

MLM In Cyberspace

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THE INTERNET

Unless you have been living in a cave, you can't have missed experts' predictions that the Internet will be one of the most powerful forces in the 21st Century. Some commentators say that virtually every device and wall socket will one www.mlmlegal.com day be wired into the net.

And so it will be with the networking industry. The Internet will become the prime means of communication, training and ordering for MLM distributors. Sales kits and videos may become obsolete as sophisticated multimedia and power point presentations are shown to recruits on laptops or by e-mail. Long distance sponsoring and training will be through cyberspace.

Leading edge companies have already abandoned phone lines and communicate between domestic and international divisions over the Internet. The Internet will allow rapid expansion on a global scale with instantaneous communication between corporate and its distributors.

THE VIRTUAL MLM - THE PAPERLESS MLM

We may say goodbye to the large company headquarters, shipping and manufacturing facilities. Think of it as Amazon.com comes to MLM. Why not? How is it that a company like Amazon.com, without one bookstore, can become one of the world's largest book sellers? Expect to see virtual MLM companies on the Internet. Documentation, sales kits, distributor agreements, policies and procedures will be downloaded. Courts already recognize electronic signatures as part of e-commerce. Distributors will order direct from the net, without live operators. Companies will pay commissions by direct deposit to bank accounts or credit card accounts. The Virtual MLM will outsource all but the basic activities, private label manufacturing, private label service vendors, fulfillment houses for shipping, graphics houses for creative work, and computer firms will be tied in through the Internet for genealogy and accounting processing. The technology revolution will make entry for the "small guy" easier as the Internet and other technologies level the playing field. Query, however, if the virtual MLM will be successful

without returning to the most important historical factor in the historical success of MLM companies, the human factor, i.e. "pressing the flesh."

Here are some of the Internet challenges and www.mlmlegal.com opportunities that the MLM industry will face in the new millennium:

1. FTC SWEEPS.

The FTC and states attorneys general are coordinating Internet sweeps on a regular basis. Companies and distributors should understand that anything that is posted on the Internet is effectively transmitted immediately to the FTC and state regulatory agencies. Given some of the recent restrictive positions of the FTC, companies and distributors should be very conservative with what is posted on the Internet. This particularly applies to health claims and earnings claims.

2. INTERNET PYRAMIDS.

The virtual MLM will soon be a reality. The problem is that the virtual pyramid is becoming a reality even sooner. Fortuna Alliance, which faced pyramid accusations by the FTC and an FTC injunction, located itself after the injunction on the Internet and outside the boundaries of the United States. Expect to see more and more offshore pyramid schemes recruiting into the United States, as well as out and out cash pyramid schemes recruiting on the Internet. Unfortunately, this will bring adverse publicity to the industry and it is in the industry's interest to support enforcement action against Internet pirates.

3. INTERNET RUMORS.

One of the true miracles of the Internet is instant communication between company and distributors and distributor and distributors. Unfortunately, the ease of access to this "instantaneous communication" also means the spread of "false" rumors and accusations. The case of *Market America* is a good example of a recent experience in which false Internet rumors spread as to the meaning of a recent federal ruling involving Market America. The Internet rumor suggested that the ruling stood for the proposition that companies could not restrict distributors from cross-sponsoring activity when in fact the ruling did not hold for this proposition at all. The only cure for this problem will be responsible reporting from responsible sources on the Internet.

4. WHO IS ENTITLED TO A WEBSITE?

MLM companies are struggling with website policy. Most companies prohibit distributors from having websites. While this appears to be a poor use of a tremendous medium, it has become essential for many companies for two reasons. First, companies are concerned that their name and site will be lost in search engines among thousands of distributors using the same name. Secondly, companies are quite concerned about inappropriate medical claims and earnings claims. A resolution appears to be developing by which www.mlmlegal.com companies will create integrated websites that interface with their own websites, thus allowing distributors to

have a website, which is both monitored and integrated with the primary marketing material on the main website. It appears that technology should provide some answers to this issue.

