

COLD FACTS EXPOSED

"HEAVY HITTER" WITH 49+ YEARS OF SUCCESSFUL NETWORK MARKETING EXPERIENCE REVEALS HOW TO RECOGNIZE THE PITFALLS & CHALLENGES OF MLM ALONG WITH A STRATEGY ON HOW TO HELP ACHIEVE YOUR FULL POTENTIAL.

This booklet contains an overview of the most expensive and extensive analysis of the Network Marketing industry ever conducted. This study took three and one-half years to complete and examined 342 of the TOP MLM companies in the world. Since the initial study, more than 1,000 programs have been analyzed.

SAVE THOUSANDS OF DOLLARS IN MIS-MARKETING AND IMPROVE YOUR CHANCES FOR SUCCESS!

Find out how some companies structure their programs to favor only the top 1% of networkers and how that prevents you from achieving your full potential.



FINALLY! The information that can empower you to succeed!

Cold Facts Exposed -- Third Edition © by Mike Akins

ENDORSEMENTS

“Mike is well known in the network marketing industry for his outstanding leadership skills. His successful legacy covers several decades. Recently, Mike was rated as one of the top 50 networkers in the world. We enjoy working with professionals such as Mike.” —Phil Longnecker, President and CEO of Cutting Edge Media.

I have been involved in network marketing for 35 years. I joined Mike’s organization 26 years ago. I have known the best minds in this industry. Mike has proven to be the wisest leader that I have ever known. His marketing philosophies and strategies have assisted a great number of people in their quest for success, not only in his groups but for thousands of people outside his organizations.” —Richard Potts, Wichita, Kansas.

I have been in this industry for a great number of years and have known the best of the best in this industry. For the past several years have worked with Mike Akins. Mike knows more about this industry than anyone I have ever heard.” —Richard Talkington, Illinois.

I was a Lt. Commander in the Navy. I served in a corporate liaison position for the international Boeing Aircraft Company to congressional investigators, and key negotiation positions within a Fortune 500 company, Honeywell Corporation. I taught communication related subjects for UCLA and the University of Washington, and continue to be on the U of W Board of Advisors. I have been in the MLM industry for a number of years. My point is I have been around. I have never met anyone with the insight that Mike has in life, especially in this industry.” —Dick Helgeland, Seattle, Washington.

**"Industry Veterans name Mike Akins the Greatest Networker
in the World."**

Money Maker's Monthly, July 2001

"Mike Akins - A True Professional Networker with a Heart for Others."

Money N' Profits, May 1998

“Is This Man the World’s Greatest Salesman?”

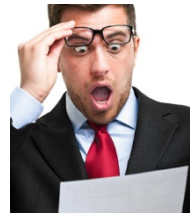
Millionaire Blueprints, January/February 2006

“Mike Akins has a knack for success and for helping others.”

Cutting Edge Opportunities - Oct. 1999

My name is Mike Akins. I have been successfully involved in the network marketing industry since 1967. This is the third edition to a booklet I wrote in 1997. The basic content has remained the same. In this booklet I am going to expose facts that only individuals who are in the inner cycle of leaders and company owners are aware of. I will share information with you that could **give you the edge in this industry**. The information in this booklet is based on my **three decades of experience** and from an extensive **study of the network marketing industry**. As far I know this is the most extensive study of the industry ever conducted. This information is a courtesy, from me to you. I will not even share with you what program I am promoting in my personal business. The purpose of this synopsis is to **enlighten the “grassroots” distributors** in this industry of the hidden dynamics that are affecting their success. **This is my tribute to the industry for the blessing it has been to my life and the lives of my loved ones for more than three decades. I have become wealthy through this industry.**

I am an insider in this industry. I have participated in Advisory Board meetings, listened to the thoughts of founders and leaders in this industry. You may **be shocked by an insider’s perspective of the truth behind the propaganda** promoted by some MLM companies and network marketing leaders. This is a wonderful industry but you must learn to navigate around its pitfalls. Many grassroots distributors and even leaders are being used by some of the heavy hitters and companies in this industry. Often heavy hitters and corporate management are actually blind to what they are doing. It is time for a change. I have thousands of distributors that have been with me for years. Some of these individuals have been associated **with me for more than 30 years. I have one of the lowest attrition rates** in the history of network marketing. I want you to know what I have discovered.



If something has been tried in network marketing, I have tried it. I’ve learned a lot the hard way. **I grew up in poverty**, was an insecure **introvert**, and **stuttered profusely** at the age of 19 when I entered this industry. For eight years I worked night and day, trying every technique possible, scratching my way to the top. Some of what I found at the top I didn’t like. Although I had reached the top of the industry, in my heart I was still the “grassroots” distributor.

What I have learned about this industry has allowed me to build organizations totaling more than 150,000 distributors (400,000+ as of November 12, 2012). My intentions are not to edify myself in this expository. I want to establish my credibility so that you know that you can depend on what I share with you. In June 2001, an editorial in *Money Maker's Money* referred to me as the **“greatest networker in the world.”** **More important to me, is an article in the trade magazine *Money N' Profits* in May 1998 said, "Mike Akins is a professional networker with a true heart for the members of his organization."** This is the reason I am writing this synopsis. I have **more “grassroots” distributors achieving success than any other leader in this industry** (that I know of). You can know how to avoid stumbling stones and have the wisdom to achieve your full potential in this industry. **Hundreds of**

testimonies are already flowing into our offices proclaiming how the information in this synopsis has revolutionized their approach to network marketing!

I will give you a little background. At the age of 41, I was able to retire and live on the residual income that I had developed throughout my career. During this period of time, my staff serviced my downline members. For seven years I was able to devote my life to humanitarian causes and to things of great value to me. I was touched by the tremendous suffering that a vast number of people are experiencing in our great country. I found that I needed more income to touch more lives. I decided to **re-enter the industry at the age of 48** with the goal of increasing my income to **ten million dollars per year. I live on approximately 5% of my income.** The rest is invested in supporting my downline organizations and used in humanitarian causes. I do not intend to edify myself. I only desire to give you a clear picture of why I am sharing this information with you.



In re-entering the industry, I desired to develop one more organization in a program that was relevant to the current market dynamics. The programs that I had existing downlines in **did not mature with the evolving paradigm** within the industry. I realized that I could not accomplish my goals in these programs. I had no desire to disrupt my existing organizations. My full-time staff, to this very day, provides support to every distributor in all of my downlines that requests it. My passion was to develop one more organization that would be a lighthouse to this industry.

