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Serving the Direct Selling and Network Marketing Executive Since 2004

Volume 9, Issue 2 • February 2013

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ACN co-founders Tony Cupisz, Greg Provenzano, Mike Cupisz and Robert Stevanovski

20 YEARS OF CORE VALUES DRIVING SUCCESS

by Barbara Seale

Sticking to principles while adapting to rapid change is a real balancing act—one that essential services direct seller ACN has managed expertly for 20 years.

In 1993 ACN's Co-Founders Greg Provenzano, Robert Stevanovski, Mike Cupisz and Tony Cupisz started their company as a long-distance service reseller. Their basic commitment: Put the needs of the company above their own personal needs and always do what's best for the company's independent business owners, or IBOs.

They literally sat down at a desk and recorded the vision they had developed through their combined decades of network marketing experience in two columns on a yellow legal pad. In column one were the best

Company Profile

Founded: 1993

Headquarters: Concord, N.C.

Executives and Co-Founders: President Greg Provenzano, Vice Presidents Mike Cupisz and Tony Cupisz, and Chairman and Vice President Robert Stevanovski

Products: Essential services such as telecommunications and energy

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Industry with Heart: ACN—Putting Families First

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THE POWER ISSUE

FORTUNE

Corporate America's New Sales Force

Despite the sputtering economy, independent contractors are reenergizing the U.S. retail industry through the art of direct selling.

Robust cash flow. An army of salespeople. Loyal customers. Minimal overhead. The ability to bypass the relentless demands of traditional mass retailing. Those are just some of the attributes of direct sales companies, which rely on independent contractors to sell everything from lipstick to long distance service directly to customers.

Call it the age of direct selling. With its emphasis on personal, one-on-one relationships between distributor and customer, convenience, and a high degree of consumer education, the industry may be tailor-made for today's consumer – and company. The result: The industry, with U.S. sales of $28.7 billion in 2002, up 7.5% from the year before, has become a magnet for both corporate behemoths lured by its efficiencies and dozens of entrepreneurs attracted by the lower cost of market entry. At the same time, the industry continues to offer a unique blend of empowerment and inspiration for the 46 million distributors operating around the world. Says Neil Offen, president of the Direct Selling Association (DSA): "The industry has come of age."

The Industry's Lure

What exactly are the benefits of direct selling? For one thing, it's cheap to enter. Distributors, who go by range of titles depending on the company, are independent contractors conducting business largely in customers' homes, so overhead is minimal. Plus "there are no retailers or wholesalers to nurture," says Thomas Widrutis, emeritus professor of marketing at San Diego State University. The result: a lower cost to acquire customers.

Greg Provenzano, president of ACN Inc., in Flemington Hills, NJ, which sells telecommunications services, says his company's cost of bringing in new customers is 50% to 75% less than telephone companies selling through more traditional methods.

What's more, companies don't need big advertising budgets to push products and build a brand; instead they rely on the power of persuasion of thousands of distributors dealing directly with potential customers.

Customer Loyalty

Ultimately, distributors are able to develop the kind of one-on-one, intimate relationships with customers that most retailers would kill for. The result is a kind of mass customization, as companies are able to tailor their messages down to the level of the individual consumer. In some cases companies are using technology to further refine that process. What's more, thanks to the strength of these relationships, customers stick around.

Customers of ACN stay 30% to 50% longer than those of competitors, according to Provenzano. "We keep customers for more time because of these relationships," he says. That loyalty has helped fuel company growth; revenues for last year were $280 million, up 91%, and this year Provenzano expects revenues to increase over $400 million.

Those close interactions also provide an immediate mechanism for feedback, a grassroots-level forum for determining customer reactions, opinions or views, and desires – and acting on them.

Work for the World's Best Employer – Yourself!

Selling Through the Ages...

The history of direct selling is as old as civilization itself. As early as 2000 B.C., the Code of Hammurabi, a monument of Babylon law, protected the welfare and integrity of the Babylon direct seller, who was then referred to as a "peddler." In the 5th century A.D., the industry flourished in Greece as the urban population spawned a new class of retailers. Later on, during the Middle Ages, the direct seller contributed to the growth of trade. The concept was brought to the shores of America, where "Yankee Peddlers" branched out to the frontiers of the West and the Canadian territory in the north. The selling tradition continued to thrive in the 19th and 20th centuries in the U.S. as individuals from all walks of life entered the industry to improve their quality of life, facilitate social contact, and sell the products they loved. Today, at the dawn of the 21st century, the growth of the multibillion-dollar industry is being spurred by the Internet and other revolutionary technologies.

