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**Distribution of Private Retirement Plans in Mexico Through
Multilevel Marketing;
The case of Expertos Patrimoniales, Consulting Firm**



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Bachelor's Thesis Abstract

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Abstract

This study is an in-depth research of the implementation of multilevel marketing for the distribution of private retirement plans in Mexico. The study focuses on the case of a Mexican consulting firm *Expertos Patrimoniales*. More specifically, the objective of the study is to understand the reason for which companies in Mexico involved in selling financial products would be interested in implementing a multilevel marketing scheme, and to understand the process of the implementation of multilevel marketing.

Multilevel marketing is a scheme used to promote and distribute products and services by using independent sales representatives who work on commission. Successful corporations such as Tupperware and Mary Kay were the pioneers using this scheme, the same scheme that has helped them grow across the borders through the years. Regardless of the high number of law suits that most multilevel marketing companies have had to deal with, upcoming firms are still eager to implement this scheme.

Multilevel marketing is now being implemented in the distribution of financial services in Mexico, including private retirement plans, which is the product *Expertos Patrimoniales* is distributing through the scheme. The pension system in Mexico is going through adjustments which will significantly decrease the amount of retirement pension Mexican workers will get for their retirement years. The old systems are being replaced by a system of individual retirement accounts called AFORE. This new system will give each individual 20% of their last salary, an amount that allows the pensioners to barely survive. For this reason, the role of private retirement plans in Mexico is very important. However, not every Mexican is aware of the issues related to the new pension system AFORE, and they are unaware of their need to get a private retirement plan.

This study attempts to find the answers to the research questions by performing three interviews, and by analyzing the marketing and promotional material used by *Expertos Patrimoniales*. Two of the interviewees are former sales representatives of multilevel marketing firms in Mexico. They explain the role of multilevel marketing in their lives, and their personal experience during their participation in such schemes. The third interviewee is the founder and General Director of *Expertos Patrimoniales*, who explains the reasons for which he is implementing multilevel marketing and provides an insight to the process of implementation. However, in order to understand the process of implementation, the study also analyses the marketing and promotional material used by the firm.

The findings reveal three main reasons for the implementation of multilevel marketing. The first reason is the low financial costs as the scheme cuts administrative costs, promotional costs and distribution costs, because all the activities are performed by the sales representatives who work on commission. The second reason is the exponential growth of the network, and the third is the potential to reach new markets that are not being served by the big corporations.

The findings also reveal that the main challenge of the implementation process of multilevel marketing is the initial recruitment process, in other words, the recruitment of the first sales representatives. Furthermore, they also reveal that the key of multilevel marketing is the selling process, and thus the scheme requires people with good selling skills in order to successfully be implemented. In addition, there should only be one simple product or service which anyone is able to understand and sell.

As the final recommendations, this study suggests that *Expertos Patrimoniales* as well as any other firm seeking to implement multilevel marketing, should create a very specific profile of the people they initially wish to recruit, and they should focus on creating a recruitment strategy. The next step is to create a training model for the development of selling skills for when the network grows and strategic recruitment is no longer relevant. This according to the General Director of *Expertos Patrimoniales* is the key to success for the sales representatives.

Key words: multilevel marketing, network marketing, private retirement plans, retirement pensions, Mexico, sales representatives, network.

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1. Introduction

During my internship in the summer of 2010 in *Expertos Patrimoniales* consulting firm in Mexico the author was part of the process of implementation of multilevel marketing for the distribution of private retirement plans. It was during this period in this firm that the author became interested in multilevel marketing and its implementation process for complex financial services.

United States of Mexico or better known as Mexico is a country that is located in North America, yet culturally it belongs to Latin America. It has a population of 112 468 855 (July 2010), which locates Mexico on the 11th place in country comparison. About 65% of the population of Mexico is between the ages of 15 and 64, which are the years in which people are most economically active during their lives. The official language is Spanish, and about 67% of the population practices the Roman Catholic Religion. (www.cia.gov)

Mexico is a federal republic, and its legal system is a mixture of the United States constitutional theory and civil law system. As a democratic republic, Mexico has presidential elections every six years. Mexico has a free market economy, and has free trade agreements with about 44 different countries, including the United States of America and Canada, with North American Free Trade Area, NAFTA. (www.cia.gov)

Retirement issues are a “hot topic” in the country, as well as issues regarding the social security system in Mexico. AFORES, a new public pension system in Mexico, and the role of private retirement plans were on the news in the daily basis. People far into their 60’s and 70’s were seen everywhere in Mexico City either begging for money, selling just about anything they can get hold of, or trying to earn a living from tips.

Private retirement plans is a service that has been in Mexico for a few decades, but I begun to do research I realized that most of the private retirement plans are expensive, and that the big insurance companies that offer such services are not reaching out to the greater masses. Rebecca Wilson, the outgoing chief of staff for the system of the San Diego City government said, “People are very anti-pension” (Lowenstein 2011, 80)

According to Bloomberg Business Week Magazine, people complain about Social Security for being a “pay-as-you-go” system. This is mainly because instead of their savings accumulating, social security has become a transfer scheme, in which the money comes in from current workers and goes to retirees. This is the reason for which the social security systems, including the one of Mexico, will not be able to cope with the growing demand of retirement pensions, as the trend for the future years is that the number of retirees will overtake the number of active workers. Thus the role of private retirement plans is essential for the wellbeing of Mexicans.

AFORE is an administrator of the savings of the Mexicans who are saving for their retirement. They invest the capital in a variety of relatively low risk funds, for which the government has given permission to invest in. This is a system of individual retirement accounts. It is only available for economically active Mexicans. This system is relatively new and started in 1997, and it is planned to progressively take the place of the existing retirement and pension plans that exist in Mexico. This means that people retiring in Mexico in the years to come will retire with a lower retirement pension than those who retired in earlier years. Experts agree that if a Mexican wishes to live an economically free retirement life, a private retirement plan is required along with their AFORE.

1.1 Objectives of the study and research questions

The main objectives of this study are to study the key reasons for which companies in Mexico are interested in implementing multilevel marketing, specifically for the distribution of financial services and the way in which multilevel marketing is implemented. This study will use the case of the consulting firm *Expertos Patrimoniales*. This study will focus on the following research questions:

- Why are firms in Mexico interested in implementing multilevel marketing into their strategies?
- Why use multilevel marketing to distribute private retirement plans?
- How is multilevel marketing being implemented to distribute private retirement plans?

1.2 Structure of The Study

In Chapter two, multilevel marketing is defined, its origin is explained and the process of the transition from multilevel marketing to network marketing. The chapter explores the negative sides of multilevel marketing from the point of view of the representatives that take part in multilevel marketing networks, as well as the consumers' perspective. Furthermore, the association of multilevel marketing schemes with illegal pyramid and Ponzi schemes is also looked at.

Following the negative side of multilevel marketing, the worldwide multilevel marketing industry is also described thoroughly, and the role of World Federal Direct Selling Association is explained. In addition, the multilevel marketing industry in Mexico, its origins in the country and the present situation of multilevel marketing in the country are described, as well as the role of the Asociación Mexicana de Ventas Directas in the multilevel marketing industry in Mexico.

The role of multilevel marketing in the distribution of services, in general and in Mexico are also describes. The chapter goes through the challenges, risks and opportunities that the scheme represents. At the end of chapter two Mexico is explained as a market for private retirement plans, the current situation of the retirement pensions, the social security and the AFORES in the country.

In chapter three *Expertos Patrimoniales*, the case study firm of the study is described in detail. This part includes the background of the founder and General Director of the firm, and the description of the core activities of the firm.

Chapter four is dedicated to the explanation of the methodology used for the research of this study. The chapter includes a detailed explanation of the methodology that was chosen for this study, the reasons for it and the implementation process of the methodology to the research.

Chapter five of this study explores theoretical frameworks that would help find the answers for the research questions. Two different frameworks are used, one to explain the questions

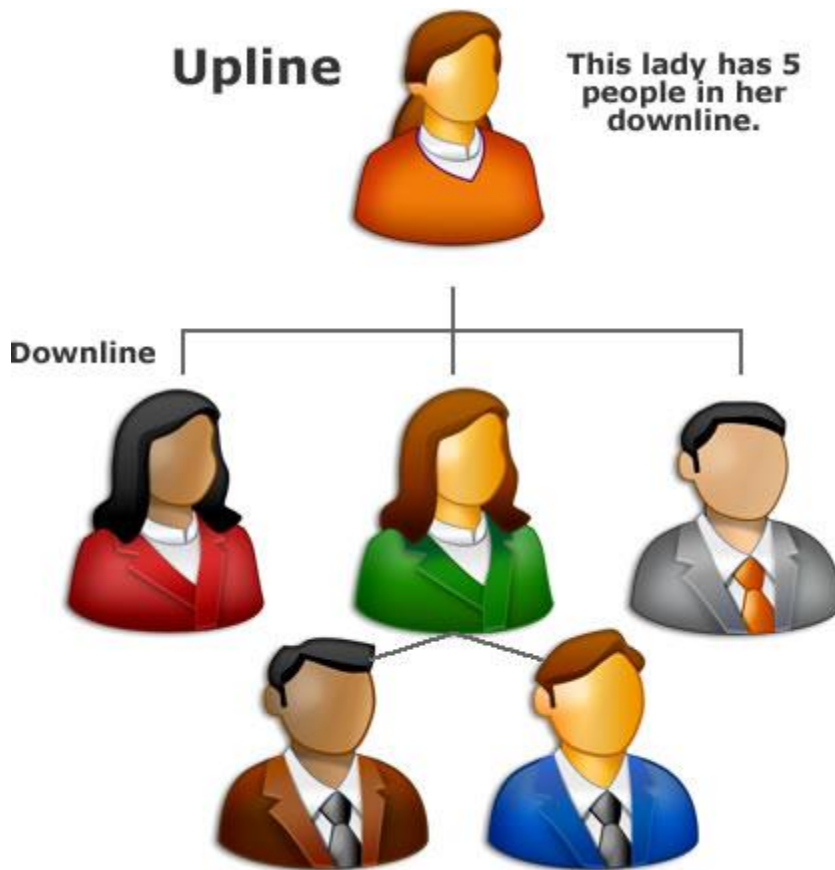
“why” and relate to relationship marketing, and an individual’s networks. The second framework used is to analyze the implementation process of multilevel marketing of *Expertos Patrimoniales*, and this is the 7p’s for marketing services.

In chapter six the results of the study are analyzed, using the theoretical frameworks explained in Chapter five, and linking it to the theory from Chapter one. This is the part of study in which answers to the research questions are analyzed. The final Chapter, number seven, describes the conclusions of the study and gives recommendations based on the results of the study.

2. Multilevel Marketing /Network marketing

Multilevel marketing or network marketing is a system of direct selling. Normally, a manufacturer pays an individual, called independent sales representatives, to sell and distribute its products or services directly to the customers. The products and services are sold primarily outside of a retail location, either face-to-face, or at home gatherings. Typical products include health and beauty products, cleaning products and ornament for the home. (Harris 2004, 102-110)

Each sales representative is given the opportunity, but not the obligation, to build his own sales force, called the downline. Therefore, the sales agent needs to recruit, train and maintain motivated the independent sales representatives who form his or her own downline. (See picture below) Typically the downline network of a member grows in a pyramid fashion (Constantini 2009, 32).



Picture 1: Shows an image portraying the multilevel marketing scheme, the leader and her downline. (www.firstclassmlm.com)

Sales representatives earn commissions from two sources. Each independent sales representative earns a commission from each product or service sold, and if they have a downline, they will also earn a commission from each product or service sold by their downline (www.businessdictionary.com). Commissions vary from company to company, however, according to John P. Hayes, the Co-author of "Network Marketing for Dummies", the percentage of a representatives own sales can be as much as 25%. Therefore, the more people you bring in, the more you make. The independent sales representatives assume both selling and promotional activities, so that the company significantly cuts its costs in promotional activities (Constantini 2009, 32).

2.1 History of Multilevel Marketing

Multilevel marketing is a form of direct selling, which can be traced back to the 1600's; salesmen would go and distribute goods such as food and fur on behalf of powerful individuals, such as land lords or rulers of a country (www.networkmarketingsuccesssecrets.com). This concept of direct selling developed into a new phenomenon known as the Yankee Peddler in the 1700's, which originated in New England. These peddlers would travel in their wagons selling their products from house to house (www.firstclassmlm.com).

In the late 1800's this concept evolved to the door-to-door salesman. All the new companies were employing door-to-door salesmen for the distribution of products such as bibles, books, spices, remedies, perfumes and so on (www.networkmarketingsuccesssecrets.com). This method is called the single level marketing, in which the companies get independent sales agents to distribute their products, just as in multilevel marketing. The key difference is that in single level marketing, the independent sales agents are not given the opportunity to build their own sales force, or downline. This strategy is commonly used among the insurance and retail industry. (Micklitz et al 1999, 42)

In 1886, Asa Candler a former peddler, bought the Coca Cola syrup formula from the pharmacist John Pemberton, and built a sales force for the distribution of the Coca Cola syrup to other businesses such as restaurants. Some years later, in 1890, David McConnel built a California Perfume Company in New York, a company which since 1937 is known by the name of Avon. Sixteen years later, in 1906 he had a total of 10 000 sales representatives selling 117 different products. (www.firstclassmlm.com)

By the 1900's, the concept of direct selling was widely used; however, it was Alfred Fuller from The Fuller Brush Company who created the concept of paying to the salesmen only commissions based on their sales. The company had earned about 109 million USD by the year 1960. In the 1900's this new concept was being used by a number of new companies for the distribution of products like Electrolux which manufactured vacuum cleaners, and

the World Book Britannica, which made encyclopedias.
(www.networkmarketingsuccesssecrets.com)

The Ponzi scheme got its name from a man named Charles Ponzi, who in the 1920's duped thousands of New England residents into investing in a postage stamp speculation scheme. At that time the annual interest rate for bank accounts was five percent, Ponzi promised investors a 50% return in just 90 days. Ponzi initially bought a small number of international mail coupons to support his scheme, but rapidly switched into using incoming funds paid by new investors for paying off earlier investors. (www.sec.gov)

Pyramid and Ponzi schemes are often confused with legitimate multilevel marketing schemes. A Ponzi scheme is similar to an illegal pyramid scheme because its main objective is to continuously recruit people, but in a Ponzi scheme the promoter of the scheme has no product to sell and pays no commission to the investors who recruit new "members". (IMF Seminar 1998)

In the 20th century direct selling took a new turn, and was now called "multilevel marketing". A company called California Vitamins, since 1939 goes by the name of Nutrilite Products Company Inc, contracted Mytinger & Casselberry in 1945 as its exclusive distributor. They soon realized that most of the new sales recruits were in fact friends and family members of the existing sales force. The company soon realized that they could sell more with a larger sales force, in which each member would sell small amounts of products and they only needed a small number of top sellers who sold a significant number and variety of products (www.networkmarketingsuccesssecrets.com). Mytinger & Casselberry created the first documented multilevel marketing compensation plan, in which each sales representative is encouraged to invite their satisfied customers to become new sales representatives. Commissions were paid by the sales of the representatives and their network. The sales force grew exponentially. (Gifford, 2009)

The home party plan was introduced soon after. The idea was for friends and family to gather in a home and have the sales representative demonstrate the countless uses and benefits of different products. Some examples of companies using this strategy are Mary

Kay; a make-up manufacturer created by Mary Kay Ash in 1963, whose sales had exceeded 2 billion USD by 1966, and Tupperware, created by Earl Tupper in 1945, which is now a world-wide billion-dollar company, present in over 40 countries. (Gifford, 2009)

In 1949, Rich DeVos and Jay Van Andel, who were high school friends and business partners, joined Nutrilite as sales representatives after returning from their military service. However, after having a disagreement with the company in 1959, Rich DeVos and Jay Van Andel abandoned Nutrilite and formed the Amway Corporation, which years later, in 1972 acquire Nutrilite. (www.firstclassmlm.com)

However, in the 1970's multilevel marketing took a huge setback when the United States of America's Federal Trade Commission (FTC) charged Amway and its multi-level marketing structure of an illegal pyramid. This issue gave strength to the motion that all multilevel marketing companies are illegal pyramids, where money is the only commodity that is moved along the scheme, and that there is no real underlying product or service, and that the only objective is to recruit new members only. (www.networkmarketingsuccesssecrets.com)

The main difference between an illegal pyramid scheme and a legitimate multilevel marketing program is that the illegal pyramid scheme will focus on recruiting people, whilst a legitimate multilevel company will focus on selling a product or a service. (Walsh 1999, 12) Amway was able to prove that its business structure was not in fact an illegal pyramid (Gifford, 2009). They were able to demonstrate that indeed they did have underlying products being moved along in their multilevel structure. In 1979 the court sided with Amway and considered its multi-level marketing structure valid and legal, and accepted that its model represented a legitimate business opportunity (www.networkmarketingsuccesssecrets.com).

