

# HOW TO CHOOSE the RIGHT COMPANY

## FIVE CRITERIA for Identifying the Right Network Marketing Company



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Mark Petticord is the author of “The RESIDUAL Effect.” To order “The RESIDUAL Effect” and receive more information on Mark’s leadership development and business training seminars and webinars, please visit [www.SuccessMentor.com](http://www.SuccessMentor.com)

## How to Choose the Right Company

In 1991, LifeCall began repetitively airing an infomercial that popularized medical alarm systems for development for seniors, the system included a phone and a nifty waterproof, wireless pendant that hung by a rubber tube around the elderly person's neck. If a senior suffered a mishap, he or she would simply push the button on the pendant to actuate a dialer that would call the dispatch service. The person could then carry on a conversation through the pendant until help arrived.

Coincidentally, several months prior, I had already invested close to \$3,000 on inventory and sales materials to sell virtually the same system through an innovative direct sales company in Canada. Once again, driven by the financial potential, an exciting new technology, and the prospect of building another massive sales team, I soon learned I too had "fallen and I could not get up," at least not right away!

The first mistake I made was investing in a product that was not proprietary. After I joined the Canadian company, competitors with lower prices soon flooded the market. Worse yet, the security phones were not a consumable product that needed to be replaced—other than the push-button pendant that was often chewed and eaten by the family pet!

To add insult to injury, the fire department knocked down the front door of one of my customers when the pendant misfired and dialed dispatch while his grandma slept soundly in her bed. Needless to say, my career with emergency response came to an abrupt halt.

The best part of this story is I didn't lose any money. Four years later, while in a Mastermind meeting with several top leaders at another company, we were discussing conference calls and speaker phones. I piped up and told them about the most powerful speaker phone on the market and sold my entire inventory at full price!

In reality, there are no rock-solid, ironclad guarantees in the business world. Nevertheless, a great place to start your search and evaluation of companies is by using my "Five-Point Criteria," based on many years of experience and my personal business philosophy. The five points are leadership, product, turnkey system, compensation plan, and timing.

Although I am certain that this list is not exhaustive, exploring these questions will go a long way in helping you choose the right network marketing company to join while avoiding the common mistakes people make when choosing a company.

## FIVE CRITERIA FOR IDENTIFYING THE RIGHT NETWORK MARKETING COMPANY

### 1. Leadership: Does the company have the right type of leadership?

Authentic company leadership is your first and most important consideration. If the leadership is dysfunctional, it might not be the right opportunity, no matter how good the products are. Network marketing is a people business, first and foremost. Although education is important, don't get star-struck with impressive university MBAs. Degrees do not ensure long-term success. It is helpful if company founders have direct sales or network marketing experience or if they retain an experienced field leader or master distributor. But most of all are they in it for the long haul? Before you commit to a company, interview your potential sponsor's upline, and the next upline, going as far up as possible. Some network marketing professionals even interview company founders. Ask questions about the market, products, and opportunity, and then listen carefully, not only to what they say, but also how they say it. Pay attention to your instincts. Attend a public event and get a feel for your prospective sponsor's team. Listen to the product and business testimonies during the meeting as part of your due diligence.

**Do your best to get answers to some key questions to help you rate the quality of leadership both in corporate and in the field.**

- ☐ Do the leaders display a servant leader mindset? That is, are they unified and committed for the long haul? Aside from corporate leadership, some field leaders insist on participating in more than one business and are not fully committed. This rarely works out in your favor and sometimes that leader might just be rebounding from a failed company experience.
- ☐ Is the leadership intentional, drawing from hands-on industry experience, not a former CEO operating merely on traditional sales and marketing experience or, worse yet, theory? This is network marketing not retail marketing—selling clothing and shoes at a large department store.
- ☐ Are the leaders in corporate and the leaders in the field passionate about creating a holistic business culture that emphasizes leadership training and personal development as opposed to focusing only on products, profits, and money?
- ☐ Do corporate leaders relate well to business associates in the field? Do corporate and field leaders listen? Do they conduct usability studies and ask questions and conduct surveys? Are they humble and approachable?
- ☐ Do the company and field leaders explain their products and the opportunity honestly and effectively? Lack of product integrity and clear guidelines can create problems. Asking how much you can expect

to earn is a difficult question to answer. Your particular results are based on a lot of factors. However, it is important that field leaders provide some specifics, not just generalities, as it relates to compensation and the business system.

