

MLM Leads - MLM Recruiting Machine

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MLM Lead Generation: A Recruiting Gold Mine

If done right, lead generation can be a treasure-trove for distributors and MLM companies. In effect, the process is a treasure hunt, mining demographic information for potential customers for MLM products and recruits for MLM sales forces. Typically, the target lists are procured from advertising campaigns in various media which promote the product or the opportunity to potential customers or recruits. Additionally, professional gatherers of MLM leads, MLM lead list operators, offer varying degrees of quality leads for sale or use. Obviously, the more highly qualified the lead, the more expensive the list and the more likely results will follow. MLM leads may then be contacted through a variety of communications: person-to-person, telephone, email, mail, etc.

Two types of MLM lead programs are frequently used by MLM distributors. Generally, distributors pursue the leads themselves. If companies “work” the MLM leads, the leads are typically turned over to distributors.

In this article you will find ten common sense factors that should be kept in mind to assure both success as well as "business and legal" sustainability.

1. MLM Lead Generation Programs:

Typically, distributors will purchase or license MLM lead lists. The acquisition may be one time only or on a subscription basis. The distributor is on his or her own to follow up on the leads. Sometimes, to create an incentive to procure more purchasers, the lead list operator may offer referral fees or even go so far as to create an MLM sales opportunity to those interested in promoting the service.

2. MLM Lead Batching or Distributor Gathering:

An MLM Lead Batching or Distributor Gathering program is often a more comprehensive system for driving potential recruits or customers to a particular company. It may be a stand-alone process or may be sponsored by a company. Typically, participants in the lead batching or distributor gathering program work the leads by advertising campaigns that not only attract customers or recruits, but also invite them to join a system of building a downline in a specific company. As recruits respond to lead generation, they are placed in a virtual downline, which mirrors the specific MLM company, and they are invited to join the MLM company with the potential of a downline already in progress. This approach works well for consumable MLM companies and particularly those with monthly autship programs. Assuming a potential distributor enjoys the products, he or she is rewarded with both great products and a jump-start at building an MLM business. Effectively, the lead batching campaign brings entire groups of new customers and distributors to the MLM company. The system is a “win-win” for distributors, customers and the MLM company. Many MLM companies have experienced success with organized lead batching or distributor gathering campaigns.

A Little Help From my Friends and Common Sense

It doesn't take a rocket scientist to understand the immense potential of MLM Lead Generation and MLM Distributor gathering or lead batching programs. The corollary of the excitement and opportunity, however, is the responsibility that comes with this type of recruiting. Remember, "stay in business" means more business. And so, with that in mind, here are ten common sense factors that should be kept in mind to assure both success as well as "business and legal" sustainability:

I. MLM Co-op Advertising Rules

Co-op advertising has been around since the beginning of the MLM industry. Distributors pool advertising monies and share in leads from trade publications such as Money Maker's Monthly, newspapers such as USA Today, or radio and television broadcast advertising. From time to time, MLM companies sponsor the co-op ad campaigns and supervise distribution of the leads.

As a general matter, few problems arise. However, sometimes the well-intentioned campaign may trigger securities laws. A security is typically defined as an investment with the expectation of a return based on the managerial efforts of others. For the most part, co-op advertising campaigns do not trigger securities laws because lead generation campaigns generate leads which are actively "worked" by participants. However, sometimes MLM ad campaigns are described as passive investments in which individuals merely invest money and are required to do nothing further. Sometimes promoters go so far as to promise that they will "do everything," i.e., manage the ads, provide the products, "work" the leads and customers and distribute the proceeds to the investor. Such passive programs turn co-op campaigns into unregistered securities offerings. The key: make sure that participants have responsibilities to service leads and the sales process.

II. MLM Postal Lottery Laws

U.S. Postal laws forbid the operation of a lottery in interstate commerce. A number of Postal cases have arisen in the MLM arena, primarily involving chain letter schemes. However, from time to time, and in conjunction with questionable mail-driven MLM programs, the U.S. Postal service has charged that the MLM program violates lottery rules because distributors appear to pay a consideration to receive remuneration which is based on chance. For this reason, distributors will often see in MLM company policies and procedures a requirement of bonafide supervisory activity in communication and management of downlines if distributors are to be eligible for commissions.

The issues that may arise in MLM lead programs are similar to those that may trigger securities laws in MLM co-op programs. Such programs must predicate remuneration to participants based on "active" and not "passive" involvement. In addition, an active role in working with downline sales organizations is necessary to avoid lottery accusations.

III. Confusion of Identities

Although a pure lead generation program is merely involved in selling leads, a prospect or distributor gathering system may cause confusion. In a distributor gathering program, prospects are invited to join a prospective genealogy of an MLM company, and then the prospects are delivered to the MLM either in single fashion or in batches. Until the prospects sign on or agree to an actual application with the MLM company, they are effectively "virtual distributors." It is very important for such programs to coordinate terminology with the MLM company. For instance, if distributors in the MLM company are referred to as "health consultants," then neither recruiting participants nor prospects in the distributor gathering campaign should be referenced by the same name, i.e., "health consultants."

From the MLM company standpoint, the concern is that the MLM company itself will be viewed as the sponsor of the outside distributor gathering campaign. In such a case, the MLM company will be concerned about confusion in the marketplace and may refuse entry of prospects into the MLM program.

IV. Watch Out for Trademark Violations

At the beginning of the MLM company, a trademark has little value. Years later, the MLM company trademark is one its most valuable assets. It is, therefore, not surprising that MLM policies and procedures contain detailed regulation of use of the MLM company trademark. Many companies prohibit distributor-generated advertising or marketing materials utilizing company trademarks, or, in the alternative, require approval of ad copy. Similar restrictions are imposed on web-based advertising. Many MLM companies restrict web use of trademarks to official MLM replicating web-sites.

