



Risk and Reward for Network Marketing Business

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In this article, I will talk about the risk and reward of Network Marketing business. I am going to look at what exactly it is and if it is something that is good to get in to or something that you should just steer clear of.

When Robert Kiyosaki, the author of Rich Dad Poor Dad was asked in an interview about how he would start all over again if he were to lose it all, he said he would get into network marketing. Robert Kiyosaki is a man who has built and sold multiple businesses and he understands the value of systems.

According to him, it's not really about the product that the business is selling but more about the systems that you put around that product. He is big on building teams and systems that allow for a business to scale and do that in a controlled manner.

He said that the reason he would go for network marketing was that it is a low-cost way of building a business and it came with a system. Building a business and systems around that business costs a lot of money and he was frankly surprised at why not more people were involved in it.

The History of Network Marketing

Network marketing is a business model that has been around for a very long time. It was first introduced by the California Vitamin Company in 1934. They had people use their products then promote them to their family and friends.

In exchange, they would make an extra \$50 per month which was a substantial amount at the time. At this point, it was more of a referral program. In 1943 when the company rebranded, they then introduced a multi-tiered approach where you are paid on multiple levels.



The fact that it has been in existence for almost 90 years as a business model is a testament to its effectiveness. Why is it then that it has such a bad rep in modern-day times? To explain this, let's look at what makes up a genuine multi-level business.

How a Genuine MLM Business Looks

Network or MLM companies have often been described as pyramid companies. This is a negative connotation stemming from Ponzi schemes which, from time to time, pop up and fleece people of their hard-earned money while enriching a few before eventually collapsing.

They get the name pyramid scheme because the people at the top make money from the efforts of the people at the bottom. They have the same structure as that of a multi-level marketing company but that's where the similarities end.

Pyramid schemes usually have no product changing hands but only money moving from one person to the other. The people at the top usually make the most money with those in the middle and second levels making some as well but it eventually collapses on itself and the whole house comes tumbling down.

Risks and Rewards of Network Marketing

I've already stated some rewards of network marketing but let me talk about a few more. When it comes to earning potential, the sky really is the limit with network marketing. In fact, Les Brown has stated that MLM has created the most millionaires than any other industry.

It is relatively easy to get into with most MLM companies having a relatively low start-up cost. You also get the benefit of fully functional business systems behind you. You don't need to hire or pay people and you definitely don't need to spend time and resources creating business systems.

The way I view it, it's like buying a franchise at a fraction of the cost. Most MLM companies will give you a tried and tested road map for success and all you have to do is follow it. Basically, if you work hard and consistently, you will see the results.

As for the risk element, you need to choose your network company well. Generally speaking, those who get in early make the most money. If you come in later, the best bet for you is to get into new territory and expand there.

The problem then arises when it comes to timing. If a company is new to the market, you have higher chances of making it with the company but, in the same light, they are relatively untested. This means that it's also risky to promote them if you don't know much about them.

The good thing is that, with the internet, you have a great resource to do some background research on which MLM company to join.

Conclusion

That's it for this article on the risks and rewards associated with a network marketing business. In my view, there are a lot more upsides to MLM than downsides. You just need to take the time to do the necessary research and you'll be fine.