☒ Are the high ranking, upline leaders clearly interested in your continued success as much as their own? Unfortunately, you cannot always know right away. Grab the person who invited you to the meeting and ask him or her to introduce you to the upline and team members before or after a home or public meeting.

*Note: Don't get orphaned. If your sponsor is just starting out, when choosing a company, look for supportive upline team leaders.*

Avoid scams and illegal companies and pseudo leadership. Well, I know this is obvious, but just beware; all of us are susceptible to being wowed by fast talkers. It is not enough to build a whiz-bang compensation plan around me-too products. Competition is fierce and a lot of people are wising up to pyramid schemes and gimmicks. It is important to note that a pyramid scheme, accord-in to the FTC, is “an unsustainable business model.” I could not agree more! When someone is promising you the moon and astronomical money with a primary focus on recruiting people into the program without providing a tan-gable investment or sale of products or services, it is nothing more than a money scheme. Run as fast as you can in the other direction!

In the United States, network marketing companies operate under the scrub-tiny of several federal regulatory agencies—the FDA, FTC, and SEC—and also state laws. It is a good idea to identify companies that are a member of the Direct Sellers Association (DSA) and/or the Multi-Level Marketing Association (MLMIA). Those companies and their founders are required to adhere to strict guidelines for membership. They must comply with all government and consumer agency regulations. Furthermore, they must adhere to the Code of Ethics of the association to which they belong.

## **2. Products: Are the products proprietary, and does the company own the technology?**

The products should have a difficult barrier of entry. In other words, they should not be easily knocked off by a competitor. Unfortunately, there are a lot of “me too” copycats with average products. You want to avoid those copycats, because those companies come and go faster than you can balance your check-book. You want a company with products that people love to consume and are eager to purchase more month after month.

A successful company usually has a “flagship product” within a vertical market that creates a compelling story. These niche products help define the culture of the company. For example, a unique anti-aging product that achieved highly desirable results and created a life-changing story for someone

would be a flagship product. Baby Boomers are creating a massive demand for products that slow the signs of aging.

It is interesting to note that 9 out of the 10 top global companies in this industry sell nutrition and beauty products. According to Transparency Market Research, the anti-aging market is projected to be worth \$191.7 billion by 2019.

**Ask these product questions:**

- ☐ Are the products unique to this company?
- ☐ Are the products in high demand and a growing market?
- ☐ Is the business product driven, as opposed to being opportunity driven?
- ☐ Are the products consumable?
- ☐ If it is a technology, service-related company (mobile, phone, cable, satellite TV, legal, financial services, etc.), does it have a unique enough product?

*Note: Aside from frontend hardware-related sales, are there lucrative backend monthly commissions to create sustainable residual profits?*

- ☐ Do people get excited about the product or service and tell their friends about it? (If customers try it a few times but do not become raving fans who crave a repeat experience, I would be concerned.)
- ☐ If less than three years old, was the company established as a result of a unique product with a track record, and built-in customer demand? Or, did company founders start-up a company and then seek out a product to plug into their business and marketing system? In general, it is better for a product to already be in demand and have proven results.

*Note: Again, another reference to those pseudo leaders. Avoid companies with founders who are looking for a quick buck to cash in on the network marketing business model. Authentic companies and opportunities provide a real business investment with quality products and services. Product loyalty creates sustainable growth and a long-term RESIDUAL Effect.*

**Here's the bottom-line:** Are the products high quality, unique, and proprietary? And do the products attract loyal customers, even without the business opportunity?

