

Why breakage is the biggest risk YOU face in network marketing, and why no-one ever talks about it!

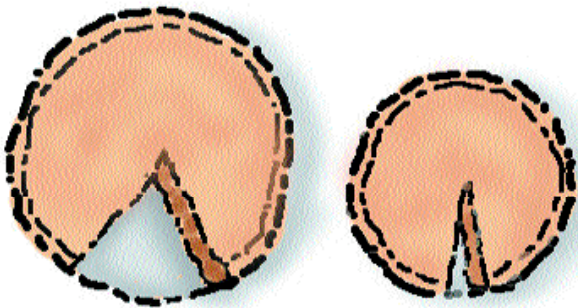
By John Counsel of The Profit Clinic MLM Success Centre

Breakage is unclaimable bonus income that distributors (especially part-time people) fail to earn because of high group volume and downline rank requirements that stop them from qualifying in almost every pay plan. It rolls right past you on its way upline to the Heavy Hitters and to the company itself. It's the hush-hush secret that MLM companies never want to talk about, for one very good reason... because it's one of their biggest sources of hidden profits, earned at your expense!

In this warts-and-all report I'll expose how MOST network marketing companies use breakage to fleece their networks – especially their part-time distributors, who make up 90% of all networkers!

Why are Personal Group Volume and Downline Rank requirements so unfair?

In most plans, the bigger your personal group bonus pie is, the bigger your percentage share of that pie will be. This is great when your downline is working. When it's not working, though, it's not just the size of the pie that shrinks. So does YOUR SHARE... you're hit by a costly Double Whammy!



In a balanced, fair compensation plan, your personal percentage of the group bonus is determined by your personal performance... nobody else's. (The size of the bonus pie will always be determined by your personal group's performance, since that's the only place it can come from, regardless of the type of compensation plan in use.)

But isn't the company always the #1 risk to every network marketer?

If you visit my web site at www.EvaluateMLM.com you'll learn that the #1 risk for every network marketer is *always* the company they choose to work with. But if breakage is created by the compensation plan, and the plan is #2 on the list of factors for evaluation, why does the headline above say that BREAKAGE is the biggest risk you face?

Because breakage reveals the true motivation and character of the company. The more breakage it earns in unclaimable bonus income, the bigger the risk to you. Because

not only will YOU be robbed by breakage, but so will everyone in your downline team!

And when your downline distributors find that they can't earn enough to get into profit, they'll quit... leaving YOU high and dry and even less likely to qualify for those already hard-to-earn bonuses that keep rolling up to the company.

Here's a useful saying you should always remember, especially in network marketing...

"Actions reveal what words conceal."

Regardless of the noble sentiments expressed in its literature, on its web site or at meetings, if a company adopts a compensation plan that creates excessive breakage, it does so for one of two reasons...

- **The people running the company don't know what they're doing**

They either copied another company's plan or they were advised to use it by a consultant they hired. What this really means is that they have little or no experience or understanding of network marketing. They're ignorant or incompetent – or both – so the entire operation is constantly at risk from other poorly informed, high-risk management decisions they make that will directly impact on YOUR business!

- **The people running the company know *exactly* what they're doing!**

They deliberately designed or adopted a compensation plan with breakage in order to rake off the windfall profits from that breakage... *at the expense of their part-time distributors.*

Does knowing this inspire YOU with confidence in the people running YOUR company?

How do they get away with it? And how do they keep it so quiet?

Think carefully about who benefits from breakage... the company and the heavy hitters perched at the top of their mega-groups. Huge distributor networks with tens of thousands, even hundreds of thousands, of distributors, most of them part-time and with not a lot of business experience. So they don't really know what to look for in choosing a network marketing company to work with, and they're soon blinded by the "smoke-and-mirrors" conjuring tricks that confuse, distract and misdirect them in exactly the same ways that carnival spruikers and magicians have used to separate the "rubies" from their money for centuries.

See if any of these practices are familiar to you...

