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The Pyramid Myth

When presenting a Network Marketing concept to others, one sadly often hears the expression: **“But this looks like a Pyramid!”** This misconception is the reason why South Africans remain poor. This is why they will keep on spending 80% of their lives unhappy at work. The saddest thing is that they do not bother to educate themselves better and find out what is a Pyramid Scheme. When a client tells me it is a Pyramid Scheme I normally ask them "What is a Pyramid Scheme?" and only 5% of those people can answer my questions. The other 95% do not have a clue what a pyramid scheme is, yet they use it as an excuse to remain in their comfort zone.

Unfortunately the South African media does not help either. In fact they are just as misinformed and are always looking for ways to run other businesses down. Moneyweb, Rapport and itiweb are among those who like to publish one sided views about other business for the sole purpose of creating sensation to its readers. These poor folks do not understand what network marketing is and while earning their measly little salaries, working themselves to death, they have to run down a good idea in order to let themselves feel better.

Even Internet giant, @lantic launched their own network marketing arm this year. All those pyramid fearers better start to run. The pyramids are upon us. Within a couple of years from now more than half of everything you use on a daily basis will be distributed by means of network marketing. You can either **adapt to the modern world** and benefit from it, or you can remain narrow minded and suffer for the rest of your life.

It is true, that there were a lot of illegal pyramid schemes and a lot of people lost money in them.

So the first thing you must do is to educate your potential clients and teach them the difference between a pyramid and network marketing.

The law states various aspects that makes network business legal. The three most important ones are:

1. The business must have a **product or render a service**
2. The network must be limited in its levels in order to prevent the first person in to earn the most (it must be a equal opportunity business)
3. The network may not be sustained only from the registration fees of members

The first point is easy to explain. If the company you signed up with provides a product or service, it adheres to that portion of the law. The product or service must however be **fairly priced**. A good way to test this is to take the business part away from the product or service and see if you are then left with a fairly priced sustainable product or service.

The second point is the best one. People tend to think that everything with a pyramid structure is illegal. What they do not realize is that any successful business, government , church, family or organization, after a certain size takes on a pyramid structure.

Furthermore, a network business must be limited to a certain number of levels in order to prevent the top person to earn the most money. This makes it an equal opportunity business which will give anybody the opportunity to become the top earner of that company, irrespective of where you are in the network business structure.

Example:

Lets say your friend **John** joins a network business and the business is limited to 4 levels. Now John is a bit slow and he and all the people under him only signs up 2 people each. His business will look like this:

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John
ii
iii
iiiiiii
iiiiiiiiiii

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But now **you** sign up on John's level 4. Now John is cooking. You are a live wire. You are eager and hard working and you and everybody in your business sign up 5 people each. Your business and John's business will now look like this:

Levels	John
1	ii
2	iii
3	iiiiiii
4	You + iiiiiiiiii

Levels	
1	iiii
2	iiii iiiii iiiii iiiii iiiii iiiii
3	iiiiii iiiii iiiii iiiii iiiii iiiii iiiii iiiii iiiii iiiii
4	iiiiii iiiii iiiii iiiii iiiii iiiii iiiii iiiii iiiii iiiii iiiii iiiii iiiii iiiii iiiii iiiii

SO let's assume that you get paid R10 per person per month for each person in your business in the example above. WHO will earn the most money? **John** (at the top) or **You** (at the bottom of your business) ?

Obviously **you** will earn the most. So it is clear that the person at the top or the first person in **DOES NOT** make the most money. It is the person who works the hardest who earns the most. This makes it an **EQUAL OPPORTUNITY BUSINESS**. No matter who or what you are, if you have the drive, the passion and then need, you can be the person who then earns the most. Each person's business starts with that person and not with the person above that person. There are a general misconception that the people at the top of a network makes the most money. Above mentioned example just proved that wrong.

Now lets look at another interesting example.

We all know a big company like Pick & Pay, Telkom, etc. Lets see what their structure look like:



WOW, that is a nice pyramid!

Million dollar question: Can the employee at the bottom, the person who puts the tins on the shelves, **EVER** earn more than the CEO at the top while he is in level 6?????

If you listen to people's comments about pyramid schemes any successful big business should be 100% illegal! The above example is not an "equal opportunity business" as the first one in earns the most money!

You can see from the examples above that network marketing is not even close to being an illegal pyramid scheme.