In order to make the best possible selection, I decided to finance the most extensive study of the network marketing industry ever conducted. I am a partner in a research and marketing firm, Research & Marketing Consultants. I have another company, ABM Investments. **I authorized these companies to conduct a study of 40 years of network marketing history. In this study, more than 300 current programs were examined. (Since the initial study, more than 1,000 programs have been examined).**

Market trends, marketing techniques, commissions structures, product philosophies, leadership migration, reasons for company failures, attrition, and many other factors were carefully analyzed. They had access to information on two million distributors and customers. They were able to study their sponsoring and buying patterns. The results of this study confirmed much of what I have suspected.

We discovered through this study that many of the ideologies that have been promoted in this industry were wrong. I am sure you have heard these perspectives before. One such cliché was that the average networker only sponsors two people. We found that the average distributor that sponsors anyone actually sponsors more than two people. The idea of “only two” was actually created approximately 11-12 years ago by the binary crowd. You probably have heard that your chances of success are greater in companies that have been around 5 or even 10 years. Our study found

that more people have failed in companies that have been around more than 10 years than in all the programs that have gone out of business.

From this study, I selected six programs that fit the criteria derived from the study. In the following synopsis, I will share an **overview of this three-year study**, and my observations developed during my career of over three decades. This synopsis is generic and does not promote a particular program because the need to get the truth out far exceeds my personal financial ambitions. I believe the industry is in trouble. We need to clean house from within. This is my part of that process. **The information from this study can make the difference between success and failure for a majority of people.**

Throughout my career, I have been **frustrated at the percentage of people that have worked their hearts out without achieving a decent degree of financial success.** At first, leaders like myself **blamed** the lack of results on the lack of personal effort of the part-time networker. Sometimes we **blamed** it on the product line. When companies failed, we would **blame** it on the owner's mismanagement or lack of ethics. We blamed the type of product or service we offered. **Little did we know** that the majority of company failures and the individual marketer's failures were many times connected. There were and are certain **dynamics** at work in the overall network marketing industry, structured into the majority of programs that have created this negative market scenario, **guaranteeing failure for millions of innocent marketers while lining the pockets of an elite few and earning big profits for the company.** **It is vital for you to understand these factors so that you can avoid these pitfalls.** The network marketing industry developed and presently maintains an attrition problem that is not being addressed in an effective manner. The attrition challenge has prevented thousands of networkers from developing the residual income they deserve. There are specific reasons for this problem.

In response to this fundamental problem, certain **trends developed** that only **confused and worsened the challenge.** As the years have come and gone, a clearer picture has formed of the realities involved. It is time to address these fundamental problems. Never before has the economic "climate" been so **"ripe" for the network marketing industry.** Due to **corporate mergers** and a **competitive investment environment,** **downsizing** has become commonplace. **Replacing** more costly, **older wage earners** with less costly, younger wage earners is a frequent practice. Many of the elderly face a "Social Security Crisis." In general, avenues that were available to the American public in the past are no longer open. The average family has less personal time and money to pursue their dreams in life.



In concept, network marketing is one of the few avenues within reach of average American wage earners that can radically change their financial picture. In spite of the attraction of the network marketing industry, there are serious obstacles that must be overcome before the benefits of network marketing are made more available to the majority of networkers.

A survey conducted by “*Money Makers Monthly*” estimates that there are **11 million people in the USA** involved in the network marketing industry, with an **additional 50,000 joining weekly**. Verifiable testimonies of **truck drivers, waitresses, and grandmothers** in their 60s, alongside medical doctors, business owners, and lawyers who **earn \$10,000-250,000 per month** generate hope and excitement in thousands of frustrated Americans. Network marketing has gained a certain degree of legitimacy in our society. **Thousands of professionals, from all walks of life, have entered the network marketing arena**. Many of them have done very well in the business. Renowned magazines, such as *Success* magazine, have added to this credibility. **Unfortunately, this credibility and success have not been financially beneficial to the majority of networkers.**

Our study revealed that, for a ten-year period, the number of people working in network marketing stayed fairly constant at around six million networkers. Approximately the same number of networkers dropped out, as joined the industry. For an industry with the power of geometric growth at the very foundation of its existence, these are disturbing facts. If, in ten years, the network marketing industry would have averaged just one new enrollee per member, the industry would have doubled.

Network marketing is a powerful tool through which to enhance lifestyle, but this opportunity, by design, has been outside the reach of the majority of networkers! It doesn't have to be!



The high rate of attrition **reflects certain challenges that networkers encounter**, such as companies going out of business, owners changing the program midstream, wrong marketing philosophies, illusionary products, systems that sizzle then fizzle, flawed marketing strategies, and legal problems. In legitimate programs *we discovered that the number one reason for failure at the grassroots level was the lack of training and support*. There is plenty of motivational training but a **lack of practical training**. There is also a lack of support because very few “players” in the industry are willing to reinvest into their downlines. **Greed and ignorance are key issues here**. In the past few years there have been shifts in marketing paradigms. There are more programs that are designed for the majority of marketers. I am, along with a few other leaders, setting a standard that we believe is slowly affecting the paradigm in this industry. I reinvest a great deal of my overall income back into the people that are responsible for my income. **I have learned through my conventional businesses** that you have to invest into your employees if you are going to become very successful. The principle is the same in network marketing, but leaders are slow to learn this reality.

One of the **greatest obstacles to success for the majority of network marketers** has been **compensation programs that are not designed to benefit the majority of networkers**. During the past three decades, more than 2500 programs have come and gone. Only a very few have survived. **The startling fact is that there are more people**

that have failure in the companies that have survived than the total number of distributors in all the companies that have gone out of business. This ratio is true even when comparing equal time periods.

Our extensive, three-year study revealed that the greatest threat to the networker is not companies going out of business, but it is the common paradigm or “mind set” held by company and industry leaders.



