

White Paper

Best Practices In a Soft Economy For Direct Selling

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Best Practices in a Down Economy

The direct selling industry is generally considered to be counter-cyclical—meaning that when the economy flops, direct selling companies thrive because people are looking for alternative ways to supplement their incomes. That’s a very general statement, because any company executives can attest to the fact that a variety of factors influence the actual performance of a company. Products, compensation plan, leadership, ownership and marketing are all factors.

And certainly, it’s possible for a direct selling company to fail even during the most down of down times.

In fact, over the last two years, we saw the first decline in US direct selling business in over a decade.

So what happened? Many of us found ourselves asking the same question. What factors created a downturn even within the direct selling industry at a time when the economy *should have* played directly into the hands of direct selling companies?

And despite all the difficulty, a few key players became industry heroes. How did they reach record levels of success? At VideoPlus, we did a study to consider if there was a common thread among those achievers. *Was it right place right time? Right product? Luck?*

The Downturn

It’s important to understand first what caused the economic downturn. 2008 was historic for many reasons: Severe turmoil in the oil markets drove gas prices to record levels in the United States. Everyday items such as milk hit record levels, driven mostly by the skyrocketing price of corn, which was being driven by the green movement to alternative energy sources. Auto manufacturers were put in a tailspin as a result of the climbing prices. And consumers, in reaction, were scared by the high price of gas as well as the high price of hybrid cars. Few were buying automobiles in general.

In concurrence with all those catastrophes, financial services companies needed huge bailouts to fight the perceived loan defaults caused by falling real estate values, which were driven sky-high during the housing bubble. As the stock market fell and some retirement accounts were chopped in half, a sense of gloom spread throughout the country.

And in addition, any time there is a presidential election, the state of the union goes into a holding pattern for the next decision-maker. With tax rates in question and the Iraq war still raging, uncertainty was everywhere.

In other words, nearly every adult in the United States was negatively impacted in some way in 2008.

Enter the direct selling industry—the aforementioned “hero” in some circumstances. The belief was that those looking for entrepreneurial gain might find it during the recession. But what we found is that many people interested in an alternative income chose to not even drive to the nearest meeting to hear about the opportunity. Instead, they conserved their hard-earned gas money. People surrendered into a sort of “cocoon mode”—protecting what they had instead of pursuing more.

Winners versus Losers

So what happened to make some companies take the same bad climate and make it work for them? First, let's examine the mentality of those that grew versus the companies that declined over the same time period

The growth companies saw the economy and thought of it as a detriment—something they can't overcome or overpower. You can't blame them; most traditional industries did the same thing. The “decliners” thus aligned themselves with the general populace. Also, the idea of opportunity so common within the direct selling industry—that idea of reaching new people in need of “something more”—went by the wayside. Positive thinking and proactive behavior stopped.

It's safe to say that most of the “decliners” did a handful of things that caused their demise. The same is true with the “growers.” Rarely did any company survive on luck or chance, and that holds true in a down economy. The “winners” of this economic battle had a few common threads.

First and foremost, the “growers” never quit recruiting with every effort. It's what got them in business in the first place and it's what will keep them in business. They also focused their organizations—on doing the “right things right,” as we like to say. The fundamentals should never be discarded.

They also had focus. Instead of focusing on *how to get business*, they focused on their story first. After all, a story sells. Then, they determined the best way to tell that story, using the available technologies.

Let's make it simple: The companies who “won” in 2008 spent the majority of their efforts focused on the most basic part of their business—their ability to share a compelling story with every prospect.

And further, successful companies realized quickly that the same story that worked in 2007 (or earlier) was dramatically different than the more effective stories of 2008. As the economy worsened, we watched companies talk about control. Control is tied to fear: *Is losing your job in your hands? Can you control your financial stability? Can you keep your retirement accounts from dwindling? Your health?*

While no one enjoys talking about fear, the reality is that *fear is a daily feeling* to the average person. But while addressing fear, winning companies gave a positive spin on it. It isn't about what you *can't* control—your boss, the government, rising prices. It's about what you can control.

Clearly, the direct selling industry is an ultimate source of control for many individuals. And, more people are in dire need of finding alternative sources of income than at any point since the last recession in the 1980's. The winning companies created the “perfect storm” when they addressed that very real fear of loss and then showed an easy way for people to get ahead. It sounds so easy, but companies within the direct selling industry—and even in other traditional industries—missed the mark.

Let's examine a few companies and how they worked on their story to attract record numbers of new distributors over the past 12 months.

Motivation for MonaVie

Perhaps no other nutritional company in the industry has grown as large as quickly as MonaVie. From a standing start, they have grown to over \$800 million in revenue, largely by using the fundamentals of storytelling.

MonaVie's field organizations are powerful. Strong people grow strong field groups. The corporate team at MonaVie embraces this strength as a partnership—allowing a limited amount of very good tools to be utilized. However, the field clearly understands that any selling tool—any “captured” story—must stay within the parameters set by the company. The story is *that* important to get right every time.

The MonaVie story is clearly controlled by the corporation, and they are industry-recognized for providing some of the best recruiting tools available today. A three-time user of *Success from Home* magazine, they committed to take that message a step further by creating a new DVD. In just 11 minutes, the new MonaVie Momentum Opportunity video accomplishes everything an associate could / should say in a fraction of the time. It is a very clear presentation of who MonaVie is and creates a powerful image of what MonaVie could be to the viewer.