Lead generation or distributor gathering programs often innocently stumble into a trademark quagmire when they use the name and logo of the MLM company. The answer: If the lead or distributor gathering program is targeted to a specific MLM company, make sure to coordinate with the staff of the MLM company to use trademarks and logos in an approved fashion.

V. MLM Cross-sponsoring Violations

For every MLM company the one behavior for which there is a zero tolerance policy is cross-sponsoring or raiding. Although policies vary from company to company, the thrust of this prohibition in distributor contracts is the avoidance of recruiting downline sales organizations into other MLM opportunities. MLM companies must not only protect their core business, but they realize that raiding activity threatens the livelihood of thousands of their distributors. Only a lead generation program or a distributor gathering program, which takes on its own MLM plan, will trigger such an accusation. For instance, although well-intentioned, such programs often create downline structures to provide incentive to participants to find other lead program participants. In effect, an MLM program within another MLM program is created when lead program participants recruit fellow distributors from their primary MLM company and provide MLM compensation for the effort. It should not come as a surprise when the participant is terminated or subject to discipline in the primary MLM. If the program is a lead generation program with MLM compensation, it is effectively a competitor of the primary MLM program. There is obviously nothing wrong with offering a lead generation business as a stand-alone opportunity, but participants who are also involved in other MLM companies must do so with their eyes wide open. If cross-sponsoring without permission of the primary MLM company occurs, then participants should understand that they are jeopardizing their primary income opportunity.

VI. Watch Out for Pyramiding

Is it possible for an MLM lead generation program to become a pyramid? Unfortunately, the answer is yes. Such a problem would not impact a distributor gathering program for an existing MLM company. Rather, the issue may arise in the case of an MLM lead generation program that offers an MLM compensation plan. Individuals who sign on as distributors to sell leads to MLM distributors of a wide range of MLM companies are not at risk because they are selling a real product or service to retail customers, i.e., distributors of multiple MLM companies. However, sometimes, the MLM lead generation business is self-contained. In other words, participants sell leads and recruit new

participants who do the same. The leads are only used to recruit others who do the same. This phenomenon is a classic pyramid scheme in which the only reason people are purchasing leads is to “buy into the deal.” In the classic Dare to Be Great pyramid scheme, participants were invited to high-priced seminars where they were trained to go out and recruit others to do the same. In a pyramid scheme, the threshold question is always, “what is it that participants are paying, and why are they paying it?” Closed system lead programs that include an MLM compensation opportunity may cause individuals to walk into the trap of participating in a pyramid scheme. Enough said.

VII. MLM Earnings Claims

Whether you are a distributor or a company, you are not immune from rules adopted by state and federal government regarding earnings claims. The best advice is to avoid actual cash earning claims or hypotheticals. Keep in mind that most legitimate companies specifically prohibit distributors from violating earnings claim prohibitions. If permissible, however, the rule will be that earnings projections, claims or testimonials should only be made when an appropriate earnings disclosure chart is provided to recruits which demonstrates activity percentages and average earnings of distributors at various levels in the program.

VIII. MLM Company Advertising Guidelines

Almost every MLM company has adopted extensive advertising guidelines for distributors. For instance, if a company markets nutritional products, the guidelines are intended to maintain compliance with specific FDA rules on health claims. Deviation from those guidelines may jeopardize the opportunity of both distributors and the MLM company. Not only content may be regulated, but also the manner and place of communication about the opportunity or products. Those guidelines appear in the policies and procedures manual of the MLM company. Those distributor promoting lead generation programs should be extremely familiar with and adhere to those guidelines.

IX. “Do Not Call” and Spam Rules

Following the lead of many states, the FTC has adopted “do not call” rules with respect to telephone solicitation. The rules are extensive and carry severe penalties. Distributors who are working lead lists must either comply with those rules or avoid telemarketing campaigns with those leads that appear as registered on Federal “do not call” lists. There are a variety of exemptions that are worthy of familiarity, such as those based on prior business relationship. Overall, however, the federal “do not call” rules make telemarketing a more difficult challenge for distributors. Similarly, anti-spamming rules continue to be drafted and adopted both at the state and federal levels. Familiarity with these rules is essential. Keep in mind that most legitimate MLM companies forbid “unsolicited spamming” the email addresses. However, those lead list operators with the best quality lead lists will probably have available email addresses for individuals who have invited specific interest email solicitation.

X. MLM Leads: High Touch Wins Over High Tech

Finally, don’t lose sight of the most effective recruitment tool in the MLM business, yourself. Sending out email blasts which are then met with responses by autoresponders may be technologically efficient, but ineffective in the true mission, which is to find long-term customers and distributors. The mining of lead lists casts a technological net, but only personal contact will close the customer or distributor. In the MLM business, it is well recognized that there is no substitute for “pressing the flesh.” If you must kiss a lot of frogs to marry a prince, you must remember that kissing is a contact

sport, and one not accomplished by email, bulk mail or automated telemarketing machines. In the end, the quality of the implementation of your lead generation system will only be as good as your personal communication and bonding with prospective customers or recruits.

Good Luck Fishing!

Under any metaphor – gold mining, treasure hunting or fishing, MLM lead generation and distributor gathering programs present a tremendous opportunity for MLM distributors and MLM companies. In applying some common sense principles, not only will the process be successful, the results will endure for a long time to come. Good luck fishing!

For more detailed discussion on this and other issues, please visit www.mlmlegal.com.

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