### 3. Business System: Does the company have a turnkey business system?

In my book *The RESIDUAL Effect*, review Chapter 10, “Action Plan.” Does the company have an ACTS system in place, ready for you to “turn the key and go?” With the exception of language and cultural variations, the business-building system should essentially be the same everywhere in the world. A turnkey system provides the foundation for success for those who are new to the business and also for experienced networkers. Success is not a random event or a lucky roll of the dice. A turnkey system creates a level playing field and helps the corporate and field leadership maintain continuity, measure progress, create team momentum, and assure long-term organizational growth.

**Here are the questions to answer relating to the business system:**

- ❑ Does the system include business tools and marketing resources that are designed to attract and engage prospective customers and business partners?
- ❑ Does the system provide ongoing communication, education, and training in the form of webinars, conference calls, weekly and monthly live meetings, and trainings?
- ❑ Does the company provide marketing resources with business and customer testimonies that “tell the story”?
- ❑ Does the company provide replicated websites and marketing landing pages for you to share a video with a compelling call to action? Are there both business and customer landing pages for your prospects to purchase products and/or join as an associate?

Beware of companies that focus only on recruiting without also emphasizing the importance of obtaining customers. (Customer acquisition is crucial for the long-term profitability of a business. Furthermore, attorney generals are becoming increasingly tougher on network marketing programs that emphasize only recruiting with customer acquisition.)

When a company business system only emphasizes large starter-pack purchases, my main concern is front loading or becoming “garage qualified.” In other words, are you filling your garage with thousands of dollars’ worth of inventory with no real plan or system for the distribution to the market place? If either the company or the field leaders are pushing excessive “personal” monthly purchasing requirements in return for achieving a higher payout or rank advancement, beware.

- ❑ Is there is a minimum starter pack cost required for participation in a bonus structure? If so, there should always be an alternative method for people who are unable to make the larger investment in order to achieve the same level within certain time frames. This is especially important in countries like Mexico. It is crucial for companies to be sensitive to the cultural differences of global markets.

In this industry there is a 70 percent rule. The rule's intended purpose is to prevent purchases of inventory in unreasonable or excessive quantities by distributors. The rule essentially means that a company cannot require you to purchase more products until at least 70 percent of those products previously purchased have been moved to end users. Don't get stuck with a garage full of pills, lotions, potions, and widgets! Look for companies that have specific sales and promotional marketing campaigns or sampling systems in place that enable you to move inventory. If you purchase a \$1,000 starter pack of anti-aging products, what will you do with it— besides storing it on the shelf or enjoying the healthiest, most beautiful year of your life?

What about party plans? Party plans are a more traditional form of a "direct sales" business model and popular these days with primarily non-consumable products. Party plan companies typically sell items such as candles, craft supplies, housewares, jewelry, clothing, handbags, and accessories.

Although there are a variety of non-consumable products, consumables such as skincare and cosmetics, food items and nutritional products can also fall under the party plan business model.

Distributors usually keep larger inventories of products for gatherings called "parties" and either sell on the spot or deliver the purchased items directly to their customers. Once customers are established, they continue to order on their personal representative's website, and then the company drop ships the products directly to their door. Party plans generally have minimum personal sales requirements and volume quotas in order to move up in rank and earn bigger commissions.

☐ Is there a reward system for customers who refer friends to become customers? (Providing monthly, free product incentives is an effective way to reward loyal customers and promote your products at the same time.)

**Here is the acid test for business systems:** Does the company have a congruent business/product distribution system? You can't have one without the other. Long-term residual income is perpetuated through customer loyalty and repeat purchases. Is the company's business system designed to generously re-ward customers for referrals and compel them to continue purchasing from you? Unfortunately, this is the demise of many a company and business opportunity, when customers with no loyalty incentives, do their online research and purchase what they believe to be same product online or in a department store at a lower price.