Although the danger of a program disappearing is a real threat, the **real danger to a networker is in the programs that do succeed at the company level, but 85% of their distributors fail to break even on their own product purchases.** Our survey indicates that this percentage is an industry average. From our extensive survey, we were astonished at the results. Regardless of how large the organization becomes, the percentage stays the same. Our research uncovered that an **underlying attitude among industry leaders** is the fundamental reason for this crisis. I chose the word “crisis” because I believe that the very existence of the network marketing industry is at risk. **Any industry that has such a high level of attrition will eventually encounter a major backlash.** Attrition is more than a statistic. It represents discouragement, frustration, and emotional suffering at a personal level. The very nature of network marketing lifts the individual’s hopes and expectations to unparalleled heights. **When these hopes are destroyed, personal injury is experienced.**

Thousands of networkers have poured their hearts out, doing exactly what the industry leaders have trained them to do, only to fall short of their goals. The majority of **training available is flawed**, because it is based on *propaganda* promoted by individuals who are attempting to **maintain the imbalance in wealth distribution.** The negative *legal climate* is a result of this condition. The number of *complaints* received by state and federal legal entities is unprecedented. There are a number of individuals who feel that they have been wronged by the networking industry and have **used the legal channel to express their hurt and outrage.** Unless a greater percentage of networkers are allowed to achieve success in the network marketing industry, **“our days may be numbered.”** In the past few years, a new, aggressive attitude has surfaced with the FTC. Large companies, such as Omnitrition, JewelWay, Destiny, and FutureNet, considered legitimate within the network marketing industry, have *been attacked* by legal agencies.



The **future** of network marketing is in the hands of networkers like you and I. We need to make better decisions concerning the programs that we work. Twenty years ago, **network marketing was at a crossroad.** In reaction to an FTC report, exposing a major attrition problem in the network marketing industry, a few companies, such as Olde Worlde and Enhance, offered programs that shared a greater percentage of the wealth with its distributors, while spreading the commissions more fairly between a few heavy hitters and the rest of the majority of networkers. For example, I had a large

group in Olde Worlde. Due to the structure of the pay plan, for seven years **my organization experienced one of the lowest attrition rates in the industry, while a greater percentage of the members made a nice income.** Company leaders, with traditionally structured programs, conducted an *effective propaganda campaign* against this potential revolution. **The majority of distributors bought this dogma and the revolution died. We are at this crossroad again.** Several network marketing companies have introduced revolutionary programs. Dozens of magazine articles, books, and reports written by industry critics and leaders are flooding the market with this traditional propaganda. **If they succeed with their campaign, the part-time networkers are once again the losers!** If we become more informed, we can make better selections and force the industry to modify its approach to the part-time distributor.



What the majority of networkers do not understand is that the **company owners and heavy hitters are in competition with them for the “commission dollar.”** The more the company pays the average networker, the less there is for the owners and their “front” leaders to keep. Traditionally, pay plans are designed so that a few network marketing leaders earn astounding incomes quickly. They know that the experienced networker can put together a sizable organization through their promotional skills **in spite of poor payout to the majority of networkers.** A *few large checks* are created at “breakneck” speed, **at the expense of the majority of networkers,** to give the *appearance* of a lucrative program. It is much more lucrative for the company to pay out a few large checks than to pay a fair amount out to a large distributorship base. In structuring the pay plan to distribute the majority of commissions in depth, the company generally does not **pay out the maximum potential of the bonus schedule.** Only “players” that can build large organizations can really earn a great deal of income.

There is **only so much gross profit to divide** within the pay plan. When companies *imbalance* the pay plan toward the heavy hitter, windfall is **stolen from the rest of the distributors.** There is a great deal of **misinformation** distributed from companies and heavy hitters concerning this subject. Why? **They are protecting their incomes and profits.** I have been the “heavy hitter” for most of my career. We have *studied* my genealogy reports that probably number close to a few hundred thousand members. The independent research firm that conducted our study reviewed genealogies containing the purchasing and sponsoring patterns of two million individuals. Approximately **90% of all networkers that we studied had most of their downline organizations within their first three levels** (excluding binaries, which use a different basis for analysis). By placing the majority of the commissions below that level, companies are able to retain a greater share of the gross profit. **Only a few individuals earn “in-depth” bonuses.** By paying a few people very large bonuses, **the companies overall pay out far less in commissions than if they paid the**

majority of networkers a fair bonus. In addition to this maneuver, they can boast of having the highest paid distributors, attracting even more deceived beginners.

In reality, this is a shortsighted approach. For **personal gain**, the industry leaders have forfeited the long-term stability of the network marketing industry. The *attrition rate in network marketing is atrocious!* The highest paid networkers do not re-invest enough of their earnings back into supporting the very distributors who have generated these huge incomes. It is typical in any other industry for those who benefit most from the efforts of others to re-invest a portion of their earnings back into the base that generates these earnings. Heavy hitters in the network marketing industry have a legacy of being greedy and that is a major reason so many them last only a short time in any one particular program. After they are in a program for a few years, the attrition rate forces them to work harder, trying to maintain what they have built. Only a handful of heavy hitters stay with the same program long term. **Those who have large downlines must have new members coming in at the same rate as the number of members leaving.** At that point, they don't grow any larger, but only maintain what they have. The *average attrition* rate for most network marketing companies is **85% every 18-24 months.** Our study revealed that company leaders *distort* how they report *growth statistics* by leaving members on the books long after they have stopped ordering. Generally, the company spokesperson quotes the number of networkers that have been in the company at one time or another, even though a majority of them are not ordering. **I know how the upper echelon think and function because I have worked at this level for most of my career.**



The key to any pay plan, and the survival of network marketing itself, is to get a greater percentage of participants into profit. Notice that I said percentage, not number. Just increasing the number of successful people is not the answer. Increasing the percentage is vital. There are seven categories of marketers. It is important that each segment receives a fair share of the commissions. An important key to a successful pay plan is **the number of members that is required for one person to get into profit (at the average purchasing rate).** Traditionally, **10-15 distributors are required** to put one distributor into profit (with the 5% and 10% bonuses). *This percentage never changes* because it is built into the pay scale. **That means that a majority of the organization is not breaking even on personal product purchases, let alone breaking even on what it costs to build a business.** Even with geometric overlap, the percentage does not change enough to make a great difference. As a greater number of individuals get involved, the number of failures only increases because it is a “locked-in percentage.” When you bring in your 10 or 15 members to get into profit, then you have 10 or 15 new networkers that are not into profit, and each need their own 10 or 15 customers or recruits. The problem just compounds as the organization grows. **This scenario forces many networkers to spend their savings, fill up their credit cards, or finance their network marketing business by squeezing the family budget.** A marketer could live with this scenario if

it would lead to achieving success. The sad fact is that a great percentage of these networkers will never recover their investment.