FORTUNE

The Direct Selling Phenomenon

The industry is exploding in the U.S. and in every nook and cranny across the globe as companies recognize the value of interpersonal marketing.

Featuring ACN

Reprinted from the August 9, 2004 issue of FORTUNE*

It's an investor's dream: an industry with steady annual growth, healthy cash flow, high return on invested capital, and long-term prospects for global expansion. That's the direct-selling industry, in which independent contractors sell products and services directly to customers, away from a fixed retail location. And it's used to distribute just about anything you can imagine, from exotic fruit juices to family-friendly jewelry-making kits.

Investors now realize that direct selling provides a competitive advantage to many consumer-oriented companies in today's overcrowded retail world. It gives businesses a unique way to develop strong, intimate relationships with customers, stand out from the clutter of typical retail shelves, eschew expensive ad campaigns, and introduce innovative products and services that would otherwise be difficult to promote.

Another attraction is the sheer size of the direct-selling distribution channel. It is huge when you consider that the industry's foundation – an army of highly motivated independent contractors, often called consultants or distributors – is now a legion of 49 million individuals globally. According to the Direct Selling Association (DSA), the trade association that represents the direct-selling industry, those ranks should continue to grow unabated, since each week about 175,000 enlist in the U.S. and 475,000 join worldwide.

Direct Selling Industry is Exploding

- 49 million distributors globally
- 175,000 new distributors in the U.S. weekly & 475,000 globally
- $120 billion in sales worldwide
  - $31.6 billion in North America
  - $88.4 billion overseas
- Growth over next 10 years expected to be higher than entire prior 50 years

Eleven years ago Debbie Davis of Detroit, MI became an Independent Representative for ACN. One of her objectives was to make enough money to build her dream house. She and her husband began construction on their luxury home fifteen months later.

Cross-Cultural Challenges

Aiming to international market conditions requires making some accommodations in order to adapt to local cultural practices. Consider the experience of ACN, a global provider of telecommunications services based in Pennsylvania. Initially, ACN's launch in each of its 19 countries involved little more than translating its products or its marketing materials into the local language. But eventually, according to Blanchard and Co-Founder Greg Anderson, customers in countries as varied as Brazil and Poland told the company's executives that they preferred to have a local person call on them in their homes and businesses rather than a foreigner who spoke their language. In response, ACN began hiring and training local people to represent the company in each country. "We've learned that we have to be sensitive to cultural differences," says Anderson.

A Model of Success

The cost structure of a direct-selling organization is another big attraction for investors in the U.S. and abroad. For one thing, because distributors generally sell in customers' homes, companies don't operate out of traditional retail stores. What's more, companies don't pay their distributors until they've actually made a sale, so costs are incurred after revenues come in, not before. Then there's the matter of advertising. Most companies do little, if any, traditional advertising. Instead, marketing is done by word of mouth. That's a particularly big factor for companies like ACN that are consistent with the emergence of cellular technology to own new customers. "We locate the people who have the most contacts in their own customer network," says ACN Chairman Robert Greenspon. "The owners of those who have the most contacts are customers." As a result, ACN customers enjoy savings of up to 40% on telecom services. With that marketing savings, ACN is also able to compensate its customers

"There's an even playing field," says Chris Oliver, a Houston Independent Representative for ACN. "All that's needed is a desire to work." Oliver should know. Ninety days after signing on ten years ago, he had made enough money to quit his job as a financial planner.

Direct Selling Potential Realized

After years of skepticism, the investment community is finally waking up to the viability of direct selling as a good investment opportunity.

via ACN's ACN Hot Calling. While ACN maintains customers in the United States, it can offer ACN's competitive solutions in the United States and talk for the unlimited amount of time free of charge. The result of these and other innovative efforts: Revenues have grown from $880 million to more than $900 million during the past two years.

