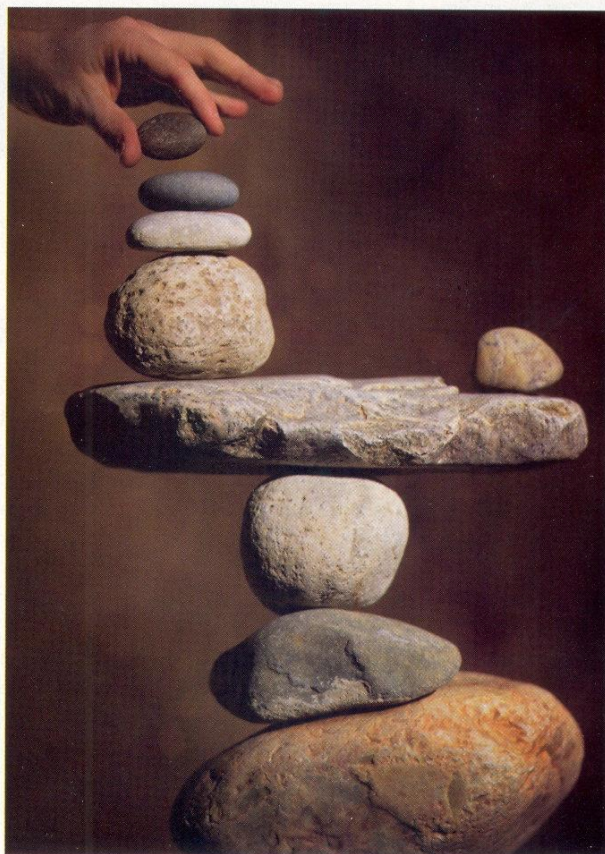
- In excess of 13 million people in the United States are distributors for direct selling companies; one in 10 households have a direct seller.
- There are more than 53 million direct selling distributors worldwide.
- U.S. sales in the direct selling industry are in the \$30 billion range. Worldwide sales approach \$90 billion.
- Direct selling is offered in more than 140 countries.

- The Direct Selling Association projected in 1998 that within 10 years, more than 200 million people will be recruited worldwide by direct selling companies.

Why Millions of People Are Getting Involved

Millions of people from all walks of life consider direct selling to be a timely opportunity. Becoming an independent distributor can fulfill important needs and fit within the time and money limitations many people face.

Virtually No Investment Required: Most companies require only the purchase of a modestly priced sales kit (\$25 to \$100) to get started.



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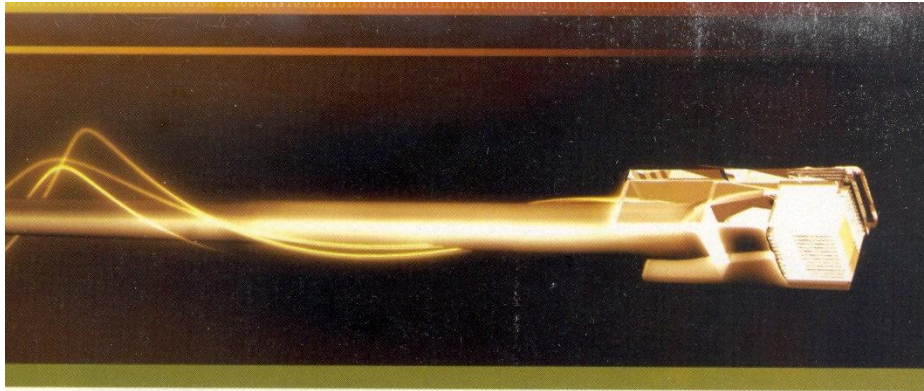
The Chance to Own a Business: Because direct selling can easily be done part time, and worked around a full-time job, it gives people who work for someone else the chance to own their own businesses and jump into the world of entrepreneurship. In this world, they are rewarded for risk-taking, and have control over their working environments.

Extra Income and Possible Tax Benefits: Direct selling allows people to earn additional income in their spare time, or even create a full-time, high-paying career. Plus, they may

enjoy some very real tax benefits through operating their own home businesses.

An Ideal Home-Based Business: The vast majority of network marketers run their businesses from their homes, making it perfect for those who want to earn extra income, yet still spend time with their families.

Social Interactions: In an age in which we find ourselves "cocooning" into our own homes, one of the greatest attractions network marketers point to is the plus of social networking. Because this is a people busi-



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ness, distributors make many new friends and acquaintances.