When companies pay more up front, the networkers can finance their growth with profits from their businesses. There are several programs that now offer higher percentages on the first three levels. These types of pay structures will allow a greater percentage of networkers to get into profit quickly. It is not uncommon in the “compressed pay structure” to have 1 in 3-5 distributors breaking even on qualifying purchase instead of the 1 in 10-15 scenario.



This will drastically cut attrition and provide a solid foundation for a long-term residual income. In examining these types of programs, be very careful. Never before have companies paid out so much so soon. A company will have to be in great financial shape to pay this out so quickly. Many of these programs will go out of business. Pay plans that place from 20% up within the first two or three levels are referred to as compressed pay plans. A few companies pay out as high as 45-65% on the first or second levels. Only the most financially secure companies will survive such heavy front-end payouts. When analyzing the pay plan, make sure to adjust all bonuses in their true value. The ratio of BV to wholesale will make a major impact on the actual commissions paid. Various companies use different terms for BV or Bonus Volume (example PV or LP). BV is the actual figure that bonuses are paid on.

Companies such as LifeForce offer a 40% bonus on their second level. When you average all their products together you come up with an average of only a 66% BV of wholesale. The 40% bonus becomes only a 26% bonus. They have added a few products that have a better BV, but overall the average is 65-75% BV.

Although compressed pay plans will increase the percentage of successful participants, **companies that over-compress will suffer similar challenges as companies that under-compress.** Companies that over-compress have a tendency to shortcut product quality or innovation. Don't let anyone sell you on the propaganda that you can succeed in this industry by using the pay plan as a lead feature. I mentioned early in this booklet that I financed an extensive study of this industry. Three hundred current programs were examined. **I selected six programs that represented different market paradigms and test-marketed each of them.** I developed organizations totaling more than 25,000 distributors in these programs. One of these programs was the most compressed program in the market. Although my attrition rate was the lowest in the company, it was still much higher than what we expected. We had more distributors in profit but they were still experiencing excessive attrition. **The program was too compressed.** How can a program pay too much up front?

There is a geometric factor that is important to understand. This feature creates a dynamic that demands a balance between the investment into the pay plan and investment into the products. **At least seventy five percent of all participants in a program can never breakeven on their qualifying product purchase, regardless**

of how much the plan pays out. Work the figures out yourself. The percentage will not change no matter how large the organization becomes. **It requires at least 3-4 people in the highest paying compressed programs to breakeven on your qualifying purchase.** What is going to keep **this 75% in the program? It has to be the products.** The product has to be one that they cannot run down to the local mall and buy cheaper or at the same quality. The company has to keep enough money to provide cutting edge products. **If only money hungry networkers enroll into your downline, eventually it will unwind from the bottom of your matrix up.** Under the networkers you must have the product-focused marketers. **Only a product-focused program can achieve this balance.** Companies that promote their opportunities on the basis of money only attract a lopsided distributorship of money-focused marketers. Eventually when the program slows in growth due to saturation in exposure, the 75% will look for another program. You have to have a balanced program that will attract a diverse distributorship. A compressed pay plan is vital to the majority of networkers, but over-compression will be problematic to the same segment.

Recently, a large network marketing company bragged that they had 700,000 distributors, and in that particular month only 40,000 distributors earned checks. This is **only 1 in 17 distributors receiving a check!** Although they boasted of paying out more than 50% in commissions, an imbalance of the commissions went to a few at the top. I would not brag about such an atrocious ratio. Personally, I would run from a program that allows a few people to earn super large checks within a very short period. There is only so much money to go around. Measure what the heavy hitter must do to achieve such huge checks. **If the work doesn't match the check, someone is going to be shortchanged.** Guess who? A pay plan needs to be balanced. Remember, what happens to the "grassroots" distributor today is a reflection of what will eventually happen to the heavy hitter. Why do you think so many heavy hitters change programs so often?

What is really ironic is **that the heavy hitters' big checks that attract so many part-timers into a program are the very reason why the same part-timers can't earn a decent check.** We need to wise up. An intelligent and unselfish heavy hitter should avoid programs that overpay them. In the long run, you will earn more and develop a more secure income in a program that is fair to all.



A great majority of *companies use the huge checks of a few heavy hitters to attract tens of thousands of networkers.* These thousands of networkers **work their hearts out** and bring in approximately 10-15% product users. Eighty-five percent of the networkers fall victim to attrition and go their own way, leaving the company with the product users. In essence, **the company uses the networkers' time and money to develop a product-user base. Think about the lost investment. If 10,000 distributors each invest \$1000 into building their businesses, it totals \$10 million.** If the networker fails to earn enough income to stay in the program, he loses his *investment*, while the company retains the product users that were brought in and

benefits from all of the exposure. The company and a few heavy hitters become rich at the expense of the naïve distributor. I have served on advisory boards and have been personal friends of company founders. I know their paradigms.

There are other factors to be aware of in your search for a viable opportunity. Scrutinize companies that have been around awhile but have recently made major changes in their programs. They may have survived for a great while under a different set of circumstances. When the dynamics of the program change, the financial balance may be affected. Companies that have been around for awhile can go under. Sterling Health was around for more than 4 years before they went under, and Matol was in existence for 12 years before they experienced a shake up. (Nutrition For Life went out of business after 17 years)

Beware of companies that **sell founder memberships. Generally this indicates they are under-capitalized.** The great majority of companies that start in this manner have failed. Instead of sharing a greater amount of the gross profits with the overall distributorship, company leaders *invest in securing celebrities* to promote their programs. **The companies can spend millions of dollars buying someone's name** and still save millions of dollars that would be required to pay everyone more in commissions. What does William Shatner have to do with the quality of a product or viability of a program? I like William Shatner as an actor, but what does he have to offer me as a networker? **Instead of paying 50,000 distributors more commissions** so the pay plan attracts more prospects, companies **pay a celebrity \$500,000** to narrate a tape. The big name attracts prospects for a while, but eventually the networker drops out because he can't make enough money. Again, the company retains the product users.

Names of MDs are bought to endorse product formulations. **What does the average MD know about nutrition?** They have very minimal training in nutrition. I know much more about nutrition than my own physician. He comes to me for nutritional information. You can spot a superficial endorsement of a medical professional. Generally, the endorsement is vague. If the company offers medicinal nutritional products, a doctor's testimony will have more credibility.



