

# A Different Kind of Company

There are several differences between how a multi-level marketing company operates and how Melaleuca operates. I'd like to describe some of the more significant ones.

**1)** Multi-level companies often require or encourage their people to buy inventory, or to at least purchase large quantities of product each month, to qualify for bonuses. Melaleuca requires no inventory and actually encourages customers to purchase only what they need each month. This is a significant difference. It means multi-level companies usually impose a substantial investment and therefore a significant risk. With Melaleuca, there is no risk.

**2)** Multi-level companies often market products no one really uses like cases of juice, magnets or green algae. These aren't products that are regularly used by the average consumer. In reality these products just stack up in the garage of customers' homes. Melaleuca offers real products that people use everyday in their homes. And, because you are simply switching stores, there is no negative impact on your budget.

**3)** A multi-level company usually requires that you resell their products. Melaleuca does not require any reselling—all customers shop direct from the catalogue. We have real people buying real products because they really want them.

**4)** Most multi-level companies charge several times what their product is worth, such as \$40 for a bottle of juice you would pay less than \$5 for at the store. At Melaleuca, products are competitively priced. That is what keeps customers coming back month after month.

**5)** Another major distinguishing factor is that most multi-level companies promote some person as being a guru or icon who champions their cause or is behind their scientific breakthrough. A good example is a particular multi-level company that touts a specific so-called Doctor who claims to have a PhD degree in nutrition from Pacific Western University. When you go to

Pacific Western University's website, you learn this individual received his so-called degree and could only obtain his degree either through mail order or on the website. Additionally on the website, you find a very important disclaimer from the university that clearly states it is not an accredited university. Yet, this so-called Doctor, with the mail order degree, is supposed to be the authority behind the company's nutritional breakthrough products.

Melaleuca, on the other hand, is based on sound business principles and doesn't rely on any one individual. Melaleuca has several real scientists and PhDs who have obtained degrees from accredited universities. They have made several notable inventions and discoveries and have obtained numerous patents on behalf of Melaleuca. Melaleuca has many other scientists who work under the direction of these PhDs to unlock the secrets of nature and document their effectiveness. We have scientists and in-house talent to develop truly unique products that outperform those products you can buy in the supermarket or department store. Our products set us apart through their uniqueness and superior performance. You don't have to look any further than *Renew*, *Access® Bars* or *Diamond Brite*, just to name a few examples.

**6)** With the multi-level, high-inventory, high-risk model, the person on top (or first person in) wins and the person on bottom (or last person in) loses. With Melaleuca's true business model, everyone wins—no one loses. A Marketing Executive could enrol tomorrow and build a large income faster and easier than if they had joined two years ago.

**7)** Multi-level companies almost always tout a 'ground-floor opportunity.' When they do this they are suggesting the company might not be around very long. Or if it is, it won't be a very great opportunity later on. At Melaleuca, the opportunity has increased with time. That is how an authentic business model works. A company should get stronger over time. In that way, Melaleuca's

business model is distinctly different than the MLM model.

**8)** Multi-level companies often have what they call a volume line where the distributor can call before midnight on the last day of the month to determine how close the distributor is to reaching a particular qualification. They can then purchase the difference to qualify. Melaleuca believes that volume lines create false sales and cause severe financial hardship on business builders; therefore, Melaleuca does not supply a volume line. With Melaleuca, commissions are paid only on sales to real people buying real product because they really want it.

When Melaleuca reported sales of US\$702 million last year, you can count on all of those products going to real customers—not one cent was from fictitious volume line sales.

**9)** MLM companies often tout a fictitious concept called 'walk-away income.' The idea is that once you build an organisation you can walk away from those who helped you build it and leave them to continue working while you continue to rake in the income generated from everyone else's hard work. Think about it: when someone tries to sell you on walk-away income, what they are really saying is that they plan to abandon their organisation at some time in the future.

They are also suggesting that you should also be able to abandon your organisation and somehow the money will continue to come in. In fact, they are suggesting that all the leaders under you in your organisation should be able to abandon their people and somehow the money will still be there for you and everyone else.