- During business opportunity presentations, the prospects' attention is focused on the potential of the pay plan, especially the long-term, residual, "walk-away" income. (The real-life realities – that 90% of part-time people only sponsor between 3 and 6 new people personally, and rarely build more than two or three levels deep – are never mentioned. Anyone who asks is discouraged, or dismissed as "negative", a "dream stealer", a "loser" or worse.)
- Heavy hitters are regularly held up as shining examples of what's possible for *everyone* to achieve in this business – despite the cold, hard reality that they represent less than 1% of all distributors, but earn more than 90% of all the bonus income paid by the company!
- To qualify for bonuses you have to achieve the specified minimum Personal Group Volume totals in a month. (The justification for this is usually along the lines of "if we didn't have those high PGV requirements, you couldn't earn such high incomes. It's all for your benefit!")
- To qualify for bonuses you have to achieve a specified number of downline (often first level, or personally sponsored) rank achievers for the month. To achieve those ranks, those distributors also have to achieve specified Personal Group Volume and Downline Ranks. (The justification for this is usually "if we didn't have those high downline rank requirements, you couldn't earn such high incomes. It's all for *your* benefit!")

Very few companies don't have these kinds of qualification requirements. But these are the very features of compensation plans that create breakage – often in vast amounts.

More tell-tale signs of a company profiting from breakage

- It operates a binary compensation plan, or any other type of forced matrix plan.
- The compensation plan has group volume requirements to qualify for bonuses.
- The compensation plan has downline rank requirements to qualify for bonuses.
- The compensation plan limits the number of legs you can build (limited width)
- The compensation plan promotes or requires building deep (the payout is distributed over many levels)

A word of warning

It's not possible to have a compensation plan with no breakage at all. For a start, breakage will always flow to the company from the people sponsored directly by the company, usually in the start-up stage. What we're really talking about is excessive breakage caused by the kinds of compensation plan strategies and structures outlined in this article.

Why do most people fall for it? And how come they don't wise up?

I've been a management consultant to network marketing and other direct sales companies for more than 20 years. My

consulting, publishing and training company has carried out surveys and other research over that time that's been supported or confirmed by other surveys and research. The results are very revealing...

- The majority of network marketers are unsure of what type of compensation plan their company operates.
- The majority of network marketers have only a limited understanding of the workings of the compensation plans they work with. They're almost never aware of the principles that drive them, let alone understand those principles.
- Very few companies educate their distributors about the inner workings of their compensation plans (now there's a surprise!). Instead, they emphasise the products, the potential of the plan (as exemplified by the heavy hitters) and the achievements of the company. Enormous amounts of time, effort, money and resources are poured into presenting the company, its founders and key personnel in the most favourable and dazzling light, and into creating powerful emotional bonds to the company, its management and products.
- Most network marketing companies and distributor organisations over-train their people and devote excessive time, effort, money and resources on training, tools, rallies and other distractions designed to keep distributors focused on activity and potential, instead of the harsh reality that most of them are not making any profit or sponsoring enough people.

There's a cynical description that's been around for many years that says network marketing is "a room full of people getting very excited about not making any money." (Or, in too many instances, losing money they can't afford to lose.)

So, with all that investment in activities and events to distract peoples' attention away from the reality of their situation, it's little wonder that they rarely question their failure or, at least, their lack of success.

Reasons why companies get away with high levels of breakage for so long

- The distributors are so focused on the company, their heroes in the company and the products to which they're so emotionally bonded, that they never think to question the compensation plan.
- The companies rarely discuss their compensation plans because doing so is fraught with risk for them – the last thing they want is people asking questions about the challenges they're facing in making the plan work for them. The standard response is to turn the focus back onto the challenger... their weaknesses, frailties, attitudes, etc. (Sound familiar?)
- People don't know any better. They're so inexperienced in business and they know so little about how to properly analyse compensation plans that they simply accept what they're offered.

Are there any network marketing companies that don't profit from excessive breakage?

Yes, there are. But not many, because those huge hidden profits are very hard for company owners and managements to resist. They're few and far between and hard to find, but the good news is that the others are very easy to recognise... if you see any high personal group volume or high downline rank requirements in order to qualify for bonuses, you know the company is reaping rich rewards at your expense through breakage. They're the tell-tale signs.

If you're currently involved with a company that operates a compensation plan that requires group volume requirements or downline rank requirements to qualify for bonuses, the best advice I can offer you is this:

The Dakota Indians of North America have a saying... "If you find yourself riding a dead horse, the best thing to do is dismount and find a LIVE one."

You can read a more detailed explanation here...