The individual's notoriety, such as *Earl Mindell, RPh, PhD*, is bought to *attract prospects, not to formulate products.* (*I was sponsored directly under Dr. Mindell's business associate, who helped set up his arrangement with FreeLife.*) *Dr. Mindell authored one of the most popular books on nutrition.* Have you read it? The **information is fairly generic**; you can find this information in many different sources. Does Dr. Mindell have special knowledge about nutrition? Have you read the footnotes at the end of his books or articles? Many nutritionists have all of these same sources, if they choose to use them. The company is not buying special knowledge, but is paying for the popularity of the endorser. Does this approach provide you with a better opportunity? I am not putting down Dr. Mindell. I like him. I'm just using him as an example of a principle. Using celebrities to promote a program will attract distributors, but if the pay plan doesn't pay right, they will drop out as fast as they enroll. As I have

already pointed out, traditional pay plans guarantee a high failure ratio. **Bringing in more prospects does not always earn you more income and definitely does not keep the marketers involved.**

One of my distributors had **243 members** in his FreeLife downline, which is traditionally structured. He also had **24 distributors** in a compressed program that we were test marketing. These companies require approximately the same qualifying purchase. He earned **more money in the latter program with fewer people**. Building your organization through the popularity of a celebrity does not necessarily earn you more money or provide you with long-term security.

An income that is built on the merits of the program itself, along with the proper training of its participants, is a secure income.



Our study found that, although there are “pockets” of individuals making money throughout the network marketing industry, **there is growing disillusionment**. In reaction to this disillusionment, there are **emerging trends** that are “*dead ends*” and have the potential to **rob millions** of people of the real opportunity, while endangering the **very existence of our industry**. Our study traced these trends back to the “roots.”



Thirty years ago, networkers **were better trained**. The average distributor sponsored several people and had a few customers. The traditional pay plans reduced the number of successful marketers. Our research suggests that a greater percentage of people were more successful in sponsoring and retaining distributors longer. This was due to a difference in the general attitude and perspective of the marketers of that day. Since the “**cards were stacked against them**” because the pay plans were **designed in favor of the companies** this attitude evolved into what is predominant in the present market.

Once, thousands of distributors followed “the right way” without desired results, and new trends emerged. In general, distributors were **confused** and **disillusioned** concerning what is required to achieve success in network marketing. Since all of the network marketing companies offered similar pay plans, networkers assumed that the pay plans were fair, and that the problem existed elsewhere. In search of success, new avenues were explored. A great number of individuals developed a **distorted perception** of networking. This perception left networkers **vulnerable** to “*gimmicks*” and “*distortions*.”

Because of greed and self-centeredness, **the network marketing industry reached a crisis or plateau** about 15 years ago. As a result of this “leveling off,” the industry experienced **superficial changes**. These changes did not get to the **root of the**

problem. Since that period, new pay structures have gradually been introduced such as: **binaries, forced matrices, phase programs, straightline or linear expansion, Australian two-ups, coding bonuses, matching bonuses, sponsoring bonuses, and floating bonuses.** Basically, these variations *did little* to get more consistent cash into the majority of networkers' pockets and definitely did little for a lasting residual income. All of these types of pay structures only repackaged an "old problem" and made it more difficult for the "average" networker to understand the dynamics of the program. **Matrices** have become very popular. **You are promised spillover.** The average matrix still only pays 5% per level. It will still require 12-20 distributors to break even. You still will have 80-90% of your downline not into profit. What little spillover you receive will not make the difference. *Only the heavy hitter will make money for a while, until his downline drops out, and then he will move on to the next scam.*



As I mentioned earlier, companies have made cosmetic changes in pay structures as an attempt to postpone real change and to **keep the money in the pockets of a few "hitters" and the company owners.** These modified pay structures do not address the primary problem, an imbalance in how the money is distributed. For example, **binaries generally don't start paying until you have a certain number of distributors in the business,** with a certain *balance* between legs. Shouldn't you get paid on the first person that you put into the business? Who does this affect the most? The part-timer! A portion of the income is generally flushed. Why? In a typical binary program, you will always have approximately 55% of your downline not making anything and approximately 80-85% not into profit. It is built right into the structure. Get your calculator out and figure it out yourself. **For the benefit of the heavy hitter, his/her legs are kept at a near balance.** Power legs are used as a "carrot." **Power legs splinter off and a majority of networkers end up without the support of a strong power leg.** The power leg promotion is just a diversion from the fact that the plans do not pay enough to the part-timer. Our research found that binaries have the worst attrition problem of any pay structure. The problem is still how the earnings are being divided between the company, "hitters," and the majority of networkers.

Another substitution for fixing the real problem is the **matching bonus,** which again rewards the wrong segment of networkers. There are only so much commissions to share. When a bonus is created, it has to come from somewhere. **The matching bonus still favors the heavy hitter.** It is the start-up or part-time distributors that need a break. They make up more than 80% of all networkers. The attrition in this segment is "killing" network marketing. *Heavy hitters, wake up!* If you **keep them in,** you will not spend half your time replacing them. Weak marketers sponsor weak marketers, and the strong sponsor the strong. **A matching bonus on "a little" equals "a little."** Matching bonuses promote the "hope I will get lucky and sponsor a hitter" approach instead of encouraging personal development. The segment that is working hard with small results is the segment that requires a greater reward for their efforts. Generally,

matching bonuses are paid on 5% creating a 10% bonus, which is still ineffective. After adjusting for the BV ratio, the matching bonus will generally be 6-8%. **Sponsoring bonuses** are a temporary fix! They can be beneficial, but more money needs to be paid, on a consistent basis, to the part-timer. Temporary bonuses are smoke screens that camouflage the regular payout that will determine the success of the distributor.

Phase programs are another real loser. For example, let us say it requires six people to complete your first phase, at which time you are paid and move into the second phase. At this point, one out of seven people are receiving a check. In order for you to complete the second phase, each of these six people will require six people to push them through to the second phase. With geometric overlap, you will require 30 individuals to move the original six into phase two. At this point, you have 1 in 30 networkers being paid a phase two check. **Eighty percent of your downline will never receive a check.** It doesn't matter how large your organization gets, you cannot escape this percentage because it is built into the pay structure. Along with phase marketing, the **"one-time purchase marketing"** is very popular. What an attraction! You only pay once and make thousands. **One-time purchase plans do not create residual incomes.** They run "hot and heavy" for a while and then collapse under the increasing numbers needed to feed the machine. This is just another avenue to feed the incomes of a few "players" and **leave the majority of networkers frustrated and disappointed.** The sad fact is that thousands of networkers keep falling for the same old tricks.