In addition to the distribution of products, multilevel marketing is also being used for the distribution of services. Pre-Paid Legal Services is a company that provides affordable legal services for low- to-middle-income individuals and families and it uses marketing networks (Harris 2004, 102-110). Pre-Paid Legal Services designs, underwrites and markets legal

expense plans (Forbes Magazine; 2010). The firm was founded in 1972, and it made its initial public offering in 1984 (Harris 2004, 102-110).

The Pre-Paid Legal Services Company was ranked 78th out of the 100 best companies in the United States of America by the Forbes Magazine in 2010. The Forbes Magazine lists publicly traded firms with sales under 1 billion USD, that have publicly traded for at least a year, and that have had an annual revenue between 5 million USD and 1 billion USD, and whose stock price is higher than 5 USD. (www.forbes.com)

However, stigma on the term multilevel marketing grew within the society, and finally in the 1980's the term network marketing replaced multilevel marketing. In the late 1990's and into the 21st century, network marketing gained a strong degree of legitimacy, partly because well-known business leaders and respected authors, such as Donald Trump and Warren Buffet, and Brian Tracy and Paul Zane Pilzer, respectively, begun endorsing the industry (www.firstclassmlm.com). Donald Trump recently partnered with Ideal Health, a 12-year-old Massachusetts-based nutritional products company, and renamed it "The Trump Network," (www.trumpnetwork.com) Bill Gould, the founder of Equinox International, which in 1996 was considered one of the fastest growing companies in the U.S.A. said, "We're taking word-of-mouth advertising and maximizing it." (Inc. Magazine 1996)

2.2 The Negative Side of Multilevel Marketing

Participants in multilevel marketing schemes make money by recruiting salespeople and receiving a portion of their earnings. "Only the original promoters of the scheme have a chance of making significant profits," says Lynda Young, a researcher of the office, who wrote a pamphlet on the topic. "The others collect scraps or, more often, suffer losses." (Maclean's 1997, 58)

A recent survey of 1002 Quebecers found that 32 % of them had been invited to a recruiting meeting for a multilevel marketing program. Of 1002 Quebecers who took part in multilevel marketing schemes 49% lost money, which means that almost half of the

participants did not make enough money to make any profits from multilevel marketing activities. A 28% of the participants made no profit, in other words their costs were equal to their earnings. From the 1002 Quebecers that earned enough money to make some profits, 21% made little money, .3% made a moderate amount of money and 0% made a lot of money. (Maclean's 1997, 58)

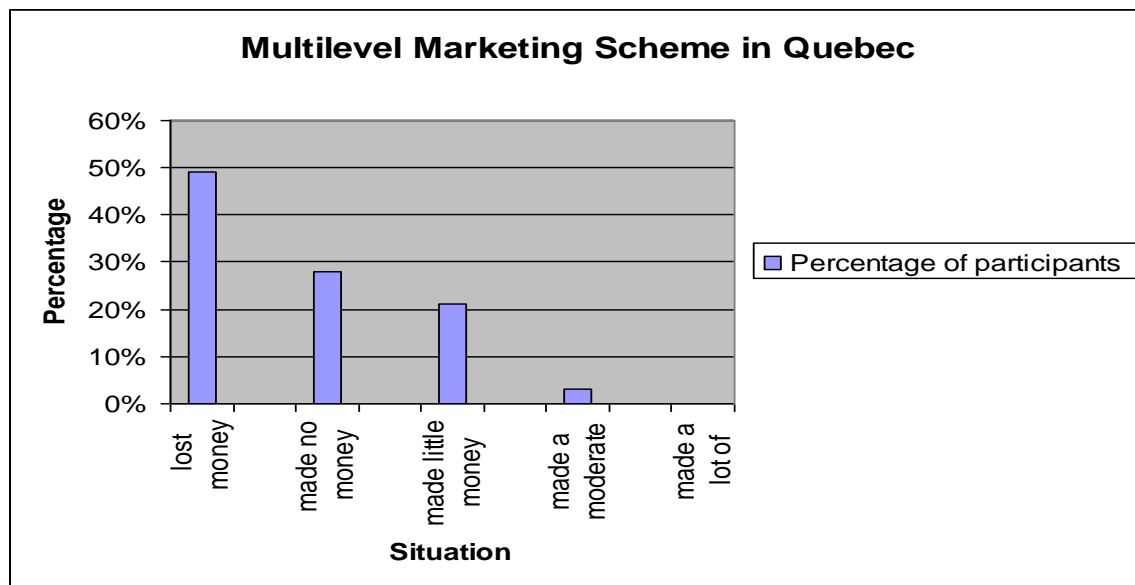


Chart 1; Shows the results of a survey made in Quebec of the earnings of multilevel marketing representatives.

According to the statements of some multilevel marketing companies, the average income of a direct seller is fairly low. Most of them only work part time or on a temporary basis, in order to get a little extra money for holidays, such as Christmas for example. (Micklitz et al. 1999, 6) Furthermore, according to Amy Robinson, director of communications and media for the World Direct Selling Association, WDSA, the average direct seller makes about 13 000 USD a year. Yet, the median income is about 2 400 USD, which tells us that 50% of the direct sellers make less than 2 400 USD a year (Walsh 1999, 12). Regardless of these facts, the World Federation of Direct Selling Association estimates that the number of individuals that have joined this form of business has increased gradually from 30.9 million people in 1997, to a stunning 65 million by 2008 (See graph below) (www.wfdsa.com) . However, on average a multilevel marketer remains in business from 18 to 24 months before giving up (Walsh 1999, 12).

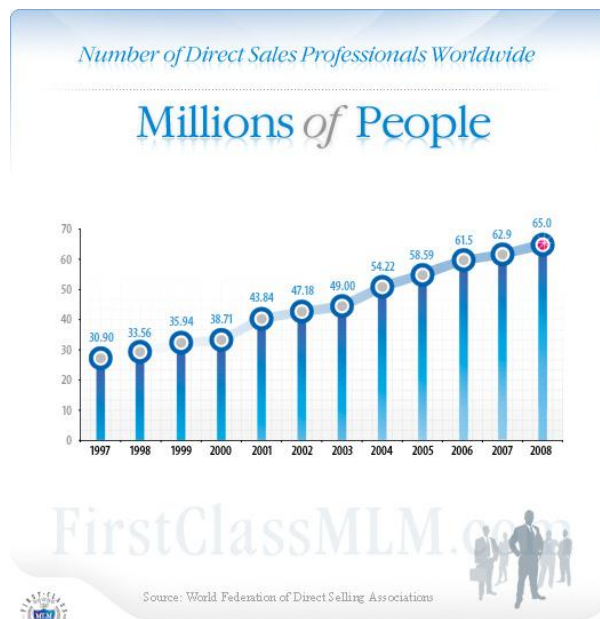


Chart 2; Shows the number of people involved in multilevel marketing activities worldwide from 1997 to 2008, according to the WDSA.

2.3 The Bad Reputation of Multilevel Marketing Companies

Most multilevel marketing companies have had to deal with accusations of practicing illegal pyramid like schemes and mal practice. Among them is the Amway Corporation which, as stated in part 2.2, was accused of practicing illegal pyramid schemes.

Pre-Paid Legal Services has been accused by some of its customers of malpractice by their sales representatives. They claim they make false promises which the firm then refuses to take responsibility for. The firm has got a number of law suits for similar reasons. (www.expertlaw.com) Presumably, the representatives are motivated by earning a commission rather than considering the clients' best interests.

Equinox International Corporation is a multilevel marketing company which distributes a variety of products, ranging from water filters to vitamins and skin care products. The company's headquarters is based in Las Vegas, Nevada. This company was accused of publishing a confusing recruiting advertisement, in which they would imply a salaried

position was being offered, when they were actually trying to recruit sales representatives for their multilevel marketing network. The company was also accused of practicing pyramid schemes, in which the distributors would make money through recruitment of new sales representatives rather than through sales. (www.mlmwatch.org)

Direct selling of financial services is becoming significantly important and is expected to grow worldwide. In most countries insurance companies are the main users of direct selling strategies. However, according to consumer organizations, in practice these strategies have created problems for the consumers due to misleading information and false advice provided by the sales representative, in addition to them offering expensive products that offer higher commissions for them but will not meet the consumers' needs. However, these issues have not affected the significant increase in the use of direct selling for the distribution of financial services. (Micklitz et al 1999, 12)

2.3.1 Association with Pyramid and Ponzi Schemes

People confuse pyramid and Ponzi schemes with legitimate multilevel marketing. Both the Ponzi and pyramid schemes can be very seductive because they promise to deliver a high rate of return in a very short period of time and with no risk. Yet, both pyramid and Ponzi schemes are illegal. (IMF Seminar 1998)

A Ponzi scheme is an investment fraud that involves the payment of supposed returns to existing investors from funds which are actually contributed by new investors (www.sec.gov). In a Ponzi scheme, there is no real investment opportunity, and the promoter uses the money from new recruits to pay the supposed returns owed to members who have been part of the scheme from the beginning. There is an expression that explains this scheme "Stealing from Peter to pay Paul." Several law enforcement officers generally in English speaking countries call Ponzi schemes "Peter-Paul" scams. (IMF Seminar 1998)

The promoter collects money from a stream of people, promising to all of them the same high rate of return on a short-term investment, with virtually no risk (IMF Seminar 1998).

In many Ponzi schemes, the fraudsters focus on attracting new money to make promised payments to earlier-stage investors and to use for personal expenses, instead of engaging in any legitimate investment activity. This scheme eventually collapses because of the lack of new investors with large amount of cash. Many Ponzi schemes share common characteristics, such as high investment returns with little or no risk and secretive and/or complex strategies. (www.sec.gov)

2.4 The Multilevel Marketing Industry

According to the World Federation of Direct Selling Association (WFDSA), worldwide sales from direct selling activities have increased, from 78.66 Billion USD in 2001 to 114 billion USD in 2007 and 2008.

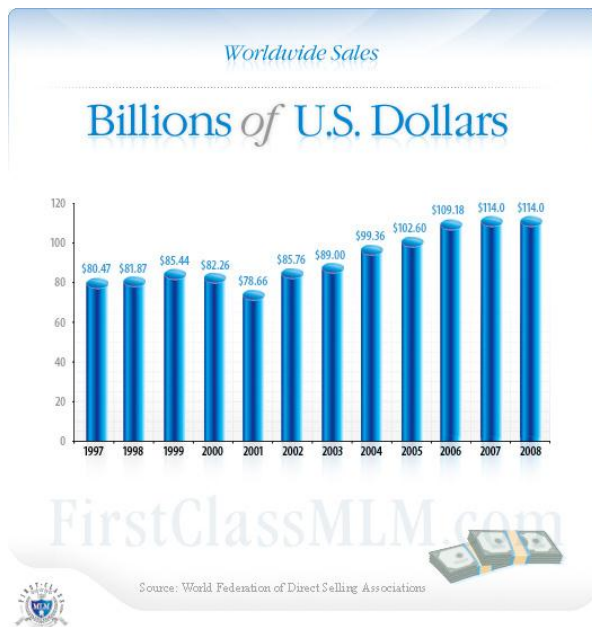


Chart 3; Shows the worldwide sales from 1997 to 2008 of direct selling in billions of dollars, according to the World Federation of Direct Selling Association.

The World Federation of Direct Selling Association was founded in 1978. It is a non-governmental, voluntary organization which represents the direct selling industry at a global level, as a federation of national Direct Selling Associations (DSA). Presently, there are over 56 national DSAs, and in 2007 it was estimated that worldwide sales by the

members accounted for more than 105 billion USD from the active selling efforts of more than 61 million independent sales representatives. (<http://www.wfdsa.org>)

WFDSA has developed the World Codes of Conduct for Direct Selling, which all national DSA's have approved and implemented in their national codes. All member firms agree to be bound by these codes as a condition of the membership in a national DSA.

(www.wfdsa.org)

Worldwide sales, however, vary greatly from country to country. According to the graph below based on data gathered by the WDSA, the United States of America and Japan were the countries with the greatest sales, followed by Brazil, Mexico and Korea in 2009.

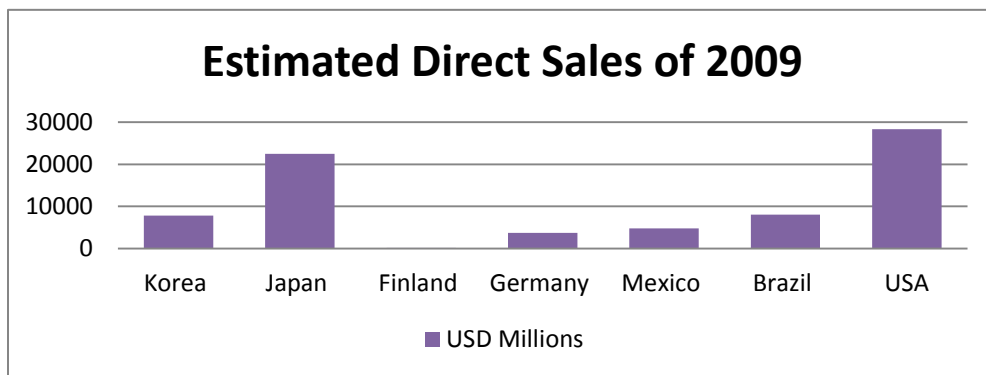


Chart 4; Shows the Estimated direct sales in 2009 of South- Korea, Japan, Finland, Germany, Mexico, Brazil and the United States of America according to the WDSA.

Estimated direct sales from 2009 (USD millions)

Country	Sales (USD Millions)
Korea	7843,2
Japan	22464,5
Finland	202,8
Germany	3761,9
Mexico	4824,6
Brazil	8040
USA	28330

2.4.1 Multilevel Marketing in Mexico

Direct selling arrived in Mexico through American companies such as Avon, Tupperware and Stanhome in the 1950's, years in which the Mexican economy was booming (Market Study of direct selling of 2009 by the Asociación Mexicana de Ventas Directas). Multilevel marketing in Mexico has traditionally been used to promote health and beauty products, nutritional, or decorative products (CNNExpansión 2010).

Product category	Percentage of Sales
Beauty	41%
Shoes	27%
Dietary supplements	19%
Fashion	7%
Home	5%
Others	1%
Total	100%

Table 1. Shows the percentage of the categories of sold products in Mexico in 2009 through direct selling methods (Market Study of direct selling of 2009 by the Asociación Mexicana de Ventas Directas.)