Self-Esteem: Every direct selling company gives its distributors recognition for their achievements. Thanks to this recognition, many distributors have found new self-esteem.

In Tune with the Times

With the nation's leaders imploring citizens to become financially empowered and to take responsibility for their own financial destiny, and with the majority of new jobs coming from small business enterprises, networkers are becoming increasingly aware that they are in tune with the times.

In fact, during the last decade, individuals could not help but notice several trends in our modern economy:

1. Corporate America was downsizing and job security became an oxymoron.
2. Statistics showed that most new jobs were coming from small businesses.
3. The era of "home-based" business had begun, and suddenly there were millions of home-based businesses.
4. The term "networking" became a media buzzword.
5. Everyone wanted to be an entrepreneur and get in on the "entrepreneurial revolution."

A Maturing Industry Earns a Positive Reputation

As direct selling matures, the rough edges of its youth are being smoothed out. Today, legal and ethical rules and regulations from both inside and outside the industry are in place to help prevent the abuses of the past from recurring. Most direct selling companies' corporate leaders and top distributors,

knowing that a reputation for integrity and fair-dealing is critical to their success, zealously promote and enforce strict standards of ethics. As a result, the industry's old reputation is being replaced by its new, mainstream posture in the business world.

Here are some signs that this is happening:

MAJOR CORPORATIONS HAVE ADOPTED DIRECT SELLING. Giant corporations have marketed some of their own products and services through direct selling channels—companies such as MCI, Sprint and Citibank. For many corporations who observed some of the earlier successes of this alternative channel of distribution, a number of conclusions were reached:

1. It was a great way to introduce brand new products.
2. It seemed to work well for products that needed demonstration or testimonial.
3. It was a great way to reward the consumer for sharing excitement about products.
4. This method could result in rapid penetration of the market.
5. Since commissions were only paid on the movement of product, while massive and costly advertising campaigns could be avoided, it seemed efficient and economical.

THE FINANCIAL MARKETS HAVE RECOGNIZED THE POWER OF THE INDUSTRY. The direct selling industry has reported steady annual growth, healthy cash flow, high return-on-investment (ROI) and long-term international growth. Investment bankers and private capitalists—such as Activated Holdings, Whitney & Co., Farley Inc. and Warren Buffet's Berkshire Hathaway—have made recent investments in direct selling companies.

NATIONAL TRADE ASSOCIATIONS REPRESENT IT. The industry is now served by two national trade associations: the Direct Selling Association (DSA) in Washington, D.C., and the Multi-Level Marketing International Association (MLMIA) in Newport Beach, Calif.

THE INDUSTRY HAS GIVEN BIRTH TO PUBLICATIONS, CONFERENCES AND SEMINARS. Several national publications have appeared in the last few years to keep the industry informed. Major newsstand publications such as *Entrepreneur*, *Fortune* and *Success from Home* cover direct selling topics. Academic conferences on direct selling have also developed. The University of Illinois at Chicago created the UIC Certificate Seminar in Network Marketing, launched in 1994, as a university-level educational program for direct selling practitioners. Over the last 10 years, the seminar program has been conducted 23 times worldwide and has become *the* global standard for professional education in direct selling. The University of Houston and the University of Texas at El Paso have also sponsored direct selling conferences.

THE FEDERAL GOVERNMENT HAS RECOGNIZED DIRECT SELLING. Congress recognized the industry by amending its tax laws on independent contractors to establish that, if distributor agreements were properly worded, direct selling companies are not employers

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and distributors are not employees for federal withholding and tax purposes. The IRS developed its own special publication (Publication 911) to aid direct sellers in preparing their income tax returns.

STATE GOVERNMENTS HAVE RECOGNIZED IT, TOO. Recent direct selling distribution statutes, which have been adopted in several states, are perhaps the clearest indication that the industry is reaching maturity. The new statutes specify requirements for distributor agreements, buyback policies, registration, disclosures of information, earnings representations, etc. Also, many states are following the federal government's lead in exempting direct selling companies from unemployment compensation laws and other withholding laws in recognition of the independent contractor status of distributors.

The "Perfect" Products for Direct Selling Companies

In the early days of the industry, most direct selling companies carried cosmetics, nutritional, personal care or home cleaning products. While these types of products are still heavy hitters, today's companies have found that they can sell almost anything and everything through direct selling, including services.

If a product benefits from demonstration, explanation or personal testimonials, it's a good candidate for direct selling. That's because networkers share their excitement about products with their families, social organizations and co-workers. They demonstrate and explain the products, and tell others what the products have done for them.

Are You Right for This Business?