Company owners and MLM leaders develop marketing philosophies and strategies that favor the company and heavy hitters. This key is a compensation plan that is balanced for all seven categories of networkers (our study defined seven categories). Another key is effective products and a viable support and training strategy. Instead companies design promotions and features that have little value for residual incomes for the majority of distributors. For example car bonuses. There is only so much money to spread between distributors. When you put some of that money into car bonuses, you decrease what is available for residual incomes. Motivation replaces training and marketing dynamics that will actually benefit residual incomes for the grassroots distributors. Mystery sizzle products replace effective products. The result is attrition down the road.

Our comprehensive study and test marketing endeavor provided the type of statistical information that allowed us to examine each of these philosophies and marketing strategies exhaustively. Our research tracked the history of each of these approaches. We found that these **cosmetic changes** have actually created a **"lottery"** or **"casino"** approach to networking. Instead of marketers learning **sound business principles** and **practical marketing techniques**, networkers are **searching for a "sizzle," a "wave," or "luck" to make them successful.** People have **lost faith in techniques and in the right approach to network marketing.** Generally, sizzle techniques only make a few heavy hitters a great deal of money and don't last. A secondary group of networkers will make moderate earnings but within a year or so will lose a majority of that income. A third group will bring in a number of new distributors but will not earn any significant income. The fourth group will consist of the great majority of the people that will be too late to take advantage of the wave and

receive nothing for their efforts or investments. The majority of networkers do not have the necessary statistical information that will allow them to make viable decisions.

There are many different types of “sizzle features” that are used by companies and leaders to create a growth wave. We found that **a sizzle feature distracts the prospect from carefully examining the program on the merits of the program.** Also, a sizzle feature often gives the individual a false sense of success. The networker places too much value on the “sizzle” and does not develop the personal skills needed to achieve and maintain success. Generally, **sizzle products build unrealistic expectations, and blind you to other weaknesses** in the program.



Unrealistic expectations lead to premature disappointment. As soon as there is a comparable product on the market, the attrition of distributors skyrockets. Networkers jump on the “sizzle bandwagon” until they finally realize that there is not a fair pay plan to back up the product.

Unrealistic expectations lead to premature failure. The networker judges the success of the program according to his/her expectations. What could have been a successful journey ends up in an unnecessary abortion. The organizations that we studied that were built on sizzle experienced a quicker peak in recruiting, but also a much *greater attrition overall than did organizations developed on a balanced business approach.* Another interesting finding was that companies that focused on sizzle products had the poorest pay plans. If you build your organization on a sizzle, eventually the sizzle plays out and your organization is left adrift without the skills to maintain or continue building their businesses.

It is important to have a unique flagship product as a door opener. The “grassroots” distributor requires a lead product in order to reduce the level of skill that is required to sell the prospect. This product should have a broad foundation of science behind it and be able to produce a great number of specific testimonies. A person who is in good health is not going to feel the benefits of the product. He needs to have confidence that the product really is doing something. This broad foundation of science will provide the subjective confidence to the healthy distributor.

Another sizzle that has gained popularity during the past few years is the system craze, such as that **“one system can work for everyone.”** People are different and require different strategies. We studied these methods very carefully. The right duplicable systems can be important in the growth and retention of your organization. The right system attracts prospects, but alone **does not create success for the majority of marketers.** Again, a sizzle marketing technique **distracts** you from examining the merits of the program and **developing the skills that can be duplicated beyond the life of a “wave.”** Our study found that **yielding to the temptation to prey upon the emotions of prospects with a website or system focused on sizzle has always ended in skyrocketing attrition and wasted time and money.** **New Vision and Cell Tech tape programs** are examples of this approach. Each of these was built on the **“tape craze.”** In our analysis, they both have *poor pay plans.* *A few*

people got rich, but **thousands** of individuals have been **very disappointed**. Our office has received hundreds of calls from distributors in these companies that are looking for something that can make them money. **Again, the companies and a few heavy hitters are the winners.** They picked up thousands of product users. While thousands are dropping out, thousands of “late wishers” are joining in response to the previous growth records of these programs. It takes a few years for the word to get around before the companies really feel the impact. **The heavy hitters have invested their money outside of network marketing and in many cases have moved on.** Many of these leaders are sincere but ignorant of the dynamics of this industry

Beware of the “network marketing legends” who claim that if you do what they did, then you too can be rich. Some of the methods that I originally used to build my organization do not work for a majority of networkers. Thousands will follow a heavy hitter, hoping that the heavy hitter will help to get them somewhere. **If all that person is going to teach you is how he built his own business, you may only be making him richer.** You need to know *what is going to work for you*, and **even more importantly, what works for your future downline.** Some people have a *golden tongue* and sign up everyone they talk to. The heavy hitter might have been at the right place at the right time. After that original *luck*, he/she may have just brought the group over to other opportunities or used his/her reputation to build the next opportunity. **Most heavy hitters are magicians that sell you on illusions that make them rich.** They must have started in network marketing with good intentions but just do not have what is required for the average networker to be successful. I was guilty of this earlier in my career. There is a *difference* between having the **ability to “talk people into” joining a program** and *teaching* them how to develop a *successful* business. It is time to share success and teach principles that work for the average part-timer.



Another area to be cautious in is **the Internet marketing arena.** There is no doubt that the Internet will be a fantastic tool that can assist you in building your business. (Since the first edition of this booklet, the Internet has definitely become a fantastic tool.) However, don’t be fooled into thinking that the Internet will replace conventional marketing. There are certain principles that supercede technological advances. There are factors that are consistent in how they affect marketing. **The Internet will create a new wave of scams and new approaches that will only confuse the average networker.** Because it is newer than conventional marketing and there is not a great deal of proven knowledge by which to effectively analyze Internet-based MLM programs, the scam artist will have a “hay day” on the net.

The Internet creates an avenue through which companies can enter the market without a sound foundation of experience, financial security, or viable product. You will see a great number of programs appear quickly and disappear just as quickly. Given the paradigm of regulatory agencies, you will find a great amount of Internet programs come under scrutiny. Another drawback is that the Internet will be an avenue through which a great number of tire-kickers or less-than-serious networkers can

quickly join a program to see if it “fits.” **This type of scenario will create an atmosphere for reduced focus and lack of commitment.** The Internet will accommodate other systems and marketing tools. I suggest that you be diverse in your approach to marketing. Build your future on a sound foundation. There is not enough space in this booklet for me to effectively address every aspect of this issue.