An Empowered Corps d'Elite

"There's an even playing field," says Chris Oliver, a Houston Independent Representative for ACN. "All that's needed is a desire to work." Oliver should know. Ninety days after signing on ten years ago, he had made enough money to quit his job as a financial planner. Seven months later he had risen through the ranks to become Regional Vice President, breaking a company record at that time. While this level of earnings is not typical, it certainly is possible for people who pursue their direct-selling business full-time.

The ability for distributors to build their own viable businesses has a lot to do with a compensation system called "multilevel" marketing, which an increasing number of companies are using. It lets sellers earn money on the sales of people they recruit, as well as on those of individuals brought in by their recruits. In 1990, 56% of direct-selling companies used multilevel compensation. By 2003 the number had increased to 88%. An ACN Independent Representative may be able to earn Corporate Participation Bonuses for customers that add their downline associates down levels in ACN's network. "They get income residual commissions when more than one of a customer's clients or friends "You get paid for the work the customer" says Rosenberg.

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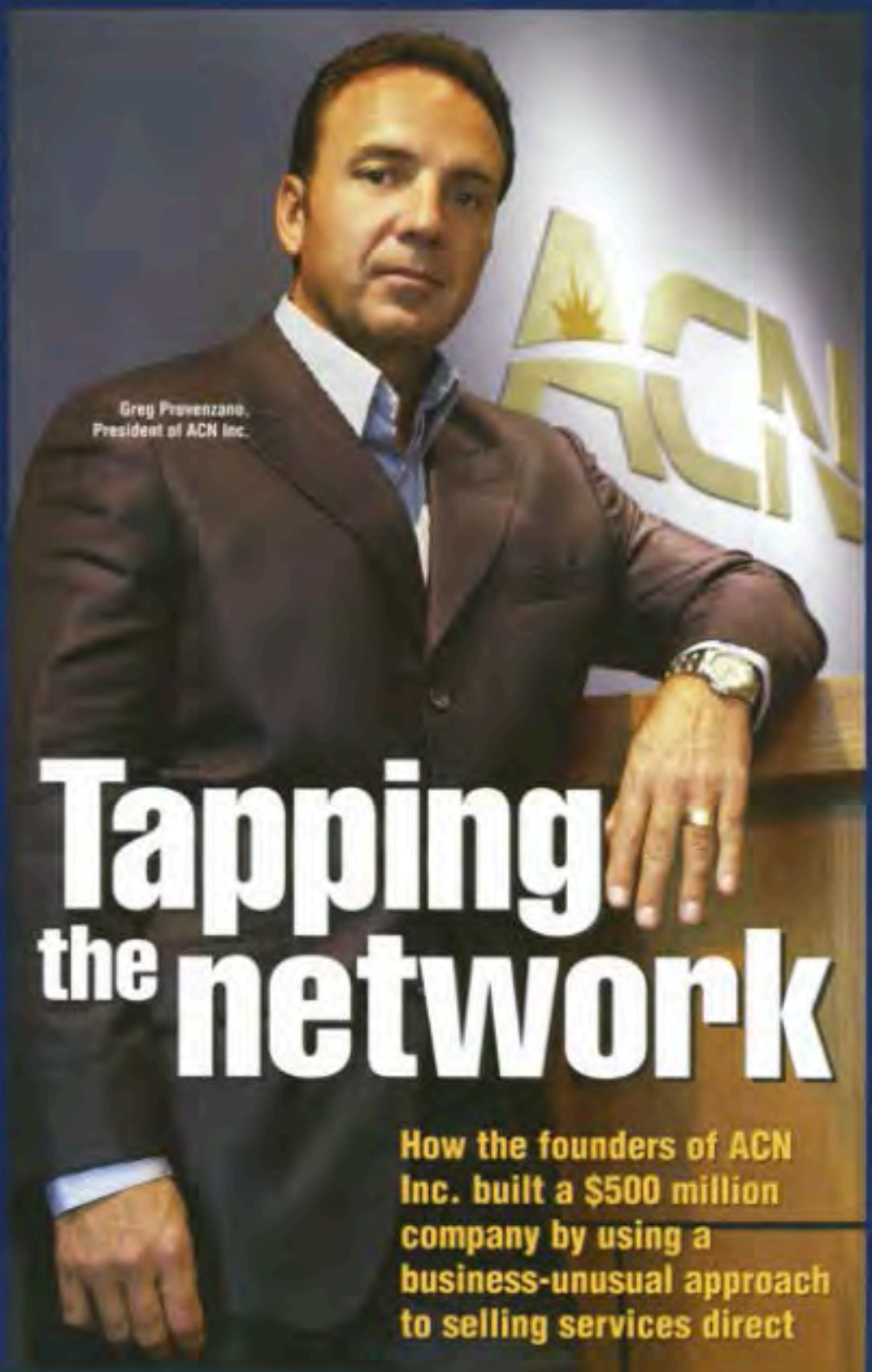