But where do they get the money to pay the commissions ?

This is why people are skeptical about network marketing. They do not understand the concept and they do not understand where the money comes from. So for them it sounds to good to be true and then they get all the excuses they can think of not to get involved.

Explanation: I can get people to market a product for me. I decide that if I sell the product for R150.00 I can afford to spend R40.00 on commissions. So, now I can involve people to market my product for me and pay them R40.00 commission on each successful transaction they conclude.

With the scenario above we go back to traditional business. If the consultant do not sell anything today, that consultant will not earn any money. And also if the consultant goes on maternity leave for six months, she do not have an income for six months.

So now we decide to split the R40.00 in 4 pieces. We will now rather pay 4 people R10.00 each than paying one person R40.00 per sale. We create more jobs for more people. We tell the lady in this example (**lets call her Cynthia**) that if she refers or introduces another sales consultant to the business we will pay her R10.00 of each sale that person makes. And that person can do the same and the next one can do the same. We continue that up to four levels. So now Cynthia gets paid for her efforts AND she gets paid on the effort of the people she signed up under her. She just started her own business. She now has consultants working in her business and she earns a portion of their commission, she now has consultants working "for" her but still each one runs his/her own business.

So now Cynthia can actually go on maternity leave for six months and still earn an incomes.

Therefore the money to pay commissions must be built into the price of the product or monthly fee for the service rendered by the company. This is also a good way to see if a network marketing business is legal and sustainable. You must be able to see that the commission money is paid by the product or service. If we market a product which will cost you R100.00 per month we can most certainly not afford to pay you commission of R400.00 per month. If you see something like that you know you must run.

So network marketing is nothing else than the distribution of commission or the distribution of wealth. We do not pay one person big commissions, we pay several people from the same total commission amount.

Types of network marketing

There are different types of network marketing businesses available. Some sell physical stock and others market a service or an insurance product. There are even systems where you can get discount on your cell phone bill and get paid for the people under you and on their cell phone usage.

So if you do get involved in network marketing you can choose a company with which you feel comfortable. The company you choose will depend on your needs. If you need something that can build you a good income in a fairly short time, it is important to look at the commission and bonus structure. Do not look at the potential income when everybody signed up 10 people. That can take three or more years. Look at the shorter term results. Work out an example where everybody signs up at least 3 people and see what your income will be after your levels 2 and 3 have been filled out in such an example. If everybody signs up at least 3 members you can fill out to your third level within two or three months easily. If you urgently needs money it is important then that the company you choose will pay you a good income in such a short period otherwise you will lose faith in the system and give up.

There are network marketing companies that will offer you an excellent product and support, but it will take you two to four years or even longer to earn a proper income. These ones are also good if you are looking for a

pension fund instead of an immediate income.

So it all depends on your needs.

My experience is that you can be successful in almost any network marketing company. It all depends on **YOU**. ***It depends on your need and your desire to achieve success.***

You can find companies which sell physical products.. Many people make a lot of money in such companies, so there is nothing wrong with it. The problem is that your market is limited to the people who need and can afford that specific product. Your income will also depend on the sales of your down line. If they do not sell good this month, you will not earn a good income (like just after the new year).

If you go for a network marketing company who for example render a service to collect and distribute money to charity, then you have 99% of all people as customers. You will also do the work once and get paid continuously. Your income will depend on the number of active members in your down line and not on the sales they make. So you will know that if you ended at R2000.00 this month you will start at R2000.00 next month and grow that. So it is a more stable income.

So look for a network marketing company which render a service or financial product which are paid monthly by debit order. That way you will sign up your client once and get paid for as long as he pays his premium. But also remember if that client is earning commission like you, he will never ever cancel, thus you will have a client and an income for the rest of your life.

The most companies who run above mentioned networks normally either offer charity fund raising, insurance products, shares motivation or monthly magazine subscriptions as product.

In my eBook "**Creating a Passive Income**" I also show how you can use your MLM income to generate even more. (see <http://www.passive-income.co.za>)

The future does not look very good for most people on this planet. Everything is getting more and more expensive each day. The fuel price is rising at an alarming rate and we all know that the price of everything else follows in the footsteps of the fuel price. Do you have a plan? How are you going to survive during the coming years? While you are looking for the next big thing, I suggest you get involved in Network Marketing and start building a Passive Income earning business.

Best Regards
Pieter Pretorius

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