

MLM Executive Q&A: How can I determine cost of goods? How do I price my products for retail, distributor and direct-to-consumer sales?

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Obviously, your cost of goods is calculated as your acquisition or manufacturing cost. The more frequent question involves pricing. Most MLM experts agree that you must have adequate margins to pay commissions and to make a profit. Different products and services carry different profit margins. In addition, smaller margins may be satisfactory with high-priced products because there is still room for profit. Most MLM companies are likely to pay total commissions equal to between 30 and 45 percent of price sold to distributors for resale, or prices for which consumers buy directly from the company. A typical company will try to achieve a minimum 5-7 times markup to allow for commissions, overhead and profit. Typical mark up for resale by distributors is 25% of their purchase price. A good place to visit this issue is at the [Starting and Running the Successful MLM Company](#) Conference, offered by www.mlmlegal.com, where experts discuss margins, pricing, profit, proformas, and more for executives of startup and existing network marketing companies.

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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

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