According to the most recent released numbers by the Mexican association of direct sales, Asociación Mexicana de Ventas Directas, AMVD, there are about 360 firms using direct selling, including multilevel marketing. Due to the economic crisis of 2008, many people in Mexico as in many other countries, were left unemployed and thus started getting interested in multilevel marketing. Mexico is among the three biggest markets for multilevel firms worldwide, and it also provides 2 million Mexicans with an income. "In times of crisis people are willing to work harder in order to improve their economic situation" says Joaquín Jenis, Business Consultant and author of "Network Marketing". (CNNExpansión 2010)

According to Gerardo García, director and technological consultant of multilevel marketing of Netzen, the firm got 10 to 15 new contracts a month to provide consulting services for emerging multilevel companies during the crisis of 2008, which is double the amount of earlier years. (CNNExpansión 2010) Netzen is a consulting firm that specializes in the development and implementation of software technology for the communication for companies that practice direct selling. This consulting firm has been in the market for 21 years, and has clients in United States, Canada, France, Mexico and others. Their services include the creation of a software model for commission control, and general consulting for multilevel marketing. (www.netzen.com.mx)

According to the Mexican association of direct selling, most of the people involved in direct selling are married women, between the ages of 35 and 49, with four people economically dependent on them, who live in an urban area and who have certified primary school. Approximately 45% of the people involved in direct selling sell two or more products or services from different firms. An astonishing 90% of their socioeconomic level is class C and D. (Ernst and Young, 2009) An individual from Class C, makes an average 21 591 MXN a month, whereas an individual from Class D, makes an average of 10 392 MXN a month. (Look at appendix 1) Only about 25 % of the total amount of people involved in direct selling buy the products for their own personal consumption. (Ernst and Young, 2009)

2.4.2 La Asociación Mexicana de Ventas Directas A.C. (Mexican Association of Direct Selling)

La Asociación Mexicana de Ventas Directas A.C, (AMVD) which is the Mexican association of direct selling was established in 1966 by Avon, Tupperware and Stanhome, with the objective of bringing together all the companies involved in direct selling in the country and of creating a strong, large networks for the promotion and the maintaining of relationships with the governmental institutions, the media and the public. In 1994 the association created the Code of Ethic of the association that would encourage good faith, fair competition and social responsibility among its direct selling associate companies. The companies that form part of AMVD represent 85% of the total direct selling industry in Mexico. The association estimates that the total sales of 2009 of the entire industry were 50

155 million MXN and that the industry grew 6% between the years 2008 and 2009.
(www.amvd.org.mx)

2.4.3 Multilevel Marketing for Services in Mexico

Recently, firms that offer financial services, such as consulting firms, have started implementing multilevel marketing. According to an article written by Verónica García de León for CNNExpansion “Las ventas multinivel cambian de giro”, financial and insurance service sector firms are trying to adopt Multilevel Marketing in order to cut costs, but at the same time they wish to provide clients with a personal service, usually provided by a friend or a family member, in other words, a person that can be trusted. (CNNExpansión 2010)

Costs are cut because there is no need for so much mass publicity as the people in the multilevel marketing network are taking on the promotional efforts. Also the costs of full-time staff who take care of paper work, decreases, as it is again the people in the net doing all the required paper work for their clients. According to Gerardo Garcia, director and technological consultant of multilevel marketing of Netzen, one of the biggest advantages of multilevel marketing is the diversification of clients, because as it usually occurs, insurance and consulting firms depend on one or two big customers only. (CNNExpansión 2010)

Multilevel marketing companies also reduce their financial risk of employing unproductive employees. The risk is lower because multilevel marketing companies work with independent agents, who work under their own financial risk. This is because the independent agents are not part of the payroll of the company, and sometimes they are required to make an initial investment in return for promotional and training material that the multilevel marketing company provides for them. For these reasons, multilevel marketing companies reduce their financial risk of employing unproductive employees, and due to the initial investment, they can make a profit from failing sales representatives. (Bloch 1996, 25)

Benesta is a financial services distribution company in Mexico that uses multilevel marketing as its main distribution strategy. The company was created in 2009, and was able

to sell 200 life insurance policies in three months through its multilevel marketing networks. It takes about a year for big companies like AXA to sell the same amount, through single level marketing. (CNNExpansión 2010)

2.5 Multilevel Marketing for Services

Sellers of services face special problems when making customers aware of the benefits they are receiving (Levitt 1981, 94). This is because customers hardly ever notice good service (Normann 1943, 50). It is when things go wrong, or when the competitor says that things are not going well, that the customers become aware of the service's existence or nonexistence. Customers do not know what they are getting until they are not getting it. (Levitt 1981, 100) However, exceptional service is noticed. This happens when the service is of a higher standard than the clients' expectations. (Normann 1943, 50)

According to Normann, (1943, 50) customers' experience and evaluation of the total service they get is determined by two main factors, which are the following:

- The extent to which the overall service package includes all the elements that the client expects
- The extent to which each of the elements meet the clients standards and quality criteria

These factors are greatly influenced by habit and by what the client has been led to expect (Normann 1943, 50). Services like insurance and transportation are practically totally intangible, which can seldom be tried out checked or tested in advanced. When prospective customers cannot experience the product in advance, they are asked to buy promises of satisfaction. Promises are intangible and need to be "tangibilized", through metaphors, images or symbols. Insurance companies, for example, use metaphors such as "put you under a blanket of protection" or "an umbrella". (Levitt 1981, 97)

2.5.1 The Service Package

According to Normann (1943, 50) the “Service Package” contains the core services and peripheral or secondary services. The secondary services may give a competitive advantage to a firm against its competitors.

The composition of the “Service Package” is as follows:

1. - Facilitating goods (physical items, such as food at a restaurant)
- 2.- Explicit intangibles, physical benefits (the satisfied feeling after a meal)
- 3.- Implicit intangible, psychological benefits (the good feeling after a good experience at the restaurant)

(Normann, 1943, 52)

In the case of the retirement plans this would be the “service package”:

- 1.- Facilitating goods (paper or contract)
- 2.- Explicit intangibles (the capital for the enjoyment of the retirement years)
- 3.- Implicit intangibles (peace of mind for having a plan for retirement, and thus a secure future)

The way the product is packaged, or in case of a service way in which the promise is presented, whether it is in a brochure or in a letter, or in the design, or in the appearance of the design or how it is personally presented, and by whom it is presented, are factors which become very significant to the service itself because these are all elements on which the customer will base his or her decision to purchase (Levitt 1981, 97).

Services are highly judged by the sales person who offers it. It is not just about the firm, but also about the representative of the firm in question. (Levitt 1981, 97) Selling is a very social process, based mainly on building relationships:

- **Who do you know who could have the need to purchase what you have to sell?**

Here each individual should look for potential customers from their personal networks, which includes friends, family, colleagues, etc.

- **Who do they know who may be interested and have the need to purchase what you have to sell?**

At this stage sales representatives should try to get to their friend's friends and their families, to the friends of the families. In other words, look for potential customers from their networks' networks.

- **Are there any professional groups, clubs or associations you could join that will increase your exposure and build up your network?**

Further developing one's own network and increasing the number of potential customers is a good way of further building up one's network. Joining professional groups, clubs or associations can also work in favor of the sales representative's image, providing for example an "image" of credibility, reliability and professionalism through association with the good reputation of the professional club, group or association. (Nelson and Economy 2008, 70)

Certain conditions must be present before prospective clients decide to make the purchase. If they are not satisfied, there is no sale. For example, if the sales representative is improperly responsive or insufficiently informed about the customer, the product or the service, or if any special situations and problems occur, the client will not be satisfied with the service, and will probably decide not to make the purchase. (Levitt 1981, 98)

In order to make a successful sale, the sales representatives should make sure their prospective clients really need what is being sold to them, and that they have the necessary funds to buy the service. The sales representatives also need to be aware of who the decision maker is in case of couples and families for example, and try their best to explain and convince the decision maker of the value their service will bring. Clients value honesty above all. (Nelson and Economy 2008, 177)

It is important for the sales representatives to deal with any possible misunderstandings, as well as to make sure the customers understand how urgent it is that they take the service. Furthermore, it is also important for them to deal with lack of perceived needs, funding issues, and lack of trust. These issues become especially relevant in services such as consulting, investment banking, and insurance. (Nelson and Economy 2008, 179) So the potential customer feels that he or she does not need the service, or in some cases does not consider the service a priority which they should include in their monthly or annual budget. Furthermore, as stated earlier, the multilevel marketing service sector is continuously bombarded with lawsuits, which creates mistrust among the prospective clients.

Selling services, whether it is insurance or transportation seems to depend a lot in good sales representatives closing the sale. This includes the following points:

- Looking for signals of interest from the potential client. When the potential client asks numerous questions it tells that the client is interested.
- Overcoming any final client concerns and remind the client that he or she is making the right decision.

The sales representatives should never be pushy, as this might not only affect that particular sale, but also have long-term effects on other potential clients, as the client tell all his other friends and acquaintances about the bad experience. (Nelson and Economy 2008, 179) The current clients might become an excellent source of referrals, as prospective clients who come to the sales representative are already sold it some extent, because the existing clients act as sales representatives to them, thus much of the selling process has already been done. (Nelson and Economy 2008, 70)

2.5.2 Factors That Affect the Quality of Services

Services are more people intensive, and therefore there is more space for personal discretion, and possibility for error and/or delay. As a consequence, the customer may feel

like his or her expectations are not being fulfilled and thus be easily unsold. This is the main reason the quality of intangibles or services is less reliable than of products. (Levitt 1981, 99)

Service customers buy promises made by the service provider (Levitt 1981, 96). When a person decides to buy an insurance policy, he or she is buying a promise from the insurance company to pay for part of his or her losses in case an unfortunate event takes place. Costs of services can be higher than they should be in the eyes of the customers, and their satisfaction can be lower than it should be, because customers are not able to see the immediate benefits of their purchase. For this reason, service providing companies often use what is often referred to as physical evidence of the service (Levitt 1981, 96). An insurance company, for example, uses a contract which states in writing the benefits that the client will get in exchange for the premium.

Regardless of how well trained or motivated the sales representatives might be, people make mistakes, forget, and commit indiscretions. In consulting, for example, the delivery is the manufacturing from the client's point of view. Though the consulting research and plan may be excellent, if the delivery is poor, the research and the plan will be viewed by the client as having been badly manufactured. (Levitt 1981, 98)

2.6 The Pension System in Mexico

The objective of the pension systems is to provide workers, and the people who depend economically on them, such as their family, with resources for the time of their retirement, which can occur for various reasons, including age (65 in Mexico), disability, or death. In Mexico there are a variety of pension plans, which differ in benefits, access, administrators and form of administration. (oncetv-ipn.net) There are the pension plans offered by the Mexican social security system, IMSS, which cover almost 15 million workers, as well as the social security system for people working in public organizations, Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado, ISSSTE, which covers about two million workers. (oncetv-ipn.net)

The introduction of the new governmental retirement program created the temporary coexistence of two major retirement systems; one based on the rules existing before 1997, administrated by the social security system, IMSS: Instituto Mexicano del Seguro Social, and the new one based on individual savings accounts SAR, Sistema de Ahorro para el Retiro. This means that people who started to be economically active before 1997 are entitled to pensions by the previous system provided by the social security system (IMSS), but those individuals who started to be economically active since 1997 will not be entitled to the pension provided by IMSS.

In 1997, a new form of individual pension accounts came to existence and are known as AFORES, Administradoras de Fondos para el Retiro. The AFORES were created because it became clear that the pension structure in Mexico was not viable, and was going to collapse with the increasingly high percentage of the population retiring. Today, the pension funds administrated by the AFORES have a growth of 50 000 million MXN a year, from which about 45 500 million MXN come from deposits, and 4 500 million MXN come from interests earned. (oncetv-ipn.net)

In the Mexican system only those workers with a formal job qualify for a retirement plan. Self-employed workers and the unemployed have no access to this retirement system, and unfortunately, the people who do have a right to a retirement pension get only a fraction of the money they got as a salary when economically active. This means that even the fraction of the population of Mexico that do get a retirement pension will not be able to live plentifully their retirement years due to the small amount of money they receive as a retirement pension. (Gordillo 2010, 17)

In the summer of 2010, the Supreme Court of Mexico made public the decision of reducing up to 60% the amount of pension provided by the social security system (IMSS, Instituto Mexicano del Seguro Social) for those workers active before 1997, in other words, most workers will retire with a much lower pension they thought they would. In more detail, each person will be allowed to get up to 10 times minimum salary a month, which is about 1 300 USD Before the reduction, workers could get up to 25 times this amount. However, very

few workers get to this amount, usually they get around 13 USD a day, which equals to about three minimum day salaries, when they retire. (www.bbc.co.uk)

According to statistics issued by CONAPO, Consejo Nacional de la Población, (www.conapo.gob.mx) by 2050 the Mexican population aged over 60 years, will increase from the current 8% to 34%. For this reason, in 1997 the Mexican Government created a new retirement program based on individual savings accounts which was named “Sistema de Ahorro para el Retiro” SAR, which means the retirement savings system.

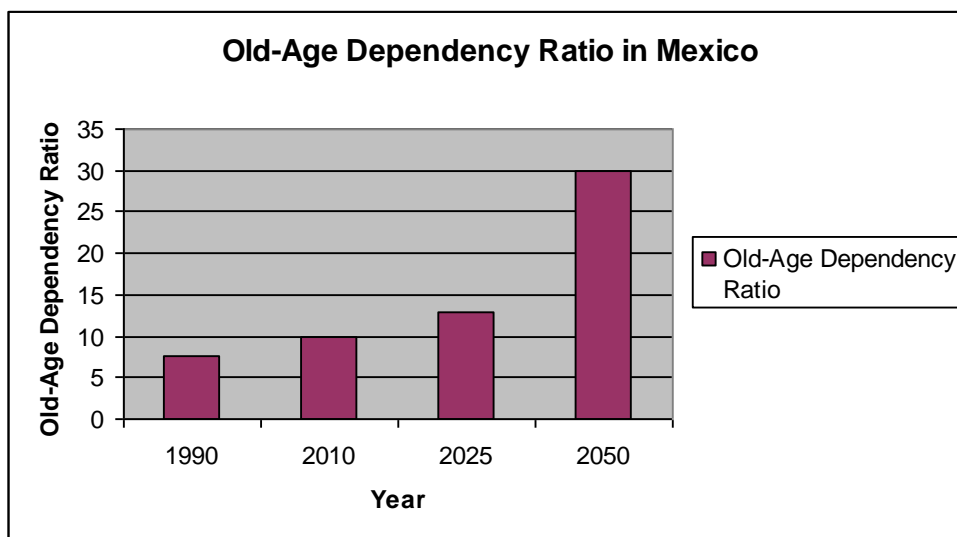


Chart 6: Shows the old-age dependency ratio in Mexico from 1990 to 2050. (World Population Ageing 1950-2050, United Nations, 2002.)

The old-age dependency ratio is the number of persons 65 years and over per one hundred persons 15 to 64 years. (Population Division, DESA, United Nations, “World Population ageing 1950-2050” 2002, annex 1)

2.6.1 Retirement culture in Mexico

According to Hofstede’s cultural dimensions, Mexico’s highest dimension is uncertainty avoidance, which translates into the population having low tolerance for uncertainty and change. In other words, Mexicans do not adopt changes easily, and they require rules, laws and regulations. (www.geert-hofstede.com) However, low tolerance for change can

translate into loyalty. According to Robinson and Etherington (2006, 1) when customers that are not comfortable with a change find a product or service that they feel comfortable with, customers want to be loyal.

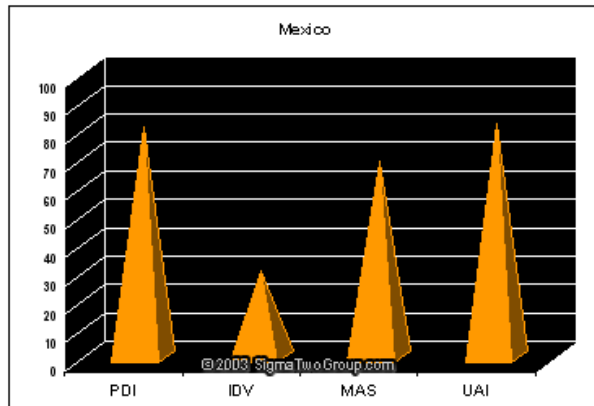


Chart 5: Shows the Hofstede's five cultural dimensions for Mexico.

Furthermore, Mexico has a low individualism dimension, which means that the society is a collectivist one. In other words, the society encourages relationships, such as family, including extended family, to stay together, be loyal to the group and to take responsibility for fellow members of the group, such as children and elderly people. (www.geert-hofstede.com)

Despite these cultural practices, the possibility of the Mexican families to take care of their elderly people has decreased dramatically in recent years. One of the reasons for this issue is the smaller sized families. From 1987 to 2007 a woman in Mexico went from having 3.8 children to 2.1 children on average, whereas more than 40 years ago, a woman had 6 children on average. The large number of children made it easier for each child to support their elderly family members, which in contrast has become increasingly difficult to do between 1 or 2 children. (www2.esmas.com)

2.6.2 Private Pension Plans in Mexico

Governmental pension plans in Mexico are obtainable by public organizations or social security institutions, and private pension or retirement plans are obtainable by all the private companies for their employees, or can be acquired by individuals through a financial institution, such as an insurance company (www.indetec.gob.mx). Most insurance companies in Mexico offer a variety of products which are basically pension plans or savings plans, with a life insurance included, called endowment insurances.

An endowment retirement insurance policy combines protection, saving and investment. This means that part of the saving deposits go to pay an insurance premium, which will not allow the savings to grow as much as they could. The savings are invested in order to get more value for each customer's money. (CNSF; Comisión Nacional de Seguros y Fianzas booklet, 78)

Mexican authorities are aware of the many deficiencies of the new system, therefore the government has provided some incentives for people to save for their own retirement through private plans, such as tax deductions. Article 176 of the Income Tax Law, allows the deduction of private retirement plan premiums, up to 10% of the annual salary with a limit of 10 annual minimum salaries which amounts to 215 352 MXN for Mexico City and its surroundings. (www.losimpuestos.com.mx)

In addition, the article 218 of the same Law, states that a tax payer can deduct up to 152 000 MXN in premiums of the same kind of plans in a person's annual tax return. Furthermore, additional contributions made to one's AFORE can also be deducted from one's annual tax claim limited to 10% of the worker's salary with a limit of 5 annual minimum salaries (www.losimpuestos.com.mx)

1 MXN = 0.084 USD on 29.7.2011

1 MXN = 0.055 EUR on 10.10.2011

Since these incentives were introduced, several private long-term savings products have been launched, most of them offered by insurance companies. The majority of these plans

combine savings with a life insurance and are known as endowment retirement insurance, described above. According to Tania Moreno, a reporter of the CNN Expansion, and other experts on the field, if a person in Mexico wants to keep the quality of life that he or she has while working, this person needs to have a private retirement plan along with the AFORE.