It takes all kinds of people to make the world spin. And it takes all kinds of businesses. But not every type of person is right for every type of business. Are you right for direct selling?

To answer that question, here is a list of what you must do to become a successful network marketer:

Company in Focus: Nikken International

According to Jeffrey Babener and Dr. Charles W. King, internationally recognized and published experts who also teach network marketing at the University of Illinois, here are some of the salient factors that make Nikken International an emerging global leader in the direct selling industry in the new millennium.

A solid track record

Nikken is one of only a handful of direct selling companies that have been in business for 30 years. That stability shows strength of mission, product, distributor base and opportunity.

Strong infrastructure

Nikken is recognized for its state-of-the-art warehousing, logistics, fulfillment and customer service.

Focused on a "total wellness solution"

Rather than focusing on one segment of the wellness industry, Nikken's product strategy is multifaceted. Nikken has taken a total wellness approach and provides product solutions in four key wellness categories: rest and relaxation, environment, fitness and nutrition.

An innovator

Nikken pioneered the application of magnet technology based on numerous scientific studies and patented technology to develop a comprehensive line of health and wellness products, with Nikken applications validated in clinical studies published in leading medical journals.

Committed to continued research

Nikken has funded extensive wellness research through funding of the Nikken Imaging Center at the University of California-Irvine and ongoing support of magnetism research at the Magnetic Health Science Foundation in Japan.

An industry leader

Nikken has achieved membership in the "Billion Dollar Sales Club," which includes the largest direct selling companies in the world.

Training and education

Nikken has one of the most comprehensive professional distributor training programs in the industry: Nikken University, an outstanding educational platform for personal skills development.

Is centered on a deep-rooted philosophy

Many successful businesses are often guided by a strong philosophical belief. Nikken has just that in its Five Pillars of Health™. Nikken believes that total wellness requires more than physical well-being. It requires balance in life. Nikken's "Five Pillars: Healthy Mind, Healthy Body, Healthy Society, Healthy Family and Healthy Finances" is a guiding principle in every aspect of their business.

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1. **Meet people.** This is a people business. To be successful in direct selling, you have to let your hair down and mix it up with other people. The only way you'll make sales or find recruits for your sales organization is to get out there and rub shoulders.

2. **Believe in your products.** If you don't use the goods or services your company offers, and you don't sincerely believe that you're doing people a service by offering these items to them, it will show up in your sales. You need to be the type of person who can get enthused about sharing good things with others.

3. **Be patient.** Direct selling is like any other activity. You have to give it time. When you find a good company, you should give your new business at least two years to succeed.

4. **Attend company training programs.** Most companies have high-quality training programs to teach you to sell the products and to recruit new distributors. If you want to be successful in this business, you must be willing to take advantage of ongoing training opportunities and incorporate what you learn in your daily operations.

5. **Work with your sponsor, and work with those you sponsor.** A direct selling sales organization is very much like a family. When you first join a company, you are like a child who should be anxious to learn the ropes from the person who sponsored you. As you learn and gain experience, you should actively work with the distributors you sponsor, and help them do the same for the people they sponsor. The more success they achieve, the more success you will achieve.

6. **Think positive.** Remember, this isn't a get-rich-quick scheme. There will be hard work. There will be rejection. If it takes 10 presentations to make one sale, you'll have to wade through nine rejections. If you're the type of person who can maintain a positive attitude, you'll have an advantage in direct selling.

7. **Get organized.** This is a business. To succeed, you must be the type of person who can get down to business by being organized and methodical. Make good use of time planners. Use your home computer for tracking customers and recruits. Set aside a place in your home that is only for business.

8. **Be loyal.** Don't become a "multi-level junkie!" Don't bounce from one direct selling program to another, a prescription for failure. The most successful distributors are those who focus on promoting the products or services of a single direct

selling company over a long period of time. Find the right company and then stick with it. Loyalty pays.

9. **Work!** Direct selling is not a quick, easy path to a lifetime of prosperity. Nor is it a free ride to wealth that requires absolutely no effort on your part. It doesn't work that way. In fact, it doesn't work at all unless you do! You have to devote time and effort to it, especially at first. It can bring huge rewards.

If you think you can do these nine things that direct sellers have to do to succeed, and do them well, this business may be right down your alley! **SH**

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Charles W. King, Professor of Marketing at the University of Illinois at Chicago, is involved in extensive, ongoing research on direct selling and distributor operations, focusing on professionalizing direct selling. He is a frequent international speaker and has been a contributor to many well-known publications on direct selling topics.