In response to the huge amount of networkers that are trying and failing, new, “make it easier” promotions appear. One of these is the **downline builders**. “All you have to do is spend your money and we will do all of the work for you,” promoters proclaim. Wouldn’t that be nice? Thousands flock to these magicians, hoping this is the answer. Does it work? Can it work? Our three-year study reveals that it is impossible for this approach to work. As part of the research, and in response to the heavy competition being generated from these “builders,” we attempted to operate a modified, downline-building program. **With the largest full-time staff in America, we believed that if anyone could make it work, we could.** For the two-years that we attempted this, we experienced the greatest “nightmare” that we have experienced in 22 years. In the last week that we offered this service, we mailed more than 2000 information packets, at a cost of \$4000. We had more than 5000 prospects that we could not get to, that had been waiting for more than 60 days to be contacted. We had 20 full-time phone consultants working six days a week. We refunded thousands of dollars. Let’s look at the mathematics involved in downline building.

If you promise only five individuals that you will sponsor five under them, and continue the same promise for just four levels, on the fourth level you have 625 people. In order to sponsor five prospects for only 125 people, you must **talk to 4000 people**. An average, sharp networker sponsors approximately 15% of the total number of individuals that he/she talks to. Four thousand information packets cost from \$6000 to \$8000. Sharp phone consultants spend an average of 45 minutes (on at least two occasions), talking to each prospect. Forty-five minutes multiplied by **4000 prospects** totals 3000 hours on the phone. At 10 cents per minute long-distance service, the total cost for phone time will be **\$18,000**. If the downline builder has five full-time phone consultants working five days a week, it requires 100 days to follow-up on the 4000 prospects. How many prospects are going to wait months to be followed up on? (This total is derived by figuring 5 phone consultants working on the phones, 6 hours a day, five days a week. In reality, they would not be able to even keep up with that pace.) Not including any type of overhead, **the phone and packet cost to follow-up on 4000 people is \$26,000.**

Promises

The downline builder will have 730 members in his downline. If the program pays 10% per level, the downline builders will earn \$7300. If the pay plan pays 5% per level, they will make \$3650. In a 45%, second level program, the benefit is much better in the above scenario. **If there are 5 builders involved, that would be \$1400 for each phone consultant or \$466 per month. They spent \$26,000 and made \$1400. What a deal! In 30 years, not one downline building group has ever stayed in the same business** for very long. Usually, the motive behind downline building is ignorance, or lack of integrity. The downline builder will put together several hundred networkers

before they crash. They will change their systems at some point. At that point, they have a group of distributors to work with as a nucleus for themselves, but have accomplished very little for any particular distributor. **The most troubling effect is the damage that is suffered by all of the victims who were looking for an easy ride.** They lost valuable time! They could have been learning how to build a real business. Possibly, one more nail has been hammered into their “coffin” of **disbelief and hopelessness.**

In today’s market there are two paradigms that are clashing. The first promotes the idea that *majority of networkers are involved to earn extra income.* The other is that you must be product-focused. Both concepts are correct. The product, the service, the pay plan, and the security of the program are all important features. The company would prefer that the distributorship be only product-focused because the **company is in competition with its distributors for commission dollars.** As more commission dollars are paid out, less is left for profit. Competition between network marketing companies is the driving force to encourage a company to pay more commissions. If the company can successfully promote the propaganda of *“focusing on the product,” it can attract distributors without paying them what they are worth.* It is best to select a program that markets a balance between company security, quality products, a lucrative pay plan focused on the part-timer, and effective support. I suggest that you keep yourself from being blinded by any one feature.



Another work of the “spin doctors” is, “What constitutes security for the distributor?” *Company security does not equal distributor security.* Amway is one of the most secure companies in MLM. Amway earns \$5 billion in gross sales every year, and the owners are listed as multi-billionaires. When the FTC investigated Amway, it found that Amway experiences a 79% attrition rate each year with new distributors joining. That is not security for the distributor. Wealthy owners do not always mean more security for the distributors. “How much wealth are they willing to risk?” is a better question. *Our research revealed that more marketers have failed while companies were in business than from the result of companies going out of business.*

Another charade that is being sold to the marketers is that *public stock* companies provide more security. By transferring the ultimate **control** of the company to **investors, the distributors’ security is in danger.** Investors are not necessarily interested in the distributors. They do not necessarily understand the personal dynamics of networking. They want the greatest return on their investments. Sometimes, this means **changing the payout to the detriment of the distributor force.** After Pangea sold out to one of the largest pharmaceutical giants in the world, the pay plan was changed twice in a short period of time.

Keep an eye on **Changes International** in the **next few years.** Why should Twin Labs keep paying out so much money, when other giants much larger than Changes attract distributors with much less commissions? **Investors that are with Twin Labs may**

be more of a liability than an asset. Benefits to Changes are capital investment and the sizzle of the Twin Labs name. Twin Labs is involved to make an investment return. This is just one more “bill” to be paid from sales profits.

The Changes compensation philosophy was developed by the Paulsons. Will Twin Labs maintain that philosophy once the Paulsons are no longer key managers/executives? Why would you sell your ownership in a company if you had long-term commitment? My hunch is that the pay plan may be changed in the next few years! Although Changes has added several renowned individuals to its leadership team, they come from traditional-oriented backgrounds. Will they be able to neutralize the will of the stockholders? I will have to give Changes credit for launching the shift to “the front end pay” in 1995. Others have built upon their efforts by improving the opportunity even more for the majority of networkers. **(Since the printing of the first edition of this booklet, Twin Labs has changed the Changes pay plan and the Paulsons are gone.)**



Companies that are owned by wealthy entrepreneurs are just as risky as stock owned companies. An owner who views the company only from an investment perspective may not choose to continue to support a particular company. I have found it best to attach yourself to a company that has a founder who is focused on one endeavor and has his heart in the venture. The founder that is emotionally attached to the future of the company will weather through rough times. A wealthy, detached owner can easily decided to spin off one of his investments. It happens all of the time. **Another dead end in this industry can be experienced by selecting a program because it has a flashy president who has been successful in some other industry.** One such leader in this industry is the president of an upcoming marketing company. This individual managed Avon from a small company into a billion-dollar company. His first venture in the MLM arena as a primary consultant to VHS was a major flop. Managing a major conventional company is not comparable to managing a network marketing company. Many of the dynamics involved are different.