2.6.3 AFORES

AFORE is an administrator of capital, specifically of the savings of the Mexicans who are saving for their retirement (CNNExpansión 2010). The objective of these administrators is to invest the savings of Mexicans in order to get better returns ensure that the savers get a higher amount of money for their retirement. With this system of individual retirement accounts, Mexico is trying to avoid the situation that many European countries, including Finland, are facing, which is that there will not be enough active workers to sustain the retired population. (Gordillo 2010, 18)

According to José Eseverri, AFORE savings account for about 10% of the Mexican economy. Consar, Comision Nacional del sistema del Ahorro para el retiro, which is the national commission of saving systems for the retirement, is an organization that is in charge of keeping a close check on the activities of the AFORE organizations. (El Universal 2009).

There are about 15 AFORES in Mexico, and they began to function in 1997. People can deposit into a retirement account of their choice through any AFORE in Mexico,. All of these different AFORES offer their clients a variety of services as part of the total package just like the banks offer their services to the people who deposit and save their money in their banks. (El Universal 2009)

For example, ING, a financial institution, offers a very narrow variety of services for its AFORE clients. ING sends an account statement three times a year to their clients, as stated by law in the Ley del Sistema de Ahorro para el Retiro in April, August and December. ING

also offers customer service telephone lines, and internet contact e-mail, for the case a customer does not get his or her account statement. (www.ing.com)

HSBC however, provides its clients with an electronic card, with which they can check their account balance at any given ATM. The company also offers a personal internet account through which clients can do all kinds of transactions. The internet account has a chat room, through which clients are able to chat with experts from HSBC, and get help. They also offer the possibility of doing specific transactions at any of their local offices and a telephone line. (www.hsbc.com.mx)

The money workers deposit into their AFORE was invested only in low risk instruments until 2010 when the government of Mexico opened the possibility of investing in the money in other instruments that will give higher returns but have a higher risk (CNNExpansión 2010). The investments in which AFOREs invest have given an average return of above 12% annually, which is significantly higher than most governmental instruments, which only give about 4% annually (CNNExpansión 2010).

An important fact that most workers in this new retirement system are not aware of, is that the maximum pension their AFORE will give them will equal only 20% of their last salary. That is to say that for a person whose last salary was of 10 000 MXN (554.316 EUR) a month, his or her AFORE will give him or her only 2 000 MXN (110.833 EUR) a month when retired, an amount that will be only enough to barely survive. (Gordillo 2010, 16) Therefore, anyone that aspires for a “decent” pension, will have to have substantial additional savings either in his own AFORE or in a private plan.

AFORES were introduced in order to avoid the collapsing of the previous retirement system. However, its complexity and the lack of information about it has caused most workers to believe that their retirement years are safe if only they have an AFORE and that they do not need to save any extra for their retirement. We know this is not true, as this new system on its own will not be able to provide retirees with enough income to live their last years with dignity and to enjoy life as they should in their retirement. On the other hand, as stated before, only workers with a formal job are entitled to get into this retirement system. The

other major system, IMSS, that coexists with the AFORE, will gradually disappear since it only covers workers that were active before 1997.

3. Expertos Patrimoniales



“Construyendo finales felices”

Expertos Patrimoniales is an independent consulting firm located in Mexico City, which specializes in the design of savings and investment plans for the retirement. The firm began its activities in 2010, implementing multilevel marketing. The company's mission is to help clients fulfill their life plans. The company's long term vision is to become the number one retirement plan distributor in Mexico. The firm provides advisory services to its clients to plan for their retirement, and thus enjoy a financially care-free retirement. *Expertos Patrimoniales* only distributes one product, a private retirement plan called OptiMaxx plus, created and managed by Allianz Mexico. (www.expertospatrimoniales.com)

The owner and General Director of *Expertos Patrimoniales* Mr. Carlos Gordillo is a Mexican business man who according to the information from Consultoría Magazine, has 22 years of experience working for local and multinational companies in the area of finance. He was the Chief Financial Officer, CFO of the last three multinationals he worked for. Tired of the politics inside these various organizations, Mr. Gordillo decided to use all the skills he had acquired during his years in the financial area, and to become an independent financial consultant. (Interview, Appendix 8)

3.1 OptiMaxx plus

OptiMaxx plus is an individual savings plan created and managed by a company called Allianz Mexico. The saving is done through periodical deposits which can be done on a

monthly, quarterly or annual basis. The deposits are invested among nine investment portfolios offered by Allianz Mexico. OptiMaxx plus is a long-term savings plan, with a minimum savings period of 5 years and a maximum of 25 years. This savings plan has been coordinated with the Mexican legal system which will allow the savers to take advantage of tax incentives offered by the government of Mexico.

Allianz Mexico is part of the Allianz group, a German company. Allianz is the biggest company in Germany and one of the 20 most important companies worldwide. It has 180 employees and around 80 million clients in more than 70 different countries. Allianz Mexico has been rated by Standard and Poor's as mx-AAA, which reflects the solidity of the company. (www.allianz.com.mx)

Deposits to OptiMaxx plus are done in MXN. The minimum deposit is of 1 000 MXN (55.4201 EUR) a month or the annual equivalent 12 000 MXN (664.989 EUR). The deposits have to be made through a credit or debit card, which limits the potential market, because according to Banco de Mexico, there are around 47 million debit and credit cards in use in Mexico (www.banxico.org.mx) compared to the 112 million habitants. (cuentame.inegi.org.mx)

Allianz Mexico offers nine different investment portfolios, which offer a variety of risk and currencies. The options are separated into three risk categories, a conservative option, with the lowest risk and the lowest return rate, the balanced option, and the dynamic option, which offers the highest returns but it is also the option with the highest risk. The company also offers three different currencies in which to invest, USD, EUR and MXN. The client should choose among the three risk categories and the three currency options. A client can choose to invest in more than one portfolio option at a time, as well as to move the capital from one portfolio option to another, with a minimum capital requirement of 10 000 MXN (554.201 EUR) in each portfolio. (www.allianz.com.mx)

Categoría	Conservador	Balanceado	Dinámico
Moneda	Moneda Nacional		
	Dólares Estadounidenses		
	Euros		

Picture 2; shows the nine portfolio options of OptiMaxx plus (www.allianz.com.mx)

This plan is a long-term savings plan, which means that the minimum time period of saving is five years. The plan has an initial period of 18 months, in which the savings cannot be withdrawn without penalty costs, and in which a missed periodical deposit will cause the loss of the plan and the accumulated savings. When the plan has reached its 19th month the plan becomes more flexible, with options of withdrawal, the possibility of ceasing deposits up to a year, among others. (www.allianz.com.mx)

This plan makes it possible for clients to take advantage of tax incentives offered by the government of Mexico. There are three articles in the Mexican tax law, Ley del Impuesto Sobre la Renta that provide such incentives. Article 176 and 218 allow any Mexican to deduce up to 256 000 MXN (14 190.43 EUR) a year, if the capital is deposited into a registered retirement plan, such as OptiMaxx plus. At the end of every year, Allianz provides a receipt that shows the deposits made to the plan during that same year, so that the client can make these deposits tax deductible in his or her annual tax return. (Ley del Impuesto Sobre la Renta, 1991)

Furthermore, Article 109 states that the total capital of the savings plan can be withdrawn without having to pay taxes for it at the time of the withdrawal, if the owner of the plan is over 60 years old, and the plan has been active for at least five years. For the people who are under 60 years old, the same article also allows the delay of tax payment until the day in which the plan reaches its maturity date and the capital is withdrawn. This option is good for people who do not pay annual taxes, and thus cannot benefit from articles 176 and 218 of La Ley del Impuesto Sobre la Renta. The law also provides tax benefits over the earnings of the capital invested. This means that the interests earned through the investment of the capital in the private retirement plan is free of taxes. (Ley del Impuesto Sobre la Renta, 1991)

The plan has three different charges, an administrative charge of 1, 5 % over the initial balance of the plan which will be charged every three months, a charge over investment of 0, 1% over present value of the portfolio, and a fixed charge of 15 UDIS, the Mexican currency fund unit, and it will be charged starting from the 19th month of the plan, when the initial period of the plan has been completed. (www.allianz.com.mx)

OptiMaxx plus provides a bonus for long-term savings. This bonus is given to clients who plan to save for at least ten years. This bonus is given every month for the first 12 months, every time a deposit is done to the plan. The percentage of bonus that a client gets is based on the term of the plan and the amount of monthly deposits. For example, for a plan to 10 years with monthly deposits of 1 000 MXN (55.4201 EUR), the bonus is of 5 %. For every 1 000 MXN deposit the client makes to the plan, Allianz will deposit 50 MXN (2.77159 EUR) to the same plan. (www.allianz.com.mx)

Plazo / Aportación anual	12,000 – 35,999	36,000 – 59,999	60,000 – 89,999	> = 90,000
10 – 14 años	5%	15%	25%	35%
15 – 19 años	30%	40%	50%	60%
20 – 25 años	55%	65%	75%	100%

Table 1: shows the bonus table of OptiMaxx plus for long-term plans. (www.allianz.com.mx)

Other companies in Mexico offer similar products as OptiMaxx plus. The main difference between OptiMaxx plus and the rest of the similar products offered in Mexico is that the other plans are endowment plans which are explained in section 2.6 The Pension System in Mexico, and OptiMaxx plus is a savings plan with the option to get a life insurance, but which is not automatically included, as it is in endowment plans. This means that the

charges for endowment plans are higher as they include a premium for the life insurance policy.

According to a comparison made by G.D. Gordillo between Skandia's product Vision and Allianz' product OptiMaxx plus, Skandia's product's earnings are higher in plans of five to 19 years, and earnings are higher with OptiMaxx plus with plans of over 19 years (See Appendix 11). However, the capital that is used to pay for the premium for Skandia's product Vision would be saved in OptiMaxx plus. For this reason, Skandia's product Vision, as well as other comparable products in the market, are more expensive than OptiMaxx plus. Skandia is an international financial corporation from Swedish origin, which started its operations in Mexico in 1959. It is member of the Old Mutual Group. The main activities of Skandia are in life insurance and the administration of funds. (www.skandia.com.mx)

A comparison between OptiMaxx plus and Vision can be seen in appendix 11, 12 and 13. The comparison is done for a plan to 25 years, with an annual interest of 12% annual and monthly deposits of 10 000 MXN (554.201 EUR). At the end of year one, the yield of OptiMaxx plus plan is 247 361.03 MXN (13 713.46 EUR), and the value of the Vision plan is of 128 093.28 MXN (7 103.44 EUR), with a difference of 119 267.74 MXN (6 614.02 EUR) in between them. The sum of the two charges of OptiMaxx plus that are considered are the 1, 5% of administrative charge, and the 0, 1% over investment, which equal to 3957.78 MXN (219.53 EUR). In contrast, Vision charges 6 days of minimum wage of Mexico City and a premium for the life insurance policy, which gives a total of 2709.78 MXN (150.35 EUR). At this stage OptiMaxx plus is more expensive, yet provides higher earnings mainly because of the bonus that Allianz offers to the clients of long-term retirement plans.

However, when the plans reach year 25 the three charges of OptiMaxx plus, which now include 15 UDIS, equal to 19 465.71 MXN (1 080.44 EUR), and charges from Vision equal to 268 026.11 MXN (14 876.73 EUR), from which the premium for the life insurance policy is 267 069.29 MXN (14 821.67 EUR). The difference between the value of the retirement plan OptiMaxx plus and the endowment plan Vision is 1 070 264.99 MXN (59 385.58 EUR) at year 25.

The main target market of *Expertos Patrimoniales* is composed of people in their thirties, because according to GD Gordillo, it is at this age when Mexicans become aware of the need to start saving for their retirement. Because of the requirements of the private retirement plan that is distributed by *Expertos Patrimoniales*, these people should also make at least 15 000 MXN (832.01 EUR) a month, and due to the several tax incentives the product offers, the firm also focuses on people who pay taxes, so that they can take full advantage of the tax benefits of the product.

3.2 The Commission system of *Expertos Patrimoniales*

Commissions for the sales representatives in the multilevel marketing network of *Expertos Patrimoniales* are paid as follows:

- For an individual private retirement plan, the sales representative gets for the first 18 months 1, 5 % of the total sum of the deposits made by the client to the private retirement plan. After that, the sales representative gets only 1% of each individual contribution.

For example, for a retirement plan of 1 000 MXN a month, which would equal to 12 000 MXN a year to 5 years, the total amount of savings would be 12 000 MXN x 5 years = 60 000 MXN (3 328.23 EUR), and the 1, 5 % of it would be 60 000MXN x 0.015= 900 MXN (49.93 EUR). The sales representative would get 900 MXN a month for the first **18 months** of the retirement plan. However, starting from month **19**, the sales representative gets **1% of each deposit**. So the sales representative would get 1 000MXN x 0.01= 10MXN (0.55 EUR) for every 1 000 MXN deposit the client makes for the remaining time of the retirement plan.

- A leader of a network gets **20%** of the total earnings of the entire network. This 20% is not taken out of the earnings of the representatives of the leader's network.

Sales representatives of *Expertos Patrimoniales* are not required to make an initial investment, as it is done in other multilevel marketing companies, such as stated in section 2.4.3 Multilevel Marketing for Services in Mexico. This works as an incentive for people to join the network of EP. However, failing representatives will not bring any profit to the company.

4. Methodology

The purpose of research is to answer certain questions. Research requires both secondary and primary data. Secondary data is taken out of books, magazines, the web, pamphlets, or any other publication. Secondary data is useful in the finding of existing relevant information on the topic of interest. However, in order to get more specific information on a specific topic the use of primary research is necessary. Primary Data is the data obtained directly from the source, rather than from a publication, and it can be obtained through interviews, observation or surveys. (Timm et al 1994, 7)

In this study both secondary and primary data were used. To gather primary data, the study uses interviews, and as secondary data sources, this study used the web site of the company of *Expertos Patrimoniales* as well as their several pamphlets and brochures. These were useful in the analysis of the implementation of multilevel marketing within *Expertos Patrimoniales*. Primary data was also needed, both for getting an insight in the reasons for the implementation of multilevel marketing and for the further understanding of the relationships between people involved in multilevel marketing. Answers to these questions were not found in the secondary data.

For this study five main steps were followed:

Stating the research questions > Checking secondary sources and doing secondary research
> Doing a pilot test for primary research, which was done using two interviews to former members of multilevel marketing networks in Mexico > Doing primary research, which was done through one interview to the founder and General Director of *Expertos Patrimoniales* > Analyzing the results of both the secondary and the primary data > Making conclusions

(Timm et al 1994, 12)

4.1 The Use of a Case Study

A case study can be defined as the using of a single case or small number of related cases to gather intensive and detailed knowledge about an issue. The case study approach will usually answer to the questions “why” and “how” (Robson 1993, 40- 44). The objectives of the study are to find answers to very detailed questions on ideas and opinions on multilevel marketing and for this, reason this study focuses only on one firm. Generalizations of how multilevel marketing is seen in Mexico, and in the relevant industries could be done only to some degree, considering that each case or firm will differ in some way from *Expertos Patrimoniales*. (Adapted from Cohen et al. 2000, 184)

4.2 Qualitative and Quantitative Data

Qualitative data provides in-depth descriptions, and it is associated with describing meanings and it is characterized by richness and in depth opportunity for exploring a subject. In other words, qualitative data is based on meanings expressed through words. (Robson 1993, 381) Quantitative data is based on meanings derived from numbers. It includes the collection of answers in numerical data such as frequencies. The analysis of such data is conducted through the use of diagrams and statistics. (Robson 1993, 381)

The nature of the study is exploratory, meaning that the focus of the study require in depth description and explanation. Qualitative data provides the answers to this study’s research questions. This study gathered qualitative data through three in-depth interviews, analysis of marketing and promotional material and through observation. The processes followed for each of the methods is explained below, in sections 4.2.1 and 4.2.2.

4.2.1 The Analysis of Marketing and Promotional Material

Marketing and promotional material refers to the web site of *Expertos Patrimoniales*, two brochures, one of which is used for recruitment activities, and the other is used to promote the consulting service of *Expertos Patrimoniales*. In addition, the sales representatives of the firm are given a folder with a collection of material that aims to ease the selling process. These documents were also analyzed for further understanding of the implementation of the multilevel marketing scheme.