5. WHO'S ON FIRST?

As companies move to become virtual MLMs, distributor agreements will be filled out over the Internet. The problem that has arisen and will arise in the future relates to arguments about "who is the proper sponsor?" In the "paper world," companies provided that irrespective of claims to first sponsorship, the individual whose name appeared as sponsor on the distributor application, was the true sponsor. When distributor applications are received over the Internet, the authentication issue becomes a problem. Therefore, prudent companies will continue to require within 30 days of receiving an Internet application, that the signed distributor agreement be received by the company designating in writing the sponsor.

6. THE SPAM PROBLEM.

Spam is a dirty word on the Internet. Unfortunately, the MLM industry is being touted in Internet circles as the number one abuser of unsolicited e-mail. Although it may seem very easy to MLM distributors to send out unsolicited e-mail, most industry www.mlmlegal.com experts will agree that there is no substitute for "pressing the flesh" and "kissing" a lot of frogs. Unsolicited spam will also degrade the reputation of the MLM industry. Therefore, MLM companies and MLM trade associations, such as the Direct Selling Association and the MLMIA, should adopt and enforce policies prohibiting spam. If they do not, in the long run, the MLM opportunity will be diluted and be viewed as a "nuisance" industry.

SUMMARY.

The Internet offers tremendous potential as a communications tool for the MLM industry. How the industry treats this important medium in the new millennium will reflect back on the future success of the industry.

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On any given day you can catch Jeffrey Babener, editor of www.mlmlegal.com, lecturing on Network Marketing at the University of Texas or the University of Illinois, addressing thousands of distributors in Los Angeles, Bangkok, Tokyo and Russia, or writing a new book on Network Marketing, an article for Entrepreneur Magazine or a chapter for a University textbook. Over two decades he has served as marketing and legal advisor to some of the world's largest direct selling companies, the likes of Avon, Nikken, Shaklee, Tupperware, Prepaid Legal, Longaberger, Melaleuca, Discovery Toys, Usana, Amazon Herb, NuSkin, Cell Tech, Sunrider.... and he has provided counsel to the most successful telecom network marketing companies...Excel, ACN, World Connect, ITI, Acceris, AOL Select and Network 2000. An active spokesperson for the industry, he has assisted in new legislation and served on the Lawyer's Council, Government Relations Committee and Internet Task Force of the Direct Selling Association (DSA) as well as serving as General Counsel for the Multilevel Marketing International Association. He is an MLM attorney supplier member of the DSA and has served as legal counsel and MLM consultant on MLM law issues for many DSA companies. He is author of multiple books, including, Network Marketing: What You Should Know, Network Marketer's Guide To Success, Tax Guide for MLM/Direct Sellers, Starting and Running the Successful MLM Company, The MLM Corporate Handbook and Window of Opportunity. He is author of countless articles on network marketing, many of which can be found at www.mlmlegal.com where he is the editor. You will see his articles and interviews in such publications as Money, Atlantic Monthly, Success, Entrepreneur, Business Startups, Home Office Computing, Inc., Money Makers Monthly, etc. He has been chairman of numerous industry conference series, including, Starting and Running the Successful MLM Company, The MLM Entrepreneur Series and The MLM Masters series. He has served as the close advisor to scores of MLM Companies and their distributors, comprising millions of distributors and billions of dollars in sales. Mr. Babener is a graduate of the University of Southern California Law School, where he served as editor of the USC Law Review. After an appointment to be an advisor law clerk to a U.S. Federal Judge, he went on to become a member of the California and Oregon State Bar, where he has also served as chairman of the Oregon State Bar Committee on Judicial Administration. He has exclusively practiced in the area of direct selling for over 20 years. A Regulatory Update for MLM, Direct Selling, Network Marketing, Direct Sales, Party Plan Independent Distributors and Companies.