Storytelling is of the utmost importance. Stories involve real people sharing real success, without making it look like it's all about new cars and big houses. Instead, a story like MonaVie's stresses that it's about the right place, the right product and the right time and provides a glimpse of the emotion of being involved with their company.

To complement that, the video focuses on the greater cause of MonaVie— The More Project, a charity in the slums of Brazil where MonaVie spends its time and money to better the lives of children. The ingredients for their product come from the forests surrounding this area, and their philanthropic involvement exposed this unique need. Thus, MonaVie's simple story is complete. They focus on their success as well as their philanthropy—without one you cannot have the other, they say. Their message is also consistent: If you want to join a company with a proven product, leadership that understands how to help others succeed and a company culture that *cares* for others, look at MonaVie.

Once their story was clear, the tools were obvious—not the opposite. Never did the corporate team say, “We want to be featured in *Success from Home*. Now what do we say?” Their message was clear, and it was unmistakable that the best way for them to communicate their message was through a lengthy print product and an accompanying DVD.

Leading the Industry with ACN

ACN started strong, as a good telecommunications company that sold long distance, local lines and wireless. But over 17 years, ACN has transformed itself beyond that—to a household name and the best telecommunications company in the industry.

Today, ACN is the largest direct selling telecommunications company in the world, and they got there with clear messaging and consistency. Their main product focus begins with digital phone service (VOIP and

videophone) and extends into other phone and other household communication services such as wireless, internet, local and long distance phone services.

In 2006, they were doing many things very well and their message was evolving. Communication tools became something to use for many in their field, but not everyone. Like many companies, they had many choices of what to say and how to say it. The result was often a disconnect between corporate messaging and actual field delivery.

Even with that challenge, ACN chose to use VideoPlus' magazines to supplement their other tools—hoping to capitalize on the uniqueness of it and to get their reps excited. As a part of their long-range plan, this was clearly a first step toward cohesiveness and story-telling consistency.

Over the next few years, they committed to using *Success from Home* magazine four times. Each time, they built upon the growing success of the previous one and re-tailored their message for their current stage of growth.

A recent partnership/endorsement relationship with Donald Trump became a focus of their third-party validation for the company. However, a relationship such as this creates other challenges for a company. Utilizing a high profile personality needs to be done with a precise focus—using name recognition and goodwill as validation for prospects and belief-building for reps.

Still, Trump's affiliation with ACN is *not* their story. Company executives were intelligently attune to this, however, and didn't let the glamour of Trump's affiliation over shine their real message. Had they let their real story become secondary, they would have risked losing more people than they gained with their relationship with Trump.

As a company with growth on three continents, ACN committed to using the same messaging globally and adjusted delivery methods slightly to fit the culture. *Success from Home* magazine was published for their European market in five languages with features in each magazine designed to highlight success in each region. The U.S. version of the magazine and DVD were repurposed for their Australian/New Zealand market with ease. The result is a completely consistent story—consistent to everywhere in the world.

Next, they introduced online initiatives, which continue to provide consistent messaging almost immediately to anyone, anywhere. And so far, no one has come close to their level of success in their segment of the industry.

Ignite Lights the Fire

Ignite, a direct selling company that sells electricity and natural gas services to those in Texas and Georgia, has a unique story. As they tick along making huge profits, many in the industry haven't even heard of them.

In about 3 years, Ignite garnered more than 130,000 reps and 500,000 customers. They notched about \$850 million in revenue in 2008. So how'd they do it so quietly? And what worked for them that didn't work for so many others?

Chris Domhoff, Ignite's founder and an industry veteran, understands the importance of consistent messaging. He knows that getting everyone to say the same thing *every time* they talk to a prospect is the safest and surest way to grow a company. So from the beginning, Domhoff built a story that anyone could repeat. And he committed to using strong marketing tools so that even those who aren't great with words could let *something else* tell their story.

Consider Ignite's proposition: They sell a necessity—energy. Every person in the market they serve are either Ignite customers or using a competitor. Thus, it's not a matter of convincing someone they need a video phone or new liquid nutritional. Their pitch is, if you're going to pay for energy, have you thought about who you buy it from? Ignite's competitive rates save some people money and offer them the boon of residual income.

Ignite's needs are unique. A nationwide newsstand publication is not right for them because Ignite is only in two states. However, consistent messaging is important so that ever representative is actively pursuing new business with the right story every time. So they have chosen to use a VideoPlus non-newsstand magazine, *Empower*, to share their message. The same opportunity is available here, as it is with other publications: Focus on the simplicity of the message, and then send that message out consistently.

Ignite also combined *Empower* with a Dual Disc that tells the story artfully and clearly. Although Domhoff believes in building excitement, he also believes in building credibility. They say their simple set of tools can portray the same message every time someone comes in contact with Ignite.

As the story has evolved, Ignite continues to update the messaging. The message from 2007 was not the most effective in 2008. And the new messaging in 2009 has evolved even further.

The new DVD included in the 2009 issue of *Empower* is vastly different than any other video they've used before. In fact, the story-telling of is unique from most other videos every produced in the industry. It truly tells the story of why energy is important both from a product and opportunity perspective. The personal appeal and dynamic imagery truly sets them apart and appeals greatly to the average prospect who may have never considered network marketing in the past.

Looking Forward

Stressful times, especially economically stressful times, tend to expose weaknesses in a business. Anyone can lead when times are good. When a company is making money riding a wave, they tend to overlook the little things. However, during challenging times, good fundamentals and good leadership shine. Under duress, the overlooked "little things" have a way of potentially causing insurmountable problems.

Take the time now to work on the basics. Get your story right, and *then* determine the best way to share it.