The objective of the analysis of the marketing and promotional material was to seek for information on the implementation process of the multilevel marketing scheme, as well as to prepare the interviews in order to get more in depth information of the process. As part of the analysis process of the material, especially the material used by the sales representatives, observations of two selling processes were made. The selling processes in question were made by the General Director and one sales representative. During the observation process of the two selling events, notes were taken about the way in which both individuals used the folder with material. (Appendix 9)

4.2.2 Interviews

An interview is a combination of a survey and observation research techniques, which aims at obtaining deep and rich knowledge on the study. The interviews for this study were designed using the 5 C's of Interviewing, which are the following:

1. Constructing The Interview

During this part of the process it was important to choose the appropriate type of interview. In this case all three were semi-structured, meaning that questions were prepared before the interview, but giving space for questions that arose during the interview was left. The questions were open-ended, in order to give the respondent the opportunity to explain his or her answer and to provide ideas and opinions on the answer. (Timm et al 1994, 74) This was also important for the reliability of the study, as the questions were written in such a way as to not to get a specific answer,

but rather gave space and opportunity to the respondents to provide their answers freely. (Interviews appendix 6, 7 and 8)

2. Starting the interview

Because of the close relationship between the respondents and the interviewer, the part of the interview aiming to “break the ice” was not structured or planned ahead.

3. Conducting the interview

4. Concluding the interview

5. Compiling the data and analyzing the results

(Timm et al 1994, 73)

Face-to-face interviews give the interviewer the opportunity to ask more thorough questions, and get to more details on specific issues, and to provide space for clarification, and ask follow-up questions if necessary. (Timm et al 1994, 80) Three interviews were made for this study. All three of the interviews were face-to-face interviews. However, as two of the three interviewees live currently in Mexico, two of the interviews were done through Skype.

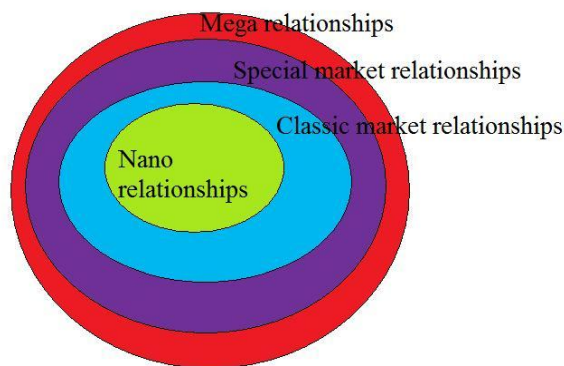
First, the interviews to two former multilevel marketing sales representatives were done. The questions aimed at gathering information on the reasons for people to become part of a multilevel marketing network, and the challenges and positive aspects of being a sales representative in Mexico. These two interviews also aimed at gaining knowledge on the selling process, and selling strategies used in Mexico. (See Appendices 6 and 7) These two interviews were used to complete the questions for the third interview to the GD Gordillo. The aim of the interview with GD Gordillo was to further understand the reasons for the implementation of multilevel marketing for the distribution of private retirement plans, and to gather information on the process of implementation, the challenges and opportunities, and the way in which these were managed during the implementation. (See Appendix 8)

4. Theoretical Framework

The theoretical framework for this study is divided into two sections. For the answering to the questions about the reasons for the implementation of multilevel marketing, this study focuses on relationship marketing. Furthermore, this study aims to understand in depth the implementation process of multilevel marketing for services with the use of the marketing mix framework for services.

4.1 Relationship Marketing

Relationship marketing is marketing seen as relationships, networks and interaction. Relationships require at least two parties. According to Gummesson, who wrote “Total Relationship Marketing” marketing relationships can be separated into four categories. These are the Nano relationships, the Classic market relationships, the Special market relationships and the Mega relationships. (Gummesson 1999, 24) Success in multilevel marketing is dependent on building relationships based on trust, not so dependent on the product or service.



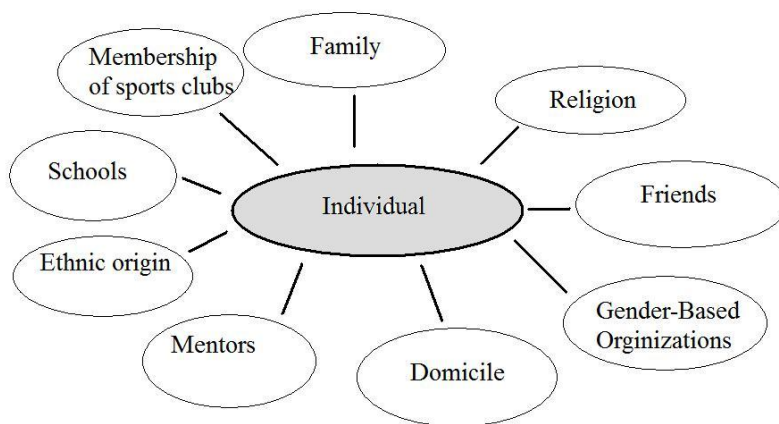
Picture 2; Shows relationship marketing as a Russian Doll (Vandermerwe 1993, 20)

The Classic market relationships are those which are used a lot in marketing theories, such as the relationship between the supplier and the customer, the relationships between the

supplier, the customer and the competitor, and the relationships that exist in any physical distribution network. The Special market relationships deal with specific areas of the Classic market relationships, in other words the relationship between marketers and the customers through loyalty programs, service providing, and even more distant relationships with the customers, for example the relationship between objects and symbols and the customer, or the “green activities” of an organization and the customer. (Gummesson 1999, 20)

Nano market relationships are the relationships based below the market, inside organizations. For example these would be the relationships between the different function areas within an organization, for example between the marketing department and the human resource department of an organization. (Gummesson 1999, 23)

In contrast, Mega market relationships are the relationships that exist above the market and concern the society and the economy as a whole, such as social relationships and political relationships. NAFTA is an example of a political and economic Mega market relationship. Social networks of individuals within a society are also an example of Mega market relationships. (Gummesson 1999, 23)



Picture 3; Shows the different types of relationships that constitute an individual's social network. (Gummesson 1999, 23)

In order to sell insurances the insurance seller has to contact the potential customers. First, the seller should identify their necessities and secondly offer the potential clients insurance policies that best fit their needs and wants. During this process, a strong relationship is developed between the seller and the customer. This relationship often exists before the transaction, as the insurance sellers seek for their prospective clients among their friends, relatives and friends of friends. (Constantini 2009, 35) This process is also true for savings or retirement plans. Multilevel marketing is based on the relationship between the distributors/representatives and the customers, usually based on the distributors'/representatives' personal and social networks.

5.2 The Marketing Mix Framework for Services

The services marketing mix is the set of tools and activities available to an organization for the forming of their offerings to customers. For the marketing of tangible products the familiar 4p's product, price, promotion and place are often used for the same as the marketing mix for intangible products the **7p's**, which include the 4p's already mentioned in addition to process, people and physical evidence. An analysis and description of the marketing mix elements for services was carried out by Borden in 1964, and it was based on a study of manufacturing industry: (Gilmore 2003, 10)

Product refers to the tangible surrogates that will help the customers identify the benefits of the intangible product (service). In the case of retirement plans the contract is the tangible surrogate, as it states on writing the benefits of the service, so that the client can read them. Customers will be looking for hints of the reliability and security in order to make the decision to purchase or not to purchase (Gilmore 2003, 15). In direct selling, the sales representative is part of the service, as stated in section 2.5.1 The Service Package. Services are sold as promises which are presented to the potential client by the sales representative. The sales representative becomes part of the product (Levitt 1981, 97).

Pricing is associated with the perception of value, and in some cases the costs are not directly significant or linked to the pricing. (Gilmore 2003, 15) In retirement or

savings plans the pricing is the costs of the different charges the company makes from administering the capital in the retirement plan. The prices in such cases are usually directly proportional to the amount of risk of the savings investment and the amount of work that the savings plan requires from the administrator. These charges are automatically taken out of the savings account.

Multilevel marketing helps reduce costs for the firm. As stated in section 2.4.3 Multilevel Marketing for Services in Mexico, costs are cut from promotional, administrative and distribution activities. Furthermore the costs of a failing sales representative do not create financial costs for the firm, but to the sales representative itself. In some cases failure of a sales representative will generate a profit, as stated in section 2.4.3 Multilevel Marketing for Services in Mexico.

Place or distribution is a factor that often heavily relies on people's skills and knowledge. Its key characteristic is the service's accessibility. (Gilmore 2003, 15) Distribution channels are the firm's network that moves products and services to the customers. The distribution strategy of any firm plays a major role in the firm's success. Some firms use marketing intermediaries, which can be wholesalers or retailers. (Bové & Thill 2005, 308) Wholesalers sell to retailers, other wholesalers, and/or organizational customers. Retailers, on the other hand, sell products to the final consumers for personal use. (Bové & Thill 2005, 309) An example of a retailer can be a broker or an agent such is the case of *Expertos Patrimoniales*.

Wholesalers and retailers provide an efficient process of transferring products or services from the producer to the customer. They help reduce the quantity of transactions, and ensure that these goods and services are available in a convenient place at the right time for the customers to purchase. In order to accomplish this, wholesalers and retailers perform specific distribution tasks such as promotional and sales support. Some intermediaries employ a sales force for the performing of these selling functions. (Bové & Thill 2005, 310) A multilevel marketing network is a sales force that performs selling, administration and promotional functions. In

multilevel marketing the distribution is done by the network of sales representatives, and as stated in section 2.5.2 Factors that Affect the Quality of Services, the delivery of the service is highly dependent on how it is presented by the sales representative.

There are some factors that influence the selection of the distribution channel, such as, market coverage, costs and control. This becomes a major issue when the firm's reputation is at stake, and there is a potential conflict within the channel. (Bovée & Thill 2005, 312- 313) In the case of multilevel marketing the challenge surrounding distribution is about how smoothly the multilevel marketing network performs. Distribution for services can in some cases, such as consulting, be also the manufacturing of the service, as stated in section 2.5.2 Factors that Affect the Quality of Services, and thus in the case of multilevel marketing , the performance of the sales representative will be judged as part of the service provided by the company. This issue puts multilevel marketing companies that distribute services at a high risk of losing brand reputation due to bad service from the sales representatives, because as stated in section 2.5 Multilevel Marketing for Services, customers do not notice good service, they notice the service when it is bad.

Promotion of services relies heavily on promoting an "image". Credibility (Gilmore 2003, 15) is one of the characteristics service firms attempt to include in their promoted image. Multilevel marketing maximizes word-of-mouth promotion and referrals. An established multilevel marketing company such as Amway and Tupperware relay heavily on their brand appeal to market their products. (Koe et al 2001, 51);

However, in a start -up firm that distributes retirement plans through multilevel marketing which has not been able yet to build a strong brand, word-of-mouth through referrals is used. And as stated in section 2.5.1 The Service Package, the referrals will do most of the selling process for the sales representative. As mentioned in section 2.5.2 Factors that Affect the Quality of Services, people will consult with current users about the value of the service before making the

purchasing decision, which usually is someone the potential customer has an existing relationship with, a person that is part of his or her personal or social network.

People refers to all the people involved in the delivery of a service, including the customer. There should be appropriate staff training for good communication skills and for managing all kinds of situations. The clients will be looking for responsiveness, competence and empathy in the sellers. (Gilmore 2003, 15) In multilevel marketing the salespeople's function has been reoriented towards achieving long-term objectives on the basis of relationship marketing (Paulins 2001; Küster 2002). This is important for developing a multilevel marketing network in Mexico because according to Hofstede's cultural dimensions, mentioned in section 2.6.1 Retirement Culture in Mexico, Mexico's highest dimension is uncertainty avoidance, which means that the population has low tolerance for uncertainty and change. These two issues can be managed using relationship marketing. By using bonds of trust between people within social and personal networks, issues such as mistrust and strong resistance to change decrease.

According to a study made by Joyce Koe Hwee Nga and Soo Wai Mun (Nadiyah Soo) on The Influence of MLM companies and the agent attributes on the willingness to undertake multilevel marketing as a career option among youth, the generation "Y", composed by people born between 1977 and 1995, have a challenging life because of higher costs of basic needs, and the desire to keep modern lifestyle, which is why they are being targeted by multilevel marketing companies. The results of the study suggest that trust for the multilevel marketing recruiting agent has a positive influence in the willingness to take up a career in multilevel marketing. The study also suggests that the image of the multilevel marketing company and the attributes of the product or service being distributed also have a positive influence on the people from the generation "Y" to consider building a career in multilevel marketing. Among factors that influence the image of the company are integrity, and ethical practices. This study recommends professional certification courses to enhance the

credibility of multilevel marketing sales agents. (Journal of Research in Interactive Marketing 2011, 50-70)

Physical evidence refers to the methods used to stimulate interest and participation. They also provide tangible clues to the customers for the evaluation of the service, and will contribute to the overall “image” of the service. (Gilmore 2003, 16) As retirement plans, as are insurance and transport services, are totally intangible these need to be “tangibilized” as stated in section 2.5 multilevel marketing for services. Selling services is selling promises, which have to be “tangibilized” in order for the prospective client to see the value of the service. Tools such as images, symbols and metaphors are often used. In services it is more challenging for the client to see the value of their purchase and therefore the price can seem to high, as stated in section 2.5.2 Factor That Affect the Quality of Services. For this reason, service providers use physical evidence to show the value of the service.

Process refers to the way in which the service is delivered to the policies and procedures of the “attention to detail” in all aspects of service delivery. (Gilmore 2003, 16) As stated in section 2.5.1 The Service Package, selling services seems to be dependent on a sales representative being able to close a sale. Closing a sale is only one part of the selling process which a sale representative needs to go through. The selling process for multilevel marketing for services combines the distribution and the manufacturing of the service, as it is a consultancy service. If the process of delivery of the service is poor, the sales representative will not be able to close the sale.

6. Analysis and Findings

6.1 Analysis

In this chapter the information gathered through the interviews, analysis of the marketing and promotional material and the observations made for the study are analyzed. The objective of this chapter is to find the answers from the gathered information to this study's research questions. Starting from the analysis and observations of the marketing and promotional material of *Expertos Patrimoniales*, followed by the analysis of the two former members of multilevel marketing networks in Mexico, and concluding with the analysis of the interview with the General Director of *Expertos Patrimoniales*, Mr. Carlos Gordillo.

6.1.1 Analysis of The Marketing and Promotional Material and Observations

The table in appendix 2 is used by the sales representatives when making a personalized savings plan according to their clients' individual wants, needs and long and short-term goals. As a secondary objective, the sales representatives incorporate short-term goals, such as changing ones car every five years, into the long-term retirement plan of 15 years for example. (See Appendix 2)



Picture 5: A question: "How do you want to see yourself at the age of 65?" and there is an image of three elderly men enjoying breakfast at a restaurant. Below the picture it is written

“ Living without any economical worry and enjoying things that you could not enjoy while you were working...”



Picture 6: There are two images of two elderly people working. A man is selling ice cream in the street, and a woman is packing groceries at a supermarket. The text under this picture says “ ... or with no money, working in anything you can, or obligated to self-employment...” The complete brochure is shown in appendix 3.

In order to ease the selling process, the complexity of the product, the private retirement plan *Expertos Patrimoniales* has created tools such as predicted savings’ tables (appendix 4) for example.

RENDIMIENTOS ESPERADOS PARA PLANES REGULARES								
Todos los valores son estimados								
APORTACIÓN MENSUAL AL PLAN								
PLAZO		1,000	1,500	2,000	2,500	3,000	3,500	4,000
5	Valor futuro del fondo	80,811	121,216	161,622	202,027	242,432	282,838	323,243
	Pensión mensual a valores actuales	351	526	702	877	1,052	1,228	1,403
6	Valor futuro del fondo	103,148	154,721	206,295	257,869	309,443	361,017	412,590
	Pensión mensual a valores actuales	448	672	895	1,119	1,343	1,567	1,791
7	Valor futuro del fondo	128,132	192,198	256,264	320,330	384,397	448,463	512,529
	Pensión mensual a valores actuales	556	834	1,112	1,390	1,669	1,947	2,225
8	Valor futuro del fondo	156,078	234,118	312,157	390,196	468,235	546,275	624,314
	Pensión mensual a valores actuales	677	1,016	1,355	1,694	2,032	2,371	2,710
9	Valor futuro del fondo	187,338	281,006	374,675	468,344	562,013	655,681	749,350
	Pensión mensual a valores actuales	813	1,220	1,626	2,033	2,439	2,846	3,253

Table 2: Shows part of the predicted saving’s table used by Expertos Patrimoniales.