Greg Provenzano, President of ACN Inc.

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How the founders of ACN Inc. built a $500 million company by using a business-unusual approach to selling services direct

Reprinted from December 2005

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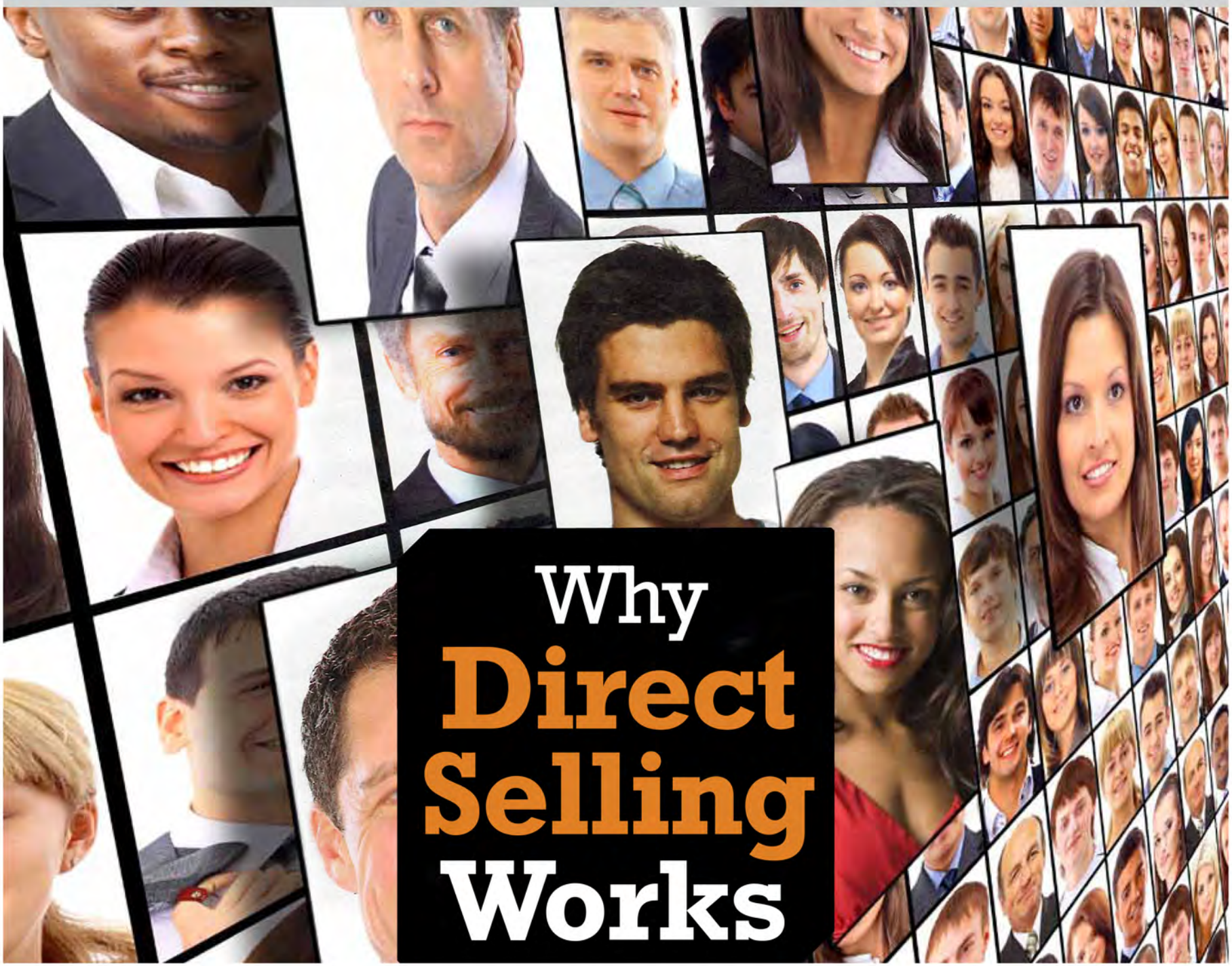