#### **4. Compensation: Does the compensation plan appeal to beginners, intermediates, and the most advanced business builders?**

Whether your goal is to make enough to cover your car payment or replace your fulltime employment, the compensation plan should be beneficial for every-one. A compensation plan should not only

provide opportunity for hobby-level enthusiasts but for professional networkers who depend on this industry for their livelihood. A company should be product focused, not just on the opportunity. If companies hook people with emotional hype that promise fast millions, big mansions, and fancy cars, those dreams might just be fantasies. There is nothing wrong with creating a vision for material blessings in this business, but painting a picture of unrealistic expectations leads to disappointments and dropouts.

Also important, avoid companies that promote excessive purchases for the purpose of achieving a higher rank. This is called frontloading, and you want to stay far away! Purchase only the amount of products that you can either sell and/or personally consume within one month.

**I could write a multitude of pages about compensation structures with all the pros and cons, but here are a few million-dollar questions:**

❑ I said it before under the product criteria and I'll say it again. Is the compensation plan integrated with the business system and product offer? A compensation plan is not a stand-alone entity or an afterthought. Your compensation plan should emphasize behaviors that create consistent weekly rewards and produce sustainable growth with long-term residual profits.

❑ Does the compensation plan allow you to build a strong downline with a level playing field where everyone has the opportunity to make money? As I mentioned, newbies can benefit and professionals feel confident about a long-term future with the company.

*Note: Network marketing companies offer options to purchase their business starter packs, at various price points. Even within the smallest business starter pack, inventory should be included to create value and a product experience for even hobby-level associates.*

❑ Does the system incorporate attainable rank achievement levels, clear mile-stones, and recognition for each level of achievement?

*Note: Car bonuses make a great incentive, but if the achievement bar is set so high that a business partner is prevented from actually receiving it, and, most important, maintaining the bonus, it kills morale and business momentum.*

❑ Does the company promote a minimum of three personally sponsored legs in order to achieve leadership rank levels and increasing financial rewards?

I believe for long-term stability, three to six solid legs are necessary. The old MLM adage that teaches that width creates profitability while depth creates organizational stability is a wise saying and business practice. You need them both.



When a company marketing system emphasizes only width, this is typically a sales-focused business model, referred to as one-tier or two-tier affiliate programs. If focused on width only, a problem will eventually arise with an inability to support all your business associates. And with no depth, there is no long-term stability. A well thought-out compensation plan is designed to reward and encourages the behavior of building depth. A placement system enables you to position people in your downline. As the person's sponsor you still receive the lucrative acquisition benefits while empowering team members. Placing a business partner in your group fills out the organization and rewards those people who are working the program with you.

Typically, compensation plans pay weekly or monthly. Weekly compensation is usually derived through finding and enrolling business partners and also customer acquisition. Exercise your networking muscles and create consistent growth through prospecting, recruiting, and sponsoring new business partners. Pump that life blood into your business! Do not be fooled by volume alone. Recruiting and sponsoring is a leading indicator of a healthy business, whereas group volume is a lagging indicator. If you and your team stop recruiting and sponsoring, business slows down and that awful attrition sets in. Monthly sales volume will also follow and atrophy with a downward spiral without new business associates joining each month.

Weekly commissions can be referred to as "bridge income." Bridge income is typically paid weekly from your sponsoring efforts, meaning the sales of your company's business starter packs. This weekly income bridges that arduous time gap that occurs as you're developing the slower, accumulating volume that is rewarded by monthly team commissions. Focusing on recruiting, sponsoring, and team building; work hand-in-hand to develop a sustainable business that pays residual profits month after month.

### **The last compensation questions:**

☐ If you are evaluating a global company, does it employ a seamless commission structure that pays through multiple currencies? Also, with the exception of cultural variations, make sure that no matter where in the world you are, the product stories, compensation, and business system are aligned and communicate essentially the same message.