6.1.2 The Relationship Between The Individuals Involved in Multilevel Marketing

The relevant information on the relationships between people in multilevel marketing and their network is limited, thus the author decided to interview two former members of multilevel marketing schemes in Mexico City. One of them is a university graduate, who took part in several multilevel marketing schemes (appendix 6), who will be referred to as interviewee 1. My second interviewee is a friend's mother who had slightly different circumstances when she became involved in the distribution of Mary Kay cosmetics (appendix 7), who will be referred to as interviewee 2.

Interviewee 1 describes her experience in multilevel selling as a very significant part of her and her female friend's social life. At a time, she was married with two children under the age of 18. She lived in a nice residential area, and the family income put the family in a medium high social category in Mexico City. This profile was more or less the same among her female friends who were all stay at home mothers who depended financially on their husbands.

Interviewee 2 was driven by a strong financial need, a friend of hers who lived nearby and saw her daily financial struggle, invited her to become a part of her downline as a Mary Kay representative. She, in contrast to the first lady I interviewed, did this activity as a full-time job, and describes herself a very good sales person, but very bad to collect the money, especially when it came to close friends and family. This was in fact the main reason that drove her to look for other ways to make a living.

Both ladies agree that the good side of multilevel marketing is the almost immediate capital reward for the work. It is a relatively easy way to make fast money, not a lot of money, but it did help interviewee 2 to get back on her feet, and interviewee 1 to have a little cash for her. Another important aspect for which the interviewees said multilevel marketing is so popular among women is the flexible work schedule. This allows women to sell whenever they have time.

According to the two former multilevel marketing representatives in Mexico City, they sold mainly to their friends and their friends' friends. Most of the multilevel marketing representatives were in a similar situation, either because of the lack of liquidity, like in the case of interviewee 1, or because of the complete lack of capital, like in the case of interviewee 2. Both ladies describe their network as being very helpful, women, and sometimes men, who related to their situation and wanted to help by purchasing whatever they could.

Both interviewees did their selling through "home gatherings". However, interviewee 1 puts emphasis to the fact that these events were an important factor of her and her female friends' social lives, whereas interviewee 2, treated the matter of "home gatherings" as a business and not so much as a social event. However, interviewee 2 seemed to have had bigger financial needs than interviewee 1.

Interviewee 1 stated that she did not strategically choose people for her downline, she randomly invited everyone, and some joined and some did not, and from the ones who did join, few became very active. According to Bloch who wrote "Multilevel marketing: What's the catch?" in 1996, nine out of ten people show no interest at all and only about one in 20 will sign up. Out of that one in 20, more will drop out along the way (Bloch 1996, 21). My second interviewee mentioned that she did try to invite people in financial trouble and people she thought would be good sellers.

Poe stated in his book *Wave 3: The New Era in Network Marketing* "Often, you must push on despite the insults and discouragement of friends, relatives, and even spouses" and warns against "taking rejection personally." (Poe 1995, 30) Neither one of the interviewees mentioned having problems with this issue. However, interviewee 2 did say that one of the reasons for her to quit the activity in multilevel marketing for MaryKay, was the part of charging for the products. She would go to the clients' houses to collect the money, and she tells stories of how they hid from her for weeks and even months, trying to avoid paying for the products, and even tried to pay only a part of the price by explaining how bad their financial situation was at that time. Interviewee 1, however, did not mention having any similar problems.

6.1.3 Analysis of the Interview with the General Director of *Expertos Patrimoniales*

The General Director of *Expertos Patrimoniales*, Mr. Carlos Gordillo (appendix 8) explains that he first got the idea to implement a multilevel marketing scheme when he was involved in a multilevel marketing scheme for health products in the past. He explains that the main reasons for which he decided to implement the scheme for the distribution of private retirement plans were the low costs, the exponential growth, and the fact that with this scheme he could reach new markets, which are not being served by the big corporations of private retirement plans. One issue that G.D. Gordillo emphasizes during the interview is that he thinks that employees are very costly and very inefficient especially now that social networks, such as Facebook, are so popular.

The main objective of *Expertos Patrimoniales* is to build a long-term relationship with the customer, which he explains is one of the main reasons he chose OptiMaxx plus as a main product to distribute, as this product offers the best benefits and the lowest costs from the products available in the market. The media, he explains, has been promoting OptiMaxx plus as the best option for private retirement plans, and has also been creating awareness of the importance to save independently for one's retirement, which has helped the sales representatives of *Expertos Patrimoniales* to close sales, as much of the selling process is made for them by the media.

According to the G. D. Gordillo, the key factor of success for the implementation of a multilevel marketing scheme for the distribution of private retirement plans is to choose only one product that is simple, easy to understand and thus, easy to explain. He mentions that in his experience other firms that have tried to implement multilevel marketing have used several products that are too complex, such as endowment retirement plans, which were explained in section 2.6.2 The Pension System in Mexico. These firms, according to him, have all failed in the implementation of the multilevel marketing scheme.

The major challenge in the implementation of the scheme is finding the best working recruitment channel. Gordillo states that it is difficult to find the people with the adequate

profile for the activity. The problem, he explains, is that most people only look for a level of income with which they can live comfortably without making too much effort. Most people are looking for a regular job, and would not consider an opportunity to work independently. For this reason Gordillo is recruiting young professionals who are still genuinely motivated to work hard, and they are not likely to quit after a short period of time and are more willing to take an opportunity of working independently instead of getting a regular job.

For the future of the distribution of retirement plans, Gordillo is sure that most companies in the financial sector will try to follow his strategy of implementing multilevel company. He also mentions that as the youth becomes more aware of the importance of saving for the long-term, the future demand for private retirement plans with regular deposits, such as OptiMaxx plus will increase, and that the target market will change, from people on their thirty's to people in their twenty's

6.2 Findings

The findings of this study are analyzed in a SWOT analysis appendix 9 (part 6.4.1) based on the information gathered and analyzed for this study. The SWOT analysis explains the reasons why firms in Mexico and specifically *Expertos Patrimoniales* are interested in the implementation of multilevel marketing (MLM). Following the SWOT analysis, the marketing mix for service, or 7p's, is used for the analysis of the implementation of multilevel marketing in *Expertos Patrimoniales*.

6.2.1 Findings of the SWOT analysis

The reasons for which companies in Mexico would implement multilevel marketing in general as well as to distribute private retirement plans are explained in this section. These findings are based on a SWOT analysis found in Appendix 10. The analysis was made using the three interviews done for this study.

According to the interview with G.D. Gordillo, the most important factor for the implementation of multilevel marketing is the diversification of clients and the fact that this

method of distribution can reach new un-served markets. The target market of *Expertos Patrimoniales* are people in their thirties who pay taxes, earn a minimum of 15 000 MXN (831.02 EUR) a month and own a debit or credit card, as described in section 3 *Expertos Patrimoniales*. These people have an AFORE, but are will not get any other pension from the government, as stated in section 2.6.3 AFORES, as it is assumed that people in their thirty's started to be economically active between the ages of 22 and 25. Since 2003(El Universal, 2007), the pension provided by IMS is only for those who have been economically active before 1997, the target market of *Expertos Patrimoniales* does not have the right to get the IMS pension. Thus, the target market of *Expertos Patrimoniales* has a need for private retirement plans.

Other companies that offer private retirement plans offer endowment plans, which are defined in section 2.6 The Pension System in Mexico, are savings plans that include a life insurance policy that makes these products more expensive for the clients than OptiMaxx plus, the private retirement plan distributed by *Expertos Patrimoniales*. The comparison of the prices of OptiMaxx plus and an endowment plan by Skandia can be found in Appendix 11, 12 and 13, and it is described in section 3.1 OptiMaxx plus.

Another important aspect of multilevel marketing is thst it cuts costs. As mentioned in section 2.4.3 Multilevel Marketing for Services in Mexico, costs are cut because sales representatives assume promotional activities, distribution or selling and administrative activities. In addition the company does not assume any financial losses from failing sales representatives, some make a profit, mainly from the initial investment that is required from them by some multilevel marketing companies. Multilevel marketing networks have the potential to grow exponentially, as sales representatives recruit their own sales force and build their downline, process which is followed by all sales representatives. This factor increases sales, and thus increases profit.

The two interviewees, former sales representatives of multilevel marketing networks in Mexico, explain that "home gatherings", which is a selling strategy explained in section 1.2 The History of Multilevel Marketing, are a big part of the social life in Mexico. They also

describe the need for women in Mexico to earn some money, and how multilevel marketing fits their lifestyles as stay at home moms.

There is a need for private retirement plans in Mexico. As public retirement plans are cut, and replaced for AFOREs, Mexicans need to save in private retirement plans in order to enjoy from a “decent pension” as it is described in sections 2.6 The Pension System in Mexico and 2.6.3 AFOREs . According to G.D. Gordillo people are unaware of the fact that an AFORE only provide a minimum amount of money during their retirement years, 20% of their last salary. This issue is the biggest challenge for the distribution of private retirement plans. Furthermore, as described in section 2.6.1 Retirement Culture in Mexico, Mexico has a high uncertainty avoidance Hofstede’s dimension, which means that Mexicans are among other characteristics, they are resistant to change. This factor adds to the challenge of making Mexican clients to become aware of their need for a private retirement plan.

The requirements of private retirement plans, such as the minimum deposit and the requirements of a debit or credit card limits the market for *Expertos Patrimoniales*. As mentioned in section 3.1 OptiMaxx plus, there are about 47 million debit and credit cards in use in Mexico and there are 112 million habitants. People with a non-stable income, such as entrepreneurs would take a high risk saving in a plan like OptiMaxx plus, which requires regular deposits, which cannot be missed the first 18 months of the plan, otherwise, the plan will be canceled and the client would lose the savings in it. Based on the sales representative’s observations (see appendix 9) a client can choose to make “early deposits” to the plan. For example, in a plan to 10 years with monthly deposits of 1 000 MXN (55.41 EUR), if the client deposits 10 000 MXN, then the client would have paid 10 months of deposits in advance. The benefit of this possibility is that the interests will be earned on 10 000 MXN (554.22 EUR) instead of 1 000 MXN. This however, requires a person who is willing to take risks, and as mentioned in section 2.6.1 Retirement Culture in Mexico, Mexicans have a high degree of uncertainty avoidance, and therefore avoid risk taking.

6.2.2 The Implementation of Multilevel Marketing

In order to analyze the implementation process, the **7p's** of the marketing mix for services are used.

Product: The product in the case of *Expertos Patrimoniales* is divided into two parts, which are the following:

The first part is the private retirement plan, a product called OptiMaxx plus, which is described in detail in section 3.1 OptiMaxx plus. This plan was created and is managed by another company called Allianz Mexico. This product was chosen by G.D. Gordillo because according to him, OptiMaxx plus is the best product in the market for retirement saving, because a long-term saving needs to be structured, disciplined and with maximum efficiency. By structure, G.D. Gordillo means that it needs to be planned according to the individual's needs and wants. A client can choose to include additional saving goals to his or her long-term retirement plan such as the change of a car every five years, or the college education of the clients children. A disciplined saving plan requires regular deposits from the client, who will in time get accustomed with the practice of saving money for the future. Maximum efficiency, according to www.expertospatrimoniales.com can be obtained by taking full advantage of tax benefits. The three components that *Expertos Patrimoniales* considers to make a good long-term savings plan are available with OptiMaxx plus.

The second part is the service offered by *Expertos Patrimoniales*. It is a consulting service for individuals and a personalized creation of a retirement plan that fits each client's different needs and wants. The main goal of this consultancy service is to initiate a long-term relationship with the client, which is the main reason for which G.D. Gordillo described he chose a product that would meet the clients' demands.

As mentioned in section 2.5.2 Factors That Affect the Quality of Services, who is presenting the service, will have a significant effect on the product's tangible image

for the customers. The sales representative becomes part of the product. G.D. Gordillo stated during his interview that as means to control the good image of *Expertos Patrimoniales*, the sales representatives are required to have a certain level of education, at least a high school diploma is required or experience in sales. Furthermore, the firm provides necessary training for new recruits. However, control over the quality of service and image of the sales representatives is a responsibility of the leaders of each downline of the network.

Pricing: In the case of *Expertos Patrimoniales* the cost for the consulting service provided is paid in commissions by another company, the broker, which in this case is Allianz Mexico who manage the savings of the clients, and are the creators of OptiMaxx plus. There are some administrative costs that will be taken out of the interest rates of the clients' savings, which are explained in detail in section 3.1 OptiMaxx plus. This product was chosen by GD Gordillo because of its lower costs for the client compared to similar products in the market. Appendix 11, 12 and 13 shows a comparison between Skandia's similar product Visión. The main difference in the pricing is that because OptiMaxx plus does not include a life insurance policy, it is cheaper than the other comparable products in the market, which are all endowment plans that include a life insurance policy, and therefore the earnings with OptiMaxx plus will be higher.

Place or distribution: In the case of *Expertos Patrimoniales*, the distribution is done through the multilevel marketing network, relying heavily on people's ability to sell. The key element is to build a long-term relationship with the clients. It was mentioned in section introduction of the 7' ps that the issue of accessibility is an important factor. Due to the nature of the network, which is built from the individual's own social network, there should be no problem concerning accessibility. Accessibility is one of the key reasons for the use of multilevel marketing, as the use of this scheme will target to the masses that are not being targeted by the big corporations.

Promotional Strategies: The promotional strategy is for the maximizing of the word-of-mouth within one's social network, and the networks of the people in once network.

As stated in section 2.5.2 Factors that Affect the Quality of Services, people will consult with current users about the value of the service before making a purchasing decision (Levitt 1981, 96). Sales representatives belong to certain social networks, in which they have existent relationships with the other people within the networks. Multilevel marketing uses that relationship to distribute products or services. Multilevel marketing companies require that the sales representatives use the product or service actively in order to become a sales representative, so that they can provide their personal experience on the product and service to their potential clients. Consulting from current users who people have an existent relationship with is a factor that influences sales, especially in cultures with high uncertainty avoidance level, as it is the case of Mexico, as stated in section 2.6.1 Retirement Culture in Mexico.

G.D. Gordillo described during his interview that the increasingly high media coverage of the pension issues and OptiMaxx plus as a good alternative for people to save independently has provided positive promotion for the product that is being distributed by *Expertos Patrimoniales*, as the media is doing most of the selling process for them, which is the creation of awareness for the need to save independently for one's retirement.

People: In the case of *Expertos Patrimoniales* the main people doing business will be the sales representatives. One of the factors that makes *Expertos Patrimoniales* appealing for people to get involved in its distribution network are that sales representatives do not need to make an initial investment in *Expertos Patrimoniales* in order to become part of the network. The motivation that would come from that initial investment to work hard in order to recuperate that money is missing in *Expertos Patrimoniales*. Instead, sales representatives are expected to get motivation from the job itself, and their leaders are expected to train them and assist them in order for the sales representatives to be able to close deals and consequently, start

making money until they are ready to start their own network. *Expertos Patrimoniales* requires every new representative to close a minimum of five deals, private retirement plans, before starting the network. The objective of this is to ensure that the new sales representatives fully understand the business and the product, so that they can pass that knowledge and experience to their own network of representatives.

As mentioned in section 5.1 Relationship Marketing, relationship marketing is used to promote long-term relationships between the firm and the clients. In the case of multilevel marketing, the relationship is between the client and the sales representative, who have an existing relationship before the transaction. According to the interviews done to the two former multilevel marketing sales representatives in Mexico (Appendix 6 and 7), the relationship between the clients, new recruits, sales representatives and leaders of a downline is close. They were all friends, friends-of- friends or extended family members. They also mention that because the financial situation is challenging for all the parties involved, they are all willing to help each other by either making purchases, asking people to join the network, and by organizing “home gatherings” for someone else to distribute and promote a service or product and inviting people from their own social and personal networks.

Physical Evidence: *Expertos Patrimoniales* has a web site, brochures with images seen in section 6.1.1 Analysis of The Marketing and Promotional Material and Observations in which are clearly contrasted the situation of having a retirement plan and not having one,

The aim of these images, according to G.D. Gordillo is to create awareness of the importance of saving for one’s retirement. *Expertos Patrimoniales* uses the following phrase “*Construyendo Finales Felices*” which means, “*building happy endings*” in all of its promotional material. The phrase emphasizes the aim of service provided by the firm, which is to create a retirement savings plan for individuals so that these can enjoy a retirement free of financial worries, as stated by G.D. Gordillo. The web site www.expertospatrimoniales.com , defines what a good savings plan requires

defining every important factor that affect savings, such as the definition of inflation, and how it affects their savings. The web site's aim is to provide written information about retirement, AFOREs and the service provided by *Expertos Patrimoniales*.