Why Direct Selling Works

As advertised in USA TODAY

USA TODAY

An Industry-Wide Explosion:

- Approximately 75% of people have purchased products or services via direct selling
- More than $30 billion in products and services are sold through direct selling each year
- More than 13.3 million direct sellers in the United States alone and more than 54 million direct sellers globally

– The Direct Selling Association

Excerpt from Direct Selling Association Special Advertising Feature appearing in USA TODAY, September 16, 2005

Consumers Seeking Service, Selection Turn to Direct Selling

www.acninc.com

Companies offering everything from pet products and golf clubs, to gourmet foods and high-end fashions are finding that appealing to today's consumers requires something more than an attractive shelf display – and they're turning to direct selling to fill the bill.

Consumers are responding in droves – more than $30 billion in products and services are sold through direct selling each year.

With more than 13.3 million direct sellers in the United States alone, it's not hard to find someone in every community who's selling a product or service that meets each consumer's needs. In fact, in the past five years, the astounding growth of direct selling has been fueled, in part, by the many new products and services being sold this way.

In fact, direct selling has stood the test of time because it evolves with the consumer and the marketplace. With its earliest American roots dating back to the days of the pioneer, and the more modern home party finding its birth in the 1950s, direct selling is more than a phenomenon – it reflects current social trends and consumer attitudes as no other method of shopping can. As such, it's one of the most flexible buying opportunities available, and often a trend leader.

And it's not just tangible products that are finding an outlet via direct selling.

Last year, when Rod Erickson decided it was time to reevaluate his phone and internet service options, he didn't call his local phone or cable company. Instead, he called Spencer Hunn, an Independent Representative with ACN, Inc., a telecommunications company offering a menu of phone, internet and utility services. What could ACN offer Erickson that local services could not?

"Personal service, a representative who knows and understands my needs, and whom I trust, because he's a friend of mine," says Erickson. Erickson was attracted by the fact that the services were sold by someone who is also a customer of the company and is trained to provide personalized, one-on-one service to customers.

Today's consumers demand more and more of companies in order to earn their business. Direct selling companies often find it easiest to adapt because they get reliable consumer feedback directly from their representatives in the field – access companies rely on to keep products updated and relevant to today's buyers.

Consumers benefit from this close connection because it allows companies to react more swiftly to changes in the marketplace. As a result, direct selling customers have fresh alternatives that keep them coming back for more. Competition for buyer loyalty is stiff – and many well-known manufacturers and retailers are finding direct selling a solid way to reach new markets. Savvy consumers are even discovering direct selling as a way to purchase products and services they love at a discount – with savings on products they use every day.

As consumers look for a shopping experience that meets their personal preferences and demands for quality products at a reasonable price – all with service and a smile – there's little doubt that direct selling offers all these things and more.

ACN – CHANGING THE WAY THE WORLD COMMUNICATES

THE NATION'S NEWSPAPER

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An Industry-Wide Explosion:

- Approximately 75% of people have purchased products or services via direct selling
- More than $30 billion in products and services are sold through direct selling each year
- More than 13.5 million direct sellers in the United States alone and more than 54 million direct sellers globally

– The Direct Selling Association

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Strategies, Solutions and Best Practices for Business Leaders
May 2007
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'Total Trust'
A unique business model allows ACN Inc. to adapt to telecom trends.

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Setting the Standard
How strategic relationships help SEMA Construction attain schedule and budget goals.

PLUS
What does it take to become a great business?

Excerpts from a supplement to *The Wall Street Journal* by *Direct Selling News* for ACN.

