



MONEY



Play It Safe

Words by Kimathi Lewis

BODY MAGIC, PAMPERED CHEF, AVON--OUR EXPERTS SHARE WHAT YOU NEED TO KNOW ABOUT MULTI-LEVEL MARKETING AND DIRECT SELLING BEFORE YOU BUY IN



Donna Reid-Mitchell had low expectations when she became one of Avon's now 500,000 U.S. representatives.

The single mom of two was home on maternity leave and needed money. She hoped selling products for the country's largest direct selling company—in business for nearly 125 years. The beauty, jewelry and fashion apparel company is also the most profitable with \$10.7 billion in revenue for 2009—would net her at least \$100 a month. Instead, she earned double.

So began a new career for the beautician that placed her in a new car her first year, moved her from a one-bedroom apartment in New York to a house in Texas and raised her from struggling financially to earning six figures a year and running a multimillion-dollar business in less than eight years.

"I'm working this year to build a \$5 million business and to develop some senior executive leaders in my team," says Mitchell, who joined the company in 2002 and is now a Senior Executive Unit Leader heading a team of 3,000 representatives.

Direct selling businesses thrive by selling their products directly to consumers through representatives who then recruit others to do the same.

From insurance to vacuum cleaners, almost anything can be bought through direct selling, and it's a world 87 percent dominated by women.

Their approaches may vary, but the pitch is the same as they convince others that they too can sell the products and own their own businesses earning hundreds and even thousands of dollars a month,

like Mitchell. And it is unique stories like Mitchell's that pull in new followers, especially in today's slow economy.

Many new sellers have gotten their feet wet with the market's latest version of Granny's girdle, the Body Magic. Its manufacturer, the 21-year-old company Ardys International, which has mostly African-American distributors, had an 800-percent growth rate last year and now has more than 100,000 distributors globally, a company president, Veronetta Johnson Warner, says.

About 150,000 people inquired about multi-level marketing companies last year, says Alison Southwick with the Better Business Bureau. That's a 30-percent increase from the year before when 113,000 called the bureau seeking information.

"When you're out of work and no one's hiring, direct selling jobs and pyramid schemes are very attractive," she says.

"Be wary of those offers that sound too good to be true," says Southwick. "They make it sound like you can make a ton of money with a little bit of effort."

She also cautions against companies that require representatives to buy a lot of inventory up front, especially if it's thousands of dollars' worth of products. "They can be traveling [frauds] going around. One could be up one week and down the next, so it's hard to track them down," she says.

"Even if a company is fairly new, do what you can to make sure it does have a track record for success. Do your research."

She has found that many people have lost thou-



WOMAN & CHILD: BROOKE FASANI/CORBIS; DOUGH: PIMMYST STUDIOS

sands of dollars from pyramid schemes because on the surface they look like a legal direct selling gig, but they often involve a high start up fee and rely heavily on recruiting new people rather than on selling products or services to make money.

Last year, the Federal Trade Commission reportedly received 2,474 complaints about pyramid schemes. In 2008, it received 1,788.

With a legit direct selling business, on the other hand, the start up fee tends to be minimal and the companies normally have a buy-back plan for unsold inventories.

No one should risk financial loss when getting involved in a direct selling business that is on the up-and-up, according to the Direct Selling Association which mandates that its 300 members adhere to a 90-percent buy-back of unsold inventory.

And, before taking part in the direct selling industry, ask yourself these questions to ensure that you are not joining an illegal business. Is the company financially sound? Has the company been involved in a scam (check with the Better Business Bureau and the Federal Trade Commission as well as your Attorney General's office)? Does this company sell a product/service that you believe in and use? Are the products/services reasonably priced?

Once you have the legalities in check, keep in mind that six-figure success stories don't happen across the board—regardless of which direct selling company you choose. The business, of which only 5 percent of active sellers are African-American, does not come with high rewards with little effort as touted by some.

In order to succeed, representatives need to spend 20 to 30 hours a week doing home parties, making phone calls to clients and customers, training their teams and seeking out others who are motivated and passionate about the products for their team, advises Karen Phelps, a speaker and trainer on direct selling.

Only 34 percent spend 10 to 20 hours weekly or more on their business, according to the DSA. The majority, 66 percent, spend nine hours or less.

"If you're lazy, you will never make a good income," says Phelps. "You have to be a self-starter. There are a lot [of representatives] in the business who are not like that."

Mitchell agrees.

"I have a lot of people do it part time," Mitchell says. "If they only have one hour to put into the business, I ask that they do it consistently. Consistency is the key to success."



Dr. Boyce Watkins

let it flow Words by Dr. Boyce Watkins

ARM YOURSELF AGAINST UNEXPECTED FINANCIAL LOSS BY FINDING A SECOND STREAM OF INCOME TODAY

Many of us think we have job security, but the truth is that we do not. The world is changing, and the idea that one job can provide all the financial security that you and your family need is simply old-fashioned. Gone are the days of working for the same company until retirement, or expecting that your company will show you loyalty that goes beyond the next quarterly report. It's every man for himself (women too), so you've got to make sure your family is secure.

Nowadays, it doesn't make sense to have all the money you need coming from one source. This violates the rules of diversification, which are fundamental to proper resource management. That's why creating additional revenue streams should be a critical part of your money management plan.

Start by attempting to generate income during your spare time. Do you have the time and op-



portunity to moonlight on the weekends or at night? If so, consider getting a part-time job.

Next, think about the talents you have that can be utilized within the context of a business model. Do you like to bake cookies, cut grass, do taxes or paint houses? If so, this is the perfect time to consider starting your own business on the side. The money may start as a trickle, but over time, you will see it grow in size.

Lastly, have you considered picking up a new skill or selling a product? There are always seminars or classes you can take

to learn how to provide something that the market will value and appreciate. Find out where the opportunities are. Listen to your neighbors to see if they've heard of anything that might be helpful. Be diligent and determined to find new ways to make money.

The key to creating successful multiple revenue streams is to think of each stream as a newborn child. It will start off small and weak, but if you nurture and love it, it will eventually grow into something you can be proud of. A varied income-plan is a great path to financial freedom and security.

BUSINESSWOMAN: JOSE LUIS PELAEZ, INC./BLEND IMAGES/CORBIS

Leaders of the Pack | Here's a roundup of some of the largest (and legitimate) direct selling companies in the business.

PARTYLITE

Bringing in \$650 million last year, the company, largely known for its candles, also offers other home accents through its more than 42,000 distributors. partylite.com

HERBALIFE

Its focus on health and wellness has served this 30-year-old company well, earning it more than \$2 billion from its 1.9 million distributors. herbalife.com

MARY KAY

Known for its iconic pink Cadillacs (rewards for its top sellers), the cosmetics company's two million distributors keep it in the black, bringing in more than \$2.5 billion in 2009. marykay.com

YTB INTERNATIONAL (Your Travel Biz)

A \$165.5 million travel services company, with more than 92,000 distributors, YTB is relatively a new kid on the block. Founded

less than a decade ago, the Illinois based business has grown by leaps and bounds since its inception. ytbl.com

TUPPERWARE

The original party plastic, the brand popularized the in-home showcase format for direct selling. And with more than \$2 billion in revenue and two million distributors, it hasn't lost any ground. tupperware.com

PRIMERICA

Coming off of an economic downturn, the financial services company held steady with \$2.2 billion earned last year from 100,000 licensed agents. primerica.com

For more top earners, visit directsellingnews.com.