Process: According to the G.D. Gordillo the selling process is the key aspect of the implementation process of multilevel marketing. For this reason the firm has invested time and resources into making the process as simple and easy as possible. Decreasing the complexity of the product is one of the strategies used by EP, by using tools such as predicted savings' tables (appendix 5).

However, the idea of implementing multilevel marketing for the distribution of private retirement plans is that most of the clients and/or potential clients will not know enough of financial markets and investments to ask questions that the sales representative will not know the answer to. Furthermore, due to the client's and sales representative is close relationship, the wish to help and to be polite will be stronger than the feeling of doubt and hesitation. Furthermore, as the private retirement plan is a product of Allianz, *Expertos Patrimoniales* does not need to take care of administrative activities after the deal is sealed, such as the administration of the capital.

The findings of this study were that the main reasons for the implementation of multilevel marketing are the low costs, and thus higher profits, and the exponential growth together with the opportunity to reach new unserved markets in Mexico City. Furthermore, multilevel marketing combines two important aspects in one strategy, which are promotion, by using word-of-mouth and the distribution, by using personal networks. The key aspect of the implementation of multilevel marketing is the selling process, which means that the sales representatives need to have good selling capabilities. According to the G.D. Gordillo, good selling skills can sell anything, from simple products such as Tupperware to more complex services such as private retirement plans.

In order to make the selling process easier for the sales representatives of *Expertos Patrimoniales*, the firm has created tools, found in appendices 2, 3 and 4. The table found in appendix 2 has two aims, one is to make the selling process easier for the sales representative to show the prospective client clearly some of the important numbers and to be able to calculate the monthly deposit required to get to the objective retirement amount. The second aim is for the prospective client to see and understand where the numbers come from. The table of predicted savings found in appendix 4, is used to make the selling process easier because the use of this table does not require the sales representative to make any difficult calculations. Appendix 3 shows a selling process script, which allows the sales representative to practice his or her sales pitch, and to remember the important factors that need to be mentioned to the prospective client.

7. Conclusions and Recommendations

The objective of this study is to research the implementation of multilevel marketing for the distribution of private retirement plans in Mexico through a Mexican consulting firm *Expertos Patrimoniales*. The focus of this study is on understanding the reasons why Mexican firms of the financial sector are interested in the implementation of multilevel marketing, as well as on understanding the implementation process.

Multilevel marketing is a scheme that is increasingly being implemented for the distribution of services, including financial services. Insurance companies worldwide are implementing this scheme. Traditionally, the financial sector has used single-level marketing, but it seems to be shifting to multilevel marketing, opening the opportunity for their sales representatives to recruit their own sales network.

Expertos Patrimoniales is a consulting firm that distributes private retirement plans using multilevel marketing. Their service consists in providing consultancy services to people to help them make a savings plan for their retirement. As a short-term goal, the firm will focus on the implementation of multilevel marketing. Their vision is to become the number one firm in the private retirement plan industry in Mexico.

The findings of this study are that the main reasons for the implementation of multilevel marketing are firstly and foremost, low costs and thus higher profits. As stated in part 2.4.3 Multilevel Marketing for Services in Mexico, multilevel marketing cuts administrative costs, because all the administrative work is done by the sales representatives. It also cuts promotional costs, because multilevel marketing uses word-of-mouth promotion through its sales representatives, and finally distribution costs, as the product or service is distributed by the same sales representatives.

Furthermore, according to the General Director of *Expertos Patrimoniales* Mr. Carlos Gordillo regular employees generate high costs, and are very inefficient. The solution to these issues is multilevel marketing in which the sales representatives earn commissions for each sale and each sale made by members of their network.

The second most important reason for the implementation of multilevel marketing is the potential for exponential growth, and through that high sales and high profits. The potential for sales representatives to build their own network of sales representatives consequently makes a multilevel marketing scheme grow exponentially. The key aspect here is recruitment of new sales representatives. This is an aspect of the multilevel marketing that has created problems to the firms implementing the scheme, as some of them have been accused of being illegal pyramids. Firms involved in multilevel marketing have therefore, included certain rules that will avoid illegal pyramid practices within their own multilevel marketing networks. *Expertos Patrimoniales* does not charge any initial fees, which is one of the factors that have associated other multilevel marketing firms with illegal pyramids.

The third most important reason for the implementation of multilevel marketing is the opportunity to reach new unserved markets in Mexico City. As Constantini suggested in part 4.1, there needs to be a relationship between the seller and the buyer of insurance, or in the case of *Expertos Patrimoniales* a private retirement plan. Moreover, this relationship in most cases already exists between them because sellers seek potential customers among their social networks, meaning, friends, family and friends of friends. The use of social networks increases the chance to reach people who do not have a private retirement plan

for various reasons, including the lack of perceived need for one, or the idea that private retirement plans are too expensive.

The public retirement system in Mexico is going through modifications, in which the objective is to transfer all Mexicans from the existing public pension plans to a single individual retirement account called AFORE. These modifications will consequently provide a significantly lower retirement pension for the people who will retire with the new system, the AFORE. This issue increases the importance of private retirement plans in Mexico.

The implementation process includes several aspects. The first aspect is the product being distributed, which is private retirement plans. One of the main reasons for which G.D. Gordillo chose private retirement plans for the business is the increasing demand. The other reason is that a private retirement plan is a simple product, according to G.D. Gordillo. A simple product for the distribution is a key component for the successful implementation of multilevel marketing.

Multilevel marketing is about selling, reason for which sales representatives need to have good selling capabilities. According to G.D. Gordillo success for sales representative is not related to the knowledge they have on pension funds or investments, but to their selling skills. A successful sale requires good understanding of the client's needs, their funds, their decision making process among other factors. An existing relationship with the prospective clients will be advantageous for a successful sale, because the knowledge on important factors listed above is already known to the sales representative.

However, because the service offered by *Expertos Patrimoniales* is intangible, sales representatives have a challenging task trying to show their potential customers the benefits of the service they are providing. For this the firm has created promotional material which will help the sales representatives explain the benefits of the service they are providing to their potential customers. This is important because customers do not notice good service, they only notice bad service.

In conclusion, the implementation process by *Expertos Patrimoniales* is to firstly, have an easy and simple product for distribution, and in the case of a service, sales representatives require tools to explain the benefits of the service to their potential customers. *Expertos Patrimoniales* uses mostly a brochure with contracting images, which can be found in appendix 2. The third factor is the selling process, which requires skillful sales representatives, for whom the firm has created other tools to ease the selling process. *Expertos Patrimoniales* tries to avoid complex aspects of the selling process of private retirement plans by providing tools. An example of a tool is shown in appendix 3.

7.1 Reliability of The Study

Expertos Patrimoniales is used as a case study for this study in order to find in depth answers for the reasons for the interest of the implementation of multilevel marketing, as well as for the further understanding of its implementation process. However, this is a specific case that can be used to generalize the situation in the financial sector of Mexico City, but with limitations. Every firm is different and has unique factors that differentiate them from other firms in the same sector.

This study is an in-depth research on one firm. The study was done mainly through three interviews. There may be concerns of reliability should the interviewees be subject to bias. Interviewees may be saying what they think their bosses would want them to say. This could be a problem in organizations with authoritarian management style or when the threat of unemployment insecurity exists. (Robson 1993, 101)

This is the case in Mexico, however, as *Expertos Patrimoniales* is using a multilevel marketing scheme, the sales representatives are not employees of the firm, and their employment is not at risk, as they work under commission for what they sell. However, even though these are the facts, people in Mexico accustomed to employment insecurity, might not take these facts into consideration, which might have an effect on the interviews done to the leader of one of the schemes.

There is also the possibility of the interviewee's bias, which would be externalized in comments, tone or non-verbal behavior, in which case the interviewer would want to get the answers he or she is looking for and attempting to improve his or her own beliefs on the matter. (Robson 1993, 250)

7.2 Recommendations

The recommendations are based on the findings of this study. These recommendations aim at improving the implementation process of multilevel marketing for *Expertos Patrimoniales*.

The findings of this study suggest that the key aspect for the successful implementation of multilevel marketing is the people that form the network. Thus, the first recommendation is to further study the people involved in multilevel marketing, the sales representatives, the customers, the leaders of a network and their relationships. This will help create a profile of individuals who would have the necessary skills and capabilities to be successful in the multilevel marketing activities of *Expertos Patrimoniales*, and in finding the recruitment channels to find these individuals.

The firm requires recruitment efforts to get the top leaders of the multilevel marketing network, therefore, this recruitment need will be called initial recruitment. *Expertos Patrimoniales* is targeting young professionals for its initial recruitment. However, this target is too narrow, and it does not consider the necessary skills and capabilities that the target market for recruitment needs to have to increase their success rate in the multilevel marketing network of EP. For this reason the recruitment efforts of the firm are targeting a market that is too large and too diverse to target and thus the initial recruitment efforts have failed.

In addition, following the creation of a profile for the target market for initial recruitment efforts, a strategy for their recruitment should be developed. This strategy should include

channels of recruitment. This would decrease the number of drop outs, and significantly increase the probability of success.

The second recommendation is that if the key for success for a sales representative is to have good selling skills, then it should be important to create a strategy for the training of excellent sellers out of any persons interested in joining the scheme, a way in which the leaders could pass their knowledge, experience and skills to their recruits. This factor will be important as the network of *Expertos Patrimoniales* begins to grow, as target recruitment will not necessarily be part of each sales representative's recruitment strategy.

Expertos Patrimoniales has made efforts to choose a simple and easy product to handle, a private retirement plan, as well as to ease the selling process with tools, such as the table of predicted savings in appendix 3. However, the firm has not developed an initial recruitment strategy as yet.

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Appendix 1

Study made by Ernst & Young of Independent direct sellers in Mexico in 2009

Profile of the individuals who are active in direct selling in Mexico	Category	%
Gender	Women	80
	Men	10
	Couples	10
Age	18 -34	23
	35 – 49	47
	50 – 65	26
	>65	4
Civil Status	Single, never been married	11
	Married, living with someone	77
	divorced/widow	12
Number of people who economically depend on the direct selling participant	2 or less	21
	Three	19
	Four	30
	Five	17
	Six or more	13
Living area	Urban	78
	Suburban	11
	Rural	11
Education level	Primary school	31
	Junior High school	28
	High school	26
	University	14
	Masters o PHD	1

Promote products or services of 2 or more different firms	40%-50%
Socioeconomic level	90% Class C-/D
Buy the products or services for their own consumption	25%

http://www.amvd.org.mx/amvd_ventadirecta_numeros.php; 2.03.2011

Appendix 2

Table to make a personalized savings plan for a prospective client used by sales representatives of *Expertos Patrimoniales*.



Nombre:	<u>A</u>	<u>B</u>	<u>C</u>
Edad de retiro			
Edad actual			
Años faltantes			
Ingreso mensual excedente			
Pensión deseada por mes al día de hoy			
Menos Afore (15% del sueldo actual)			
Pensión neta deseada por mes al día de hoy			
Ahorro requerido por mes a partir de hoy			

Brochure of *Expertos Patrimoniales* used to promote their consulting service



Table of predicted savings used by the sales representatives of *Expertos Patrimoniales*

RENDIMIENTOS ESPERADOS PARA PLANES REGULARES										
Todos los valores son estimados										
APORTACIÓN MENSUAL AL PLAN										
PLAZO		1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000
5	Valor futuro del fondo	80,811	121,216	161,622	202,027	242,432	282,838	323,243	363,649	404,054
	Pensión mensual a valores actuales	351	526	702	877	1,052	1,228	1,403	1,578	1,754
6	Valor futuro del fondo	103,148	154,721	206,295	257,869	309,443	361,017	412,590	464,164	515,738
	Pensión mensual a valores actuales	448	672	895	1,119	1,343	1,567	1,791	2,015	2,239
7	Valor futuro del fondo	128,132	192,198	256,264	320,330	384,397	448,463	512,529	576,595	640,661
	Pensión mensual a valores actuales	556	834	1,112	1,390	1,669	1,947	2,225	2,503	2,781
8	Valor futuro del fondo	156,078	234,118	312,157	390,196	468,235	546,275	624,314	702,353	780,392
	Pensión mensual a valores actuales	677	1,016	1,355	1,694	2,032	2,371	2,710	3,049	3,387
9	Valor futuro del fondo	187,338	281,006	374,675	468,344	562,013	655,681	749,350	843,019	936,688
	Pensión mensual a valores actuales	813	1,220	1,626	2,033	2,439	2,846	3,253	3,659	4,066
10	Valor futuro del fondo	222,302	333,453	444,604	555,755	666,906	778,057	889,209	1,000,360	1,111,511
	Pensión mensual a valores actuales	965	1,447	1,930	2,412	2,895	3,377	3,860	4,342	4,825
11	Valor futuro del fondo	261,411	392,117	522,823	653,529	784,234	914,940	1,045,646	1,176,352	1,307,057
	Pensión mensual a valores actuales	1,102	1,652	2,203	2,754	3,305	3,856	4,407	4,957	5,508
12	Valor futuro del fondo	305,157	457,735	610,314	762,892	915,471	1,068,049	1,220,627	1,373,206	1,525,784
	Pensión mensual a valores actuales	1,248	1,873	2,497	3,121	3,745	4,370	4,994	5,618	6,242
13	Valor futuro del fondo	354,088	531,132	708,176	885,220	1,062,264	1,239,308	1,416,352	1,593,395	1,770,439
	Pensión mensual a valores actuales	1,407	2,110	2,813	3,516	4,220	4,923	5,626	6,329	7,033
14	Valor futuro del fondo	408,819	613,229	817,639	1,022,048	1,226,458	1,430,867	1,635,277	1,839,687	2,044,096
	Pensión mensual a valores actuales	1,577	2,365	3,153	3,942	4,730	5,518	6,306	7,095	7,883
15	Valor futuro del fondo	470,039	705,058	940,077	1,175,096	1,410,116	1,645,135	1,880,154	2,115,174	2,350,193
	Pensión mensual a valores actuales	1,760	2,640	3,520	4,400	5,280	6,160	7,040	7,919	8,799
16	Valor futuro del fondo	538,515	807,772	1,077,030	1,346,287	1,615,545	1,884,802	2,154,060	2,423,317	2,692,575
	Pensión mensual a valores actuales	1,958	2,936	3,915	4,894	5,873	6,852	7,830	8,809	9,788
17	Valor futuro del fondo	615,109	922,663	1,230,217	1,537,771	1,845,326	2,152,880	2,460,434	2,767,989	3,075,543
	Pensión mensual a valores actuales	2,171	3,256	4,342	5,427	6,513	7,598	8,684	9,769	10,855
18	Valor futuro del fondo	700,782	1,051,173	1,401,563	1,751,954	2,102,345	2,452,736	2,803,127	3,153,518	3,503,908
	Pensión mensual a valores actuales	2,401	3,602	4,803	6,003	7,204	8,404	9,605	10,806	12,006
19	Valor futuro del fondo	796,611	1,194,916	1,593,221	1,991,527	2,389,832	2,788,137	3,186,442	3,584,748	3,983,053
	Pensión mensual a valores actuales	2,650	3,975	5,300	6,625	7,950	9,275	10,600	11,925	13,250
20	Valor futuro del fondo	903,799	1,355,699	1,807,598	2,259,498	2,711,398	3,163,297	3,615,197	4,067,097	4,518,996
	Pensión mensual a valores actuales	2,919	4,379	5,838	7,298	8,757	10,217	11,676	13,136	14,595
21	Valor futuro del fondo	1,023,694	1,535,541	2,047,388	2,559,235	3,071,082	3,582,930	4,094,777	4,606,624	5,118,471
	Pensión mensual a valores actuales	3,210	4,815	6,420	8,025	9,630	11,235	12,840	14,445	16,050
22	Valor futuro del fondo	1,157,802	1,736,702	2,315,603	2,894,504	3,473,405	4,052,306	4,631,206	5,210,107	5,789,008
	Pensión mensual a valores actuales	3,525	5,287	7,050	8,812	10,574	12,337	14,099	15,862	17,624
23	Valor futuro del fondo	1,307,806	1,961,709	2,615,613	3,269,516	3,923,419	4,577,322	5,231,225	5,885,128	6,539,031
	Pensión mensual a valores actuales	3,865	5,798	7,731	9,664	11,596	13,529	15,462	17,395	19,327
24	Valor futuro del fondo	1,475,593	2,213,389	2,951,185	3,688,982	4,426,778	5,164,574	5,902,371	6,640,167	7,377,964
	Pensión mensual a valores actuales	4,234	6,352	8,469	10,586	12,703	14,820	16,937	19,055	21,172
25	Valor futuro del fondo	1,663,269	2,494,903	3,326,538	4,158,172	4,989,806	5,821,441	6,653,075	7,484,710	8,316,344
	Pensión mensual a valores actuales	4,634	6,951	9,268	11,585	13,902	16,219	18,535	20,852	23,169

The Selling Process of *Expertos Patrimoniales*

Presentación del asesor y de la compañía

- Nos presentamos con el cliente de la manera respetuosa pero tratando de no caer en demasiado formalidad
- Se dedicarán los 5 ó 10 minutos iniciales a relajar el ambiente ó romper el hielo.
- Somos una compañía líder en el campo de la Asesoría Patrimonial y estamos regulados por las Autoridades mexicanas.
- Somos un despacho de asesoría independiente.
- No recibimos ni manejamos dinero alguno de nuestros clientes.
- SOMOS TU ASESOR PATRIMONIAL

Qué Hacemos:

Asesoramos a nuestros clientes y les diseñamos planes de ahorro e inversión para poder ver cumplidos sus objetivos y sueños.
Con un plan bien estructurado vas a lograr una horro disciplinado y eficiente tanto desde el punto de vista fiscal como financiero.

