

MARKETING PLAN CHECK LIST

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Does your marketing plan include these features?

It certainly should.

Here they are:

1. Total honesty throughout the enterprise.

This really should go without saying.

2. There is no fee, charge, or required purchase to be a distributor.

This one feature, if present, offers the single most important “insurance” or protection from regulatory vulnerability in my entire experience. Not all companies can live with this, but for those who can, I deem it the most important of all —next, of course to complete honesty in the company and total absence of any misleading or fraudulent practices.

3. At the very most (and only if a company cannot make being a distributor truly free) permitted by law in some states (but not all) and honored in practice by the others, a nominal charge for non commissionable sales materials may be made.

The states use the words “at cost”. This should be the only cost to be a distributor.

4. No reward for recruitment of a distributor.

This is the most obvious red flag of a pyramid scheme and is sometimes phrased “there should be no reward for the ‘mere act’ of recruiting” a sales person.

This unlawful feature of some marketing plans is sometimes colloquially called “head hunting” and the rewards for doing it known as head hunting fees. This practice is to be avoided at all costs.

- 5. Critical: All financial rewards in the plan must be based only on legitimate product sales.**

This follows naturally from principle 4.

- 6. Similarly, there should be no commission, rebates or monies paid from one distributor directly to another.**

All dealings should be with the company itself.

- 7. No unreasonable earnings projections are permitted.**

Some states such as Wisconsin require companies who make any earnings projections at all to also publish the actual earnings of the average distributor in the geographical area. Wherever any earnings projections are made it is essential to insert a disclaimer that the numbers are purely hypothetical.

- 8. “Retail sales” - that is sales to “non involved ultimate consumers” (those who are not involved in the marketing plan) must be required and stressed throughout the materials.**

It is important to remember that the only thing that separates us from pyramid schemes or chain letters, and thus allows this industry to exist, is product marketing.

The key word in multilevel marketing is marketing not multi-level.

Ideally, through the influence of a case known as “Omnitrition” 70% of company sales should be made to people who are not distributors or in the sales matrix at all.

- 9. The necessity for hard work is stressed throughout plan.**

It is simply human nature to want “something for nothing” or to “get rich quick” but these plans must avoid statements and any “hype” that even resembles these because of a strong bias in America and especially on the part of regulatory authorities in favor of work and a deep suspicion that anything easy must (or should be) illegal.

- 10. Bonafide sales, product handling and or supervisory duties are an absolute must in every marketing plan.**

This is a reflection of the bias against and suspicion of anything that

could be easy and/or “smack of” a scheme of some kind instead of a legitimate business or product marketing endeavor.

11. Similarly, training and instruction requirements and incentives are highly desirable.

12. There should be a legitimate Buy - back Policy.

A legitimate multilevel marketing company will agree for some commercially reasonable period of time to buy back inventory and sales kit material in resalable condition from distributors who cancel participation in the program or customers who are dissatisfied and desire a refund.

90% buy backs have become the industry standard as has a one year time period.

Texas and Georgia are typical of the states that have a statute requiring a 90% buy back requirement for a period of one year. The periods actually range up to Wyoming's which (unreasonably) is forever.

This 90% - one year Buy Back Provision is also the standard adopted by the Direct Selling Association.

Promotional items or products with seasonable or short lives are not subject to buy back rules if companies disclose this fact to distributors in advance.

13. It should be forbidden in the company's published materials for any distributor to make any claims for the plan or its products that are not contained in company published literature.

14. A strict Code of Ethics should be in the plan and enforced vigorously containing strict prohibitions about any unethical behavior at the risk of losing one's distributorship.

15. Finally, the better companies will incorporate provisions taken from recommendations of the Distributor Rights Association to protect those who have chosen to commit their lives and futures to the betterment of themselves and the company itself.

All of the above assumes the most important factor of all - a genuine

desire that clearly reveals itself in all the materials - to market **a legitimate product to the public at large**.

It is unlawful just to go into business with a view to “cramming a product down a sales force chain” or assuming that the only customers will be the sales people. This is not multilevel marketing.

Finally, remember that in the real world perception is reality. Your company will be judged initially at least, by whether or not its appearance and all its materials evidence a sincere desire to market legitimate products at reasonable prices to the public at large.

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Mr. Smith is a specialist in direct selling and multilevel marketing law, appearing in courts and negotiations on behalf of multilevel marketing companies in states and the Federal Trade Commission for over 25 years.

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