<http://www.johncounsel.net/insights>

How to get other people to send you unlimited, FREE, fresh, highly-qualified leads who'll buy from you, then send you more free, fresh leads... even if they say no to your network marketing opportunity!

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WHAT READERS ARE SAYING ABOUT IT



"I started reading '*Viral Networking*' and could not put it down. Stacks of valuable information here for any one wanting more leads. '*Viral Net-*

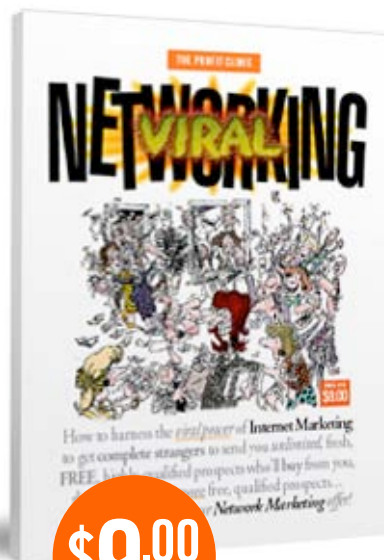
working' is the most complete, unique, integrated system I have seen. I can't recommend John's ebook enough."

Bruno Lovrinovic
Australia



"This new book from John Counsel provides a tantalizing vision of an all-new approach to solving the Network Marketer's basic prospecting problem.

(Continued...)



\$9.00
USD

Well written, as one would expect from John, this book sets out the framework for a prospecting system of mind-blowing proportions.

I recommend the book as vital reading for all serious Network Marketers and look forward with excitement to applying the system to my own business.”

Eric Youle

Australia

“THIS WILL EXPLODE YOUR BUSINESS”



“I’ve known John Counsel for a number of years now and, without doubt, he would be my first call for advice on network marketing. I’ve even paid him to evaluate compensation plans for me.

His new book, *‘Viral Networking’*, is the best you’ll find, driven by John’s passion to lead you toward truth and making the right decisions for the right reasons.

This will explode your business. I highly recommend this information.”

Danny Mallinder

New Zealand

“STUNNING — AN APPROACH THAT TACKLES IT ALL IN A PERFECT WAY”



“I had a smile across my face reading John Counsel’s ebook *‘Viral Networking’*. It reflects his rich network marketing background and deep insight, which has allowed him to put together a stunning ebook. It describes an even more stunning solution to your largest problem: an all-encompassing, *automatic* prospecting and sponsoring system of unprecedented quality.

This solution will no doubt get your business moving upward – fast. Why? It’s because he lets you know the WHY and the HOW – to make this perfect system work for you.

This is John Counsel’s way of making complex matters easy to digest and apply, causing a never-ending smile. It’s a must-

read for anyone who aspires to succeed in network marketing”

Frank Osterloh

Hanover, Germany

“A DIAMOND EMERGES FROM THE COAL”



“John Counsel’s new book, *‘Viral Networking’*, is top-of-the-class.

Written in his usual easy-to-read style, John exposes an unbelievably powerful method for building a large network marketing business.

I have the ‘why’ and now – after many false starts for me – John Counsel has provided the ‘how’ with *‘Viral Networking’*.”

Tim Mackey

Australia

AND THE EXPERTS SAY ...



“This guy [John Counsel] doesn’t just butcher all your favorite sacred MLM cows. He barbecues ’em and serves ’em up to you one slice at a time... and you LOVE it!”

John Milton Fogg

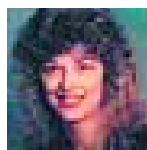
Author, *The Greatest Networker in the World*



“Dynamite, John. Absolutely wonderful stuff. Not that I’m surprised, mind you. Just very pleased to see such a considered and thoughtful approach to what is all too often seen as a thoughtless and inconsiderate industry.”

Paul Myers

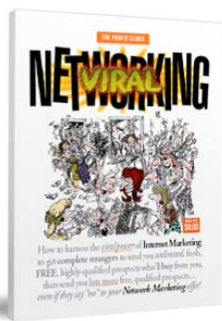
Publisher, TalkBiz News



“John, your writing on Fourth Generation™ Thinking has been a major part of who I am and what I do in my network marketing business. Very profound.”

Cheryl Gonzalez

President, Distributor Rights Association



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