En especial diseñamos planes de retiro

En este momento preguntamos al cliente: ¿**Tienes ya un plan de retiro?**
En la mayoría de los casos, el cliente va a responder **NO**

Hacemos énfasis en eso preguntando: De qué piensas vivir cuándo te retires?
No crees que es importante?

¡En eso es en lo que te podemos ayudar !

Vamos a hacer un ejercicio sobre tu retiro

En ese momento se saca la hoja y se le hace el estudio.

Una vez que se ha interesado al cliente y se le ha hecho la proyección.

Se explica el producto OPTIMAXX PLUS.

- Que es el producto de vanguardia en este momento.
- Ofrece beneficios fiscales (que le permitirán un ahorro eficiente por el lado fiscal)
- La aportación es en pesos pero la inversión se hace en MX\$, US\$ o EUR y se invierte en fondos internacionales (que te permitirán un ahorro eficiente por el lado financiero)

Se explica el cuadro con los detalles del OPTIMAXX PLUS

El retiro es quizás tu objetivo a más largo plazo pero en el inter también puedes conseguir otros... Nos apoyemos con preguntas como:

- No te gustaría cambiar tu coche?
- No te gustaría poder dar el enganche de una casa ó de un departamento?
- No te gustaría poder hacer el viaje de tus sueños?
- Qué tal una casa en la playa... con un yate?
- etc, etc.

Explicar quién es Allianz y dar detalles sobre su solidez y tamaño.

Una vez que se ha explicado el producto y se tiene ya una idea clara de lo que quiere el cliente.

Se saca la solicitud y se empieza a llenar.

Interview of a former sales representative of multilevel marketing networks in Mexico City.
(Interviewee 1)

Hi Ulla, if I understand correctly, while you lived in Mexico you took part in what is multilevel marketing. So I would like to ask you some questions about it.

What kind of products did you sell through multilevel marketing?

- Amway detergent
- Christmas decorations
- A range variety of natural health products
- Mary Kay cosmetics

How did you sell the products?

- At home gatherings. I would invite friends, and tell them to invite their friends for breakfast in my home. Usually there would be between 12 and 15 ladies. It was a very important part of our social life, as we were all stay-at-home moms, economically dependent on our husbands. This was an easy and fun way of making some money for ourselves.

Did you sell your products any other way?

- Well, after the home gatherings I would usually get clients that would order the same products month after month. So they would call me, make their order and I would take the product to their homes.

How did you get involved in selling these products?

- A friend usually invited me at one of the home gatherings. We had in average one of these events every 3 weeks. I only got involved in selling the products that I personally liked and believed in.

Could you tell me more about the kind of products you purchased at these home-gatherings?

- Yes, I bought natural health products for my kids, Tosibron was the name of the cough syrup I used to buy and sell the most. It was very popular. I also bought Christmas decorations, which I actually didn't quite like, but I did buy a couple every year to support the lady who sold them. I also bought a lot of Tupperware baby products for my kids, an Amway environmentally friendly detergent, which was the only environmentally friendly detergent you could get in Mexico in those days. I also bought some Mary Kay cosmetics. I wasn't a big fan of Mary Kay, but the lady who sold them was a very good friend of mine, and I wanted to help her out when I was able to. I also made a rather foolish purchase once, from which I heard from my husband for years. It was a dancing bear. It was about 30 cm tall and it would dance and sing.

Did you get some kind of training to be able to sell the products you sold?

- No, I didn't. But because the one who asked me to join was usually a very close friend, I could just call her or even go to her house and ask questions that may have arisen.

How did the clients react to the fact that you didn't always have the answer to their questions?

- Well, they were usually people I knew quite well, and as we were all in the same situation, trying to sell products to each other to make some money for ourselves, we were very supportive with each other. These situations were not unusual.

Would you have bought the products that you bought from a stranger?

- Probably not. At least not the products I bought mostly to help out my friends, like the dancing bear, and the Christmas decorations I didn't really like.

Would you have gone to the shop to buy any of these products?

- I don't think I would have known about the existence of most of these products. I am very glad I got to know about the natural health products.

Interview of a former sales representative of Mary Kay in Mexico City.

- ¿Usted vendía Mary Kay tiempo completo o adicional a otro trabajo?
Tiempo completo

- ¿Cómo se involucró en la venta de Mary Kay?
Una amiga me invito, mi vecina.

- ¿A quiénes le vendía?
A todos los que podía hombres y mujeres

- ¿Cómo hacia sus ventas normalmente?
Reuniones en casa y a todas las personas que conocía las invitaba a que lo conocieran.

- Mencione algo positivo y algo negativo de su experiencia con MaryKay
Que tenías y veías tus ganancias inmediatamente, si no tenías para comer hoy hablas por teléfono a una amiga y le ofrecías el producto ganabas, tenías dinero inmediato. Me salí porque en ese momento no tenía coche y era muy pesado cargar tu equipo, y lo principal no sabia cobrar, sabia vender pero no cobrar.

- ¿Cuál fue la razón principal por la cual se salió de MaryKay?
Puse otro negocio propio local.

- ¿Cuál fue su situación económica al momento de involucrarse con MaryKay?
Muy malo, en ese momento no tenía trabajo.

- ¿Llego a construir su propia red? y ¿Cuál era su relación con las personas en su red?
Primero tenias que tener 10 personas 20 esas 20 metían luego 30 y ahí me quede, si hubiera estado emocionalmente mejor me habría ido extraordinariamente, pero no lo visualice y no llegue a dónde hubiera querido. Si, muy bien éramos muy optimistas.

- ¿Cómo escogía a quién invitar a ser parte de su red?

En la reunión le preguntaba cómo estas económicamente, sabes que puedes tener tu propio dinero sin que nadie te ponga horario y trabajar y poner tu propio horario le hablas de la comisión que se puede ganar, si alguna te preguntaba. En las reuniones que tenía en las casa al finalizar les comentaba que cualquiera podía tener su propio negocio ganar lo que ellas quisieran ganar, a mis amigas también les comentaba lo mismo cualquier persona que conocieras le platicaba que es lo que hacía, cualquier negocio de red es magnífico y las comisiones que te ofrezcan es el gancho tienes que ver el dinero casi inmediato para motivar a la gente que participe, por eso Mary Kay es Mary Kay.

Interview questions for the General Direct and Founder of *Expertos Patrimoniales*

1. Me podría explicar brevemente su negocio, que es lo que hacen, sus objetivos a corto y largo plazo.

EP. Nuestro negocio consiste básicamente en asesorar a las personas para que realicen sus planes a largo plazo, enfocándonos principalmente en su retiro. Nuestro objetivo en el corto plazo es la consolidación de nuestro modelo de negocio ya que nos encontramos aún en la etapa de arranque haciendo ajustes y adecuaciones a dicho modelo. En largo plazo, nuestro objetivo es convertirnos en el despacho número uno en el negocio de planes de retiro.

2. Me podría explicar brevemente el servicio y el producto que ofrece su compañía.

EP. Nuestro servicio como lo mencioné antes, consiste en asesorar a nuestros clientes sobre cómo realizar sus objetivos a largo plazo, en particular sobre cómo alcanzar la meta de un retiro digno y con libertad financiera, esto a través del ahorro el cual desde nuestro punto de vista debe ser estructurado, disciplinado y eficiente para hacer más fácil alcanzar esa meta que se quiere. Para ello, desde hace algunos años, nos dimos a la tarea de buscar en el mercado el producto más adecuado para nuestro modelo de negocios y el que consideramos indicado es un plan de ahorro regular con beneficios fiscales llamado OPTIMAXX PLUS y lo ofrece la compañía Allianz México

3. Me podría platicar un poco de usted, de su carrera y de su decisión de emprender su propia compañía.

EP. Pues realice estudios Universitarios en Administración de Negocios e inmediatamente me especialice en Finanzas que siempre fue mi pasión. Trabajé durante 22 años en empresas tanto Mexicanas como grandes Multinacionales, siempre en el área de finanzas llegando a ocupar la posición de CFO en las tres últimas empresas multinacionales para las que trabajé.

Aunque parezca increíble, a esos niveles en las grandes organizaciones, la política de obstaculizar iniciativas de los otros funcionarios y las intrigas son algo con lo que tienes que lidiar todos los días. Me di cuenta que en un puesto de ese nivel, te la pasas la mayor parte del tiempo “cuidándote las espaldas” hasta de tus propios colaboradores, cosa que encontré bastante frustrante.

Fue entonces que decidí explotar mi experiencia en el campo Financiero y me convertí en Consultor, actividad que realice durante algunos años. Posteriormente, empecé a

promover planes de retiro del Reino Unido en México y fue entonces que vi en toda su magnitud el gran retraso de México en esa materia y la gran oportunidad que eso representa.

4 ¿Cuál fue su criterio para escoger este producto entre todos los productos que existen en el mercado?

EP. Se trata de un producto que aunque lo maneja una Compañía de Seguros, es todo de inversión y el seguro de vida es opcional. No obstante esto, utiliza la figura de un seguro de vida para el producto, con lo que se obtienen los beneficios que la Ley Mexicana otorga para dichos seguros.

Desgraciadamente en México no existe una cultura de seguro y por otro lado, los planes de seguro de vida así como los agentes que los venden no están muy bien posicionados en el gusto de la gente por lo que vender un seguro de vida es muy difícil en México. Los seguros de vida han sido un tanto satanizados y abundan las historias de mal servicio y de no pago en caso de siniestro.

Adicionalmente, para nuestro modelo de negocio, necesitábamos un producto simple, sin complicaciones y con beneficios fiscales y financieros.

3. Podría explicar brevemente la razón por la cual escogio planes de retiro para el negocio

EP. La Seguridad Social en México está muy retrasada, son muy pocas las personas que cuentan con un plan de retiro que les asegure un retiro digno. La gran mayoría de las personas que trabajan en el mercado formal cuentan con el sistema llamado AFORE el cual proporcionará una pensión equivalente a sólo el 20% de su último sueldo!!! La pregunta es, si una persona que se retira por ejemplo, con un sueldo mensual de 10mil pesos podrá ajustarse de la noche a la mañana a vivir con sólo 2mil pesos!!! IMPOSIBLE, estaría entrando a una economía personal de supervivencia!!! Cuando el retiro debe verse como la etapa de la vida en que deberíamos estar mejor!!!

Así mismo, en nuestro país, prácticamente la mitad de la población esta empleada en la economía informal. Esto es, no cuentan con seguridad social alguna!!! Estas personas generan el 50% de la actividad económica en México y para su retiro requerirán por fuerza de un plan personal de retiro o resignarse a trabajar hasta la incapacidad física o a depender de familiares que se apiaden de ellos o de plano pedir limosna!!! Y desgraciadamente vemos muchísima gente vieja pidiendo limosna o trabajando en las tiendas de empacadores voluntarios viviendo de las propinas.

Estamos convencidos de que nuestra actividad cubre una función social muy importante al orientar a las personas sobre cómo crear su plan para su retiro y llegar a la etapa de la madurez lo mejor preparados posible. Sobre todo si consideramos que la gran mayoría de las personas no sabe cómo armar su plan de retiro y es eso precisamente lo que nosotros les proporcionamos el "Know How"

4. ¿Quiénes son tu mercado principal?

EP. Cualquier persona que tenga ingresos, puede iniciar su plan de retiro. Sin embargo la experiencia nos indica que es después de la edad de 30 años, cuándo las personas en México empiezan a pensar en el ahorro. Por ello nos orientamos a personas de más de 30 años y con ingresos de al menos 15mil pesos al mes. En especial aquellas que trabajan en el mercado formal ya que pagan impuestos y las ventajas fiscales del plan les van a resultar atractivas y son personas que al contar con un ingreso regular fijo se sienten más confiadas a comprometerse en un plan a largo plazo.

5. ¿Cuál es la razón principal por la que decidiste implementar el esquema de multinivel?

EP. Es un esquema que ha dado muy buenos resultados y que le permite a las personas con iniciativa y carácter formar su propio negocio.
Por otro lado, el esquema tradicional donde el asesor es un empleado, genera demasiados gastos y los asesores tienden a ser muy improductivos sobre todo ahora que están de moda las redes sociales

6. ¿Cómo se te ocurrió implementar multinivel para distribuir planes de retiro?

EP. Estuve involucrado en el pasado en un esquema de este tipo. Por otro lado, es algo que se ha intentado para el negocio de los seguros y en todos los casos ha fracasado porque un seguro es muy complejo para poder manejarse en este esquema. Esa es la razón por la que manejamos un solo producto y uno que no es tan complicado

7. Durante mi investigación de multinivel me di cuenta de que la gente confunde multinivel con pirámides ilegales e incluso con el esquema Ponzi, ¿Cómo manejas esta relación negativa que tiene mucha gente sobre el esquema de multinivel?

EP. Es muy simple, la diferencia entre una pirámide, que ciertamente es ilegal, y una red de mercadeo es que en una pirámide se le pide a cada participante una aportación o cuota de entrada a cambio de una promesa de que se recluta dos o más participantes, recupera su aportación y empieza a ganar por cada participante que se incorpore debajo de su nivel. En Expertos Patrimoniales, no existe cuota de entrada ni se debe realizar aportación alguna para participar.

8. ¿Qué tipo de problemas esperas que surjan durante la implementación de multinivel, y como has planeado como manejarlos?

EP. La principal problemática en este tipo de esquemas y para este tipo de productos es el reclutamiento. El conseguir a las personas con el perfil adecuado y sobre todo espíritu emprendedor y con visión. El problema radica en que la mayoría de las personas buscan

un empleo más que una oportunidad de ser su propio jefe y desarrollarse de acuerdo a sus propias capacidades.

La gran mayoría de las personas buscan un nivel de confort que les daría un empleo aunque mal pagado donde no tengan que esforzarse demasiado aunque eso implique posicionarse en la mediocridad.

Los canales de reclutamiento que estamos explorando es precisamente en las Universidades, chavos recién egresados con ímpetu y sobre todo sin malicia

9. Los planes de retiro como los seguros son intangibles, ¿Cuál es la estrategia para explicar los beneficios de un producto intangible a los clientes? (e.g. fotos, frases, etc.

EP. El plan de retiro se maneja como un ahorro que en su mayor parte se encuentra disponible por lo tanto se le hace ver al cliente que no le estamos vendiendo nada, simplemente le ayudamos a que su ahorro cumpla con tener una estructura, disciplina y eficiencia tanto fiscal como financiera. Efectivamente, el seguro es un intangible y la gente en México en su gran mayoría no cree en los seguros. Es por ello que en nuestras presentaciones no se menciona la palabra SEGURO sino PLAN DE RETIRO.

10. Cuando se trata de vender servicios, la gente tiende a juzgar el servicio por quien lo está vendiendo. En el caso de Expertos Patrimoniales, ¿existe algún tipo de control sobre la impresión que dan los vendedores a sus clientes?

EP. Desde luego se busca que nuestros asesores tengan una buena presentación y un nivel educativo de al menos preparatoria y preferentemente experiencia en ventas y se les proporciona la capacitación necesaria.

11. Los vendedores al ser individuos y no maquinas que pueden recrear el mismo producto una y otra vez sin diferencias, crean diferencias en cuanto al servicio que se le otorga a los clientes, la información que se les da y la calidad del servicio. ¿Utilizan algún tipo de control para estas situaciones?

EP. Cada líder evalúa la clase de servicio que están