

The Top Two Reasons Why MLM Companies Fail

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People often ask, "What are the top two reasons why MLM companies fail?" Many have speculated. However, we have been in the direct selling industry for a long time and the answer may actually surprise you. The reason for a company's failure is not necessary always a legal one, which may sound odd coming from a seasoned direct selling attorney.

There are two reasons MLM companies fail: recruitment and capitalization. We have often told executives of direct selling companies that their need for capital is in inverse proportion to their ability to recruit. If you have the capability to recruit, then the company can become quite a cash generator, in which case, it looks good for you. On the other hand, if you don't have recruitment capability then you have to go out and buy the capability to recruit. This would mean that you would have to hire a VP of marketing, or someone else who has the ability to recruit.

And if you are lacking immediate recruitment ability, you need to have sufficient backup or buffer capital to allow for the longer period that will be required to grow the business to a profitable stage.

You must provide your company with at least two years of financial security in order to give your MLM company an honest shot of achieving growth and success. The reason we see companies fail particularly early on is because they either did not have recruitment capabilities or they didn't have adequate capital to stay with the company long-term and make it a success.

The following links will provide additional information about MLM company success:

[MLM Company Profiles](#) – A comprehensive list of established MLM companies.

[MLM Consulting: How to Build a Successful MLM Company](#) – Article

[What are the top two reasons why direct selling companies fail?](#) [Video]

[MLM Corporate Startup Essentials: Part I – MLM Capitalization](#)

[Capitalization of the MLM](#) [Video]

As always, be sure to visit www.mlmlegal.com and www.mlmattorney.com for information and updates on the MLM industry.

The MLM conference is held February, May and October in Las Vegas. Each day will begin at 9:00AM and end at 4:00PM, when the one-on-time will begin and end around 7:00PM. For more information visit: <http://www.mlmlegal.com/srs2.html> or call 800-231-2162/503-226-6600. Registrations are taken by phone and questions are always welcome.



Each attendee will receive a **FREE** copy of the [Starting and Running the Successful MLM Company Manual](#).

Make sure to visit our blogs for the latest information on the direct selling industry: [MLM Legal Blog Home](#) and [MLM Attorney Blog Home](#)

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And, as always, visit MLMLegal.com, the best MLM resource on the web.

The next **Starting and Running the Successful MLM Company Conference** is quickly approaching! On May 16th and 17th, 2013 we are hosting the [MLM Conference](#) for the 25th year! This is now our 64th annual conference (held almost consistently three times per year over the last 24 years). All executives/owners of MLM, direct selling, network marketing, and party plan companies are welcome to attend. This is the [original MLM Startup Conference](#), hosted and perfected by direct selling industry expert, [MLM Attorney Jeff Babener](#). Call 503-226-6600 or 800-231-2162 to register. (Can't make this event? Keep a look out for the October and February conferences as well! Call our office to register today!)

This article is also available at: <http://mlmattorney.com/blog/2013/01/03/the-top-two-reasons-why-mlm-companies-fail/>

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Jeffrey Babener
On Assignment

On any given day you can catch [Jeffrey Babener](#) 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, Melaleuca, Discovery Toys, NuSkin, and he has provided counsel to the most successful telecom network marketing companies...Excel, ACN, World Connect, ITI, 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.

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