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In 2010, direct selling companies generated over $125 billion in revenue in 150 countries through more than 75 million men and women who are changing lives serving others. This is the story of direct selling.

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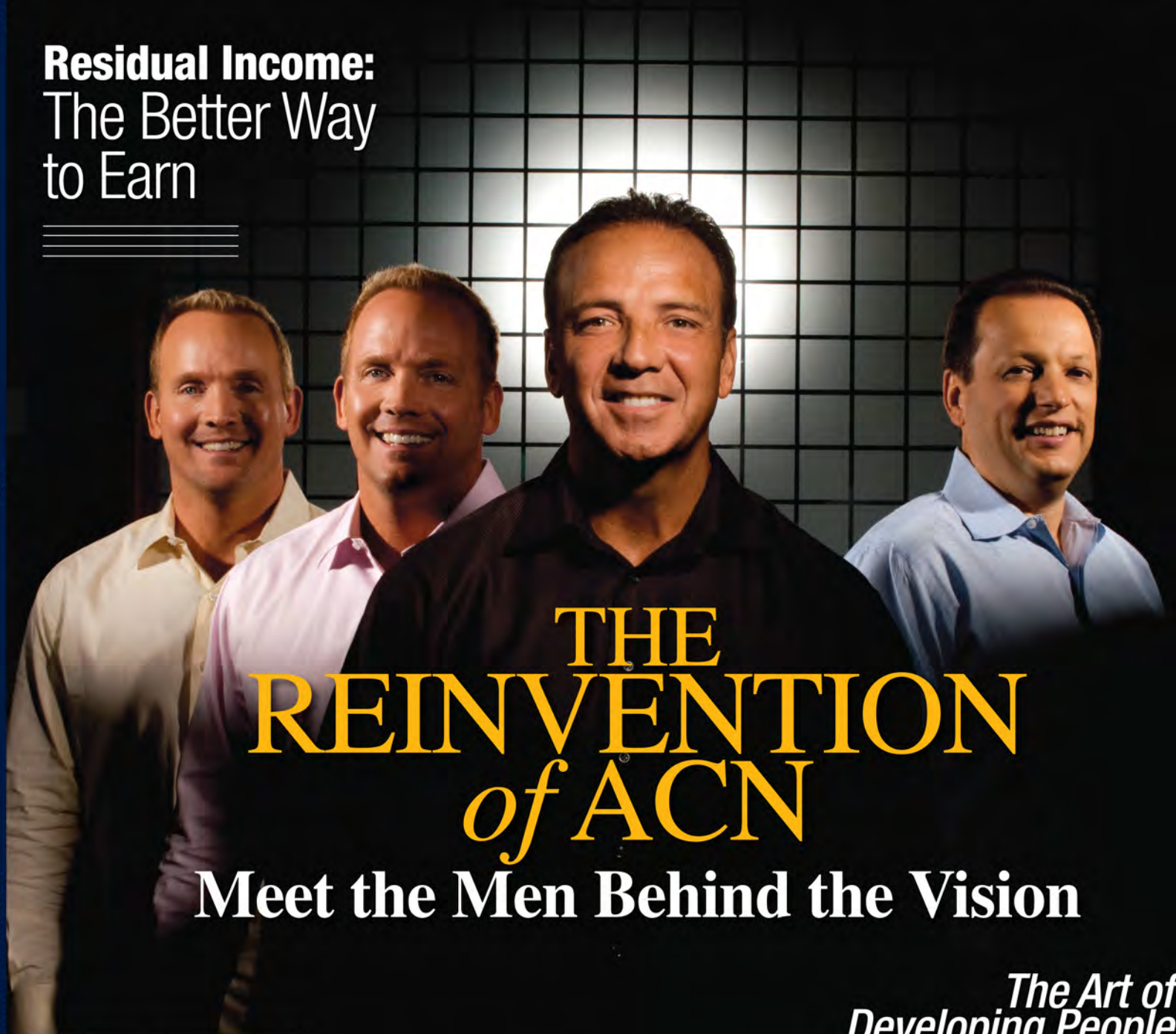

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ACN's Co-Founders photographed at Donald J. Trump's Mar-a-Lago Club

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