Our independent study of this industry examined several different markets. The study did conclude that *nutrition* is the **best industry to be in.** There were only 6 million people in the industry in 1994. A majority of them were in companies that had nutritional products. In the next four years, **Cell Tech** added 400,000 distributors, **Mannatech** added 400,000 distributors, **Kaire International** added 350,000 distributors, **Life Plus** put in 500,000, **New Vision** added 700,000 distributors, and another dozen nutritional companies added another 1.5 million distributors. Eighty percent of all distributors that were added to the MLM industry during this period were enrolled in companies that offered nutrition. Companies that offered home care and personal care products, along with nutritional products, did especially well. With 70 million baby boomers becoming more focused on nutrition, along with exploding research that is gaining more media attention, nutrition is just getting started! Since nutrition is still an infant industry, we can compete with conventional companies more effectively. Nutrition is a very personal product. It is the only product that we consume.

There is a greater chance of developing product loyalty. Who is going to be loyal to a long distance rate, computer, personal development course, travel package, or tax service?

There is much **more information** that I would like to share with you, but space does not allow. Our research company studied several other dimensions within the networking industry. I have training material based on this study. We share research information through monthly **newsletters** and **weekly conference calls**. Our research provided us with information on the **type of support and training that is most effective in network marketing**. We discovered the “pitfalls” and “dead ends” on one hand and the strengths on the other.

Since 1967, I have been intensely involved in network marketing. I **semi-retired** on residual incomes for a short time, to pursue personal goals. During this period, I maintained a **full-time staff in support** of my downline organizations. Network marketing has been the avenue through which to capture my “**American dream.**” With earnings from network marketing, I have been able to purchase conventional businesses; start a private school for disadvantaged children; and start and support ministries to the elderly, terminally ill, the homeless, and Native Americans. A few years ago, I came out of semi-retirement to develop a larger financial base so that I could help more people in this life. Few things bring joy to me more than to **assist others in pursuing their personal dreams and goals**. Helping others to **break loose from the financial vice so they are able to spend their time with their families** and on things of **greater value** is most enjoyable to me.



Initially, I wrote this generic synopsis solely to provide insight to the thousands of networkers who are hopelessly trapped in a spiral of misinformation, and not to use as a prospecting tool. A distributor who has been with me for 23 years shared insight with me that changed my mind. She shared with me how our “heartfelt support” and this type of knowledge had changed her life, and how unfair it was for me not to expose as many people as possible to our wisdom, training, and support. **That is why I have allowed marketers in programs that represent the principles in this synopsis to use this booklet in their sponsoring efforts.** *(The following information is contained only in the booklets that are used as a promotional tool. There is a version of this booklet available that does not have the information referring to our particular support activities.)*

My research has continued beyond the three-year study. The industry is constantly evolving and maturing. It is important to have cutting-edge information on where the market is going. I suggest that you find a mentor or support group that follows the principles found in this booklet. Find a mentor that follows a marketing philosophy similar to what I am sharing with you. Find an unselfish leader that will put you first. I know what it requires from me to assist my downline partners to achieve their full potential. With our experience, superior training, and support, we have always been

able to be leaders in developing strong and solid organizations **that last and provide true residual income for our members. I have members that have been with me for more than 25-35 years** in existing programs that I have developed over the past three decades, even outlasting a few of the companies they belong to. Armed with the results of this comprehensive study, we are expanding our networking family. With Professional Networkers, you are literally building a permanent downline organization. No more starting over again!

Drawing from the extensive research of 300+ programs and my many years of experience, we have selected a program that focuses on the dynamics that are the cornerstones of success. After test marketing several programs to see if our theory works as well in actual practice, we selected our primary program and backup programs that we will focus on growth for the next decade. In order to protect our organizations from company failures, we develop backup programs. You stay focused on one program and we protect your investment by having a “backup” strategy. We will never build another organization and have it disappear on you because a company vanishes or makes a mistake in judgement. I have a *staff of professional consultants that assist me in training and servicing the members of my organization. I invest a great deal of my income into supporting my downline partners, to personally assist each member of my downline.*

I have a research department that surveys and studies our efforts, constantly providing information that allows us to improve our results. We have in place a variety of systems (some that other groups haven’t even thought of) and training & support strategies for all levels of experience. We have virtual message, telemarketing support, and personalized training for the networker who feels very uncomfortable in presenting the program, and we have training and strategy for the leaders who have refined their skills. We provide a strategy session for new members upon request. Professional Networkers provides both short-term and long-term strategy that is duplicated throughout the downline organization.



We design and provide *test-marketed* postcards, booklets, flyers, and other direct mail literature for our distributors. Professional Networkers provides a fulfillment center that has several departments that will provide an assortment of services for you, ranging from designing and mailing prospect packets for you to designing and providing a FREE 100+-page, self-replicating website for each of our members. Our website has a full presentation on it. We have phone consultants to train your downline on 3-way calls & conference calls. I provide “nuts & bolts” training through conference calls. We provide a periodic newsletter packed with information that assists our members in building their businesses as well as keeping them informed on the latest in the industry. We provide nationwide co-op advertising. We assign a special team of consultants to provide proactive support to each leg

I have just completed stage two of my four-stage development strategy. In this stage I went from 200,000+ distributors in May 2009 to 400,000+ in November 2012. We

are developing a worldwide organization that is taking network marketing to a higher level of long-term success than any other organization that I know of.

Thank you for reading this synopsis. I wish you well in whatever you do. Be a part of the answer. Be a part of the revolution. Remember, success is a team endeavor. Learn correct marketing philosophy, develop effective marketing strategies, create duplicable techniques, systems, and marketing tools. Build your organization solid, one person at a time. Be blessed.

Mike is in the process of updating the information in this booklet as of August 2013. The principles in this booklet remain the same but new companies such as Morinda, Xango, and MovaVie are now in the industry. As of this date, Mike is now 66 years old (biologically 40 years old) and is planning on spending a few more decades in this industry. He continues to research the evolution within this industry.

You can receive an updated version of this research when available by emailing him at mike@mikeakins.com. Only place "Cold Facts Exposed" in the subject line. Be blessed.

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