What they are forgetting about is attrition. It is a known fact that every customer will not stay with you forever. That is beside the fact that many multi-level companies do not have many repeat customers. So if no one is bringing on new customers, where will the money come from?

Melaleuca learned about the folly of the concept of walk-away income in 1998. We had assumed when people bought into the mission of enhancing lives they would continue helping others reach their goals even after they had reached their own financial goals. In some cases, leaders did continue to help others. But, in many cases we found that some leaders who had reached their own financial goals would often stop helping others. In fact, in 1998 we learned that over 50% of our top leaders had not helped anyone with a presentation for several years, even though they, themselves, were making several hundred thousand dollars per year.

The end result to their business was devastating. They were slowly but steadily losing customers. Obviously they had a lot of workers in their business at one time, but now all of their workers were following their example and had walked away from their business. It became obvious that these former business leaders who had planned on retiring on their Melaleuca income were in trouble. The erosion was slow but steady and if you did the math it was clear that in 15 to 20 years their \$200,000 per year income would be almost gone.

The tragedy was that some leaders kept working by themselves trying to carry the whole load alone, with no one else to help. These courageous leaders were not making any more than the leaders who had stopped working the business many years before. In fact, in many cases the ones who had stopped helping others were making more than those who were trying to do it by themselves. This became discouraging for those who continued to work and one by one they would often finally give up.

The result of all of this inactive leadership caused a very flat year in 1998 for many leaders. That's when we decided to take action. We instituted the concept of Leadership Points that rewards those who continue to contribute and help other people.

The results have been phenomenal! No one carries the load alone. Everyone contributes just a little bit. No one has to spend their whole life building their

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### Comparative Analysis

Multi-Level Marketing	Melaleuca
Expensive inventory	No Inventory, only order what you need, \$49 Membership Fee, no risk
Rely on the sensational: juices, magnets, green algae	Real products you really use, just switching stores
Product reselling	No reselling
Product cost is 3-4 times product worth	Exceptional products at reasonable prices
Unfounded and over hyped Icon or Guru	Real scientists with real PhDs
'First in' wins, 'last in' loses	Everyone can win—anytime
Only people 'on top' or 'in first' succeed	Anyone can succeed—anytime
Month-end 'volume line' purchases	No volume line
'Walk-away income' facade	Leadership Points: measure and reward for people helping people
Low customer retention and low repeat purchases	High customer retention and high repeat purchases

Melaleuca business and no one should. But, all leaders are rewarded for spending a little time each month helping others reach their goals.

Those who had stopped growing are growing again. Our impressive growth in sales and the large number of leaders advancing over the past several years has been due largely to leadership points that reward people for helping others. In my opinion, considering all the ways Melaleuca is different from multi-level marketing, leadership points is one of the most important.

Because MLM companies do not have Leadership Points and because they tout walk-away income they can never realise residual income, because if they walk away from their business their business will eventually walk away from them. And in the end they will have nothing left. That's the typical MLM model and the reason most MLM companies fail. Just talk to any great leader who has tried to work a multi-level business. You will hear the same story time and time again. The business may have done well until the leadership stopped working. Then, it rapidly fell apart.

When these leaders come to Melaleuca, they are thrilled to finally find a company

that rewards those who are committed to the mission of enhancing lives.

We can promise those who came from multi-level companies that if they build a Melaleuca business, Leadership Points will ensure that their enroller and support team will continue to support them and those leaders they bring into their organisation will continue to be involved for years to come. Leadership Points give Melaleuca Marketing Executives a tremendous advantage over the MLM model. They are why we can deliver real residual income.

**10)** Finally, if you want further evidence as to the differences between MLM companies and Melaleuca, compare the attrition rate of customers. Most MLM companies have very high attrition. At Melaleuca, 95 percent of customers who shop with us this month will do so again next month. No MLM company has anything close to that enviable statistic. The result is a consistent and reliable income for business builders.

All these differences take us to one main point: All roads lead to Melaleuca. With all of these components forming part of a solid foundation, your Melaleuca business is being built to last a lifetime. Now that's a real difference.