☐ Is the company actually established for business in the country or just selling products for "personal use"? This is not necessarily a deal breaker. Companies could actually be distributing products for personal use in a lot of countries. But if a company is less than five years old and claims that they are in multiple (50 to 100) countries, get some specifics. Find out if their products, compensation plan, and the business model is actually approved by the country's regulatory authorities. To keep a pulse on the industry, I recommend that you subscribe to a free newsletter from Thomas and Burton, a legal firm

specializing in network marketing for nonbiased industry news. See [www.thompsonburton.com](http://www.thompsonburton.com). You can also keep tabs at [www.directsellingnews.com](http://www.directsellingnews.com) and the [www.dsa.org](http://www.dsa.org).

❑ Is the company and field presentation & income realistic? Avoid companies and field leaders that promise too-good-to-be-true, easy wealth, with hyped-up payout percentages. Companies that overpromise might be forced to under-deliver and change their compensation plan to stay in business. Changing a compensation plan might keep a company alive but rarely produces a favorable outcome for you or your team. Changes that “take away” erode morale and trust and are usually disastrous.

❑ Does the compensation plan allow committed associates and professional networkers to achieve a reasonable level of success soon enough to keep them in the business? Do hard-working associates have an incentive to continue and grow? It might take 18 to 24 months, or even much longer to build an organization large enough for an individual to leave a job or career. This will be determined by your level of experience, willingness to learn and grow, and these five criteria—leadership, product, turnkey system, compensation plan, and timing.

## 5. Timing: Is the timing right?

Personal timing is never perfect. The question is whether your why is big enough to motivate you to do what is necessary to succeed by taking consistent action.

How about the timing of the company you are researching and its business opportunity? First, don't be misled by the feeding frenzy of the proverbial “ground-floor” opportunity. Although timing can be a significant factor, there are no pat answers, but here are some guidelines to help you make a good decision.

❑ Whether established or a startup company, does the company have solid-ground ethics, leadership, products, turnkey tools, and a solid compensation plan? The larger established companies might feel safe with their experience and impeccable track records, but every solid company was once a start-up. Do your research and don't automatically rule out new companies.

❑ Is the company well-funded and positioned to handle exponential growth if sales explode? Or will a sudden acquisition of a large number of business associates and customers overwhelm the system and cause the company to implode?

❑ There are pros and cons of publicly traded companies. It is true that a board of directors and stockholders keep companies accountable, but make sure that the company has the best interest for you as the distributor in mind.

❏ Is the company rock solid with a firm base prior to going international? Here's the big question. If the company is based in the United States, is it first successful here? Beware of companies and field leaders who sell the glamour of global but are not really successful in their own backyard. Going global is no picnic and requires extremely deep pockets. The United States and Canada are crucial, foundational markets and because of multicultural populations, they are the gateway to the entire world.

## **Wrapping It Up—Is the Timing Right For You?**

When is the timing right for marriage, a child, or a new business for that matter? Is there really a perfect time? The question really boils down to this. Is your why big enough to motivate you? If it is then right now is a great time. Sure there will be challenges and you'll feel like you have ten pins in the air at times. The reality is that most people are going to experience a few disappointments and duds before they find the right company for entrepreneurial success, and that is okay. Every failed attempt in this business is a valuable learning opportunity.

I'll never forget the day that I rummaged through heaps and piles of literature and boxes of videotapes, audiotapes, and brochures from five or six different companies that I had joined prior to finding my first successful company. Thankful for the experience, I also recalled the challenges and some of the pain I had endured during the journey. I reluctantly threw everything into the trash bin with exception of an MLM gag gift I jokingly amassed and wrapped up for a friend's 27th birthday party! As the good book says in James 1:2: I counted all joy for all the trials, tests, and valuable experiences. Those business opportunities assisted in training me, forming my character, and, best of all, introduced me to a lot of lifelong friends.

With the ease of technology, like a convenient Google search, and a wealth of social networking tools, the world is at your fingertips to identify, start-up, and build your global business. Because of the availability and glut of information, companies are becoming more transparent. The bad ones become easier to spot and many fortunately fade away quickly. Unfortunately, there is some carnage when that happens. Don't always rely solely on what you find online either. There is also a lot of misinformation and inaccurate scuttlebutt about people and companies.

As you progress on your journey, you'll likely invest in a few MLM disappointments and feel like you've wasted time and money. But in reality, you haven't wasted anything. If you're in this business for the long haul, chalk it up to valuable business and life experience. You'll get knocked down a few times but remember, being down is not the same as being out. Don't throw the baby out with the bath water! Get up, dust yourself off, and move on. Even with three strikes, you're never out. No matter how your

first (or second or third) experience goes, hold on to the promise of financial independence and time freedom.

Enjoy this innovative business model called relationship marketing and learn to grow and continue to pursue your dreams with passion. Don't let the naysayers, the rut riders, and dream stealers get the best of you, because someday they might say, "Wow, look at my friend now! Isn't he (or she) doing great?" My intent in sharing this information is to provide an insider's look at what kinds of companies, products, leadership, and systems to make note of when you are doing your due diligence. Even still, there are companies with the best intentions, the best products, and the most authentic and charismatic leaders that will fail. It happens.

There are people who make things happen, people who watch things happen, and people who wonder what happened. You do not want to be one of those who miss out on the timing of this global business opportunity. As in life, there are no ironclad guarantees. But if you have the desire in your heart and you use my criteria and resource information, you too can enjoy the fantastic benefits.

This concludes, my bonus training report, "How to Choose a Company." For a complete resource for building lasting relationship, developing leaders, and growing a thriving network marketing organization, visit my website at: [www.Successmentor.com](http://www.Successmentor.com) and order my book, "The RESIDUAL Effect." Click on the header on the top right of my website or click on the book graphic below go directly to Amazon.

"The RESIDUAL Effect" is a complete resource and collection of ideologies, training, and exercises, designed to create a foundation for sustained personal and business growth. This book and training manuscript has evolved as a result of over twenty years of personal observations, trial and error, and valuable business experience. This acronym represents a progression of the eight principles for achieving **R.E.S.I.D.U.A.L.** success.



**RELATIONSHIPS:** Authentic Relationships are the connectors that form a solid business foundation. Social networking resources facilitate the growth of thriving networks with an emphasis on people first.

**EDUCATION:** Education and applied knowledge are necessary for personal growth. Shared knowledge empowers, edifies, cultivates and develops strategic business relationships.

**SERVICE:** *Service* is essential for creating a reciprocal business environment, providing remarkable value, and a giving culture.

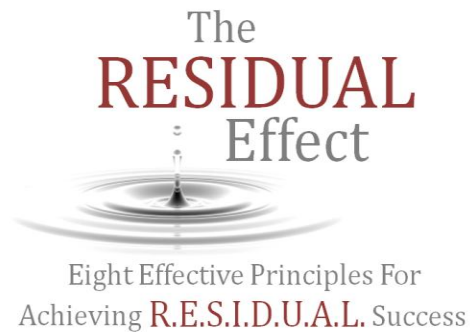
**INVESTMENT:** Responsible ownership and leveraging the principles and benefits of *Investment* generates sustained business growth and a profitable network.

**DEVELOP YOUR MARKET:** *Developing Your Market* involves surveying, identifying, connecting, and promoting to your ideal customer or business prospect.

**UNLIMITED POTENTIAL:** Personal belief and envisioning the future unlocks your *Unlimited Potential* and increases your capacity to overcome obstacles and empower others.

**ACTION PLAN:** A consistent *Action Plan* engages a congruent business system that includes processes, incremental steps, and measures progress in order to achieve expected results.

**LEADERSHIP:** *Leadership* commences with the cultivation of strategic relationships and increases with the proliferation of a flourishing environment for attracting, influencing, and mentoring successors.



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**Mark Petticord is the author of “The RESIDUAL Effect.” To order “The RESIDUAL Effect” and receive more information on Mark’s leadership development and business training seminars and webinars, please visit [www.SuccessMentor.com](http://www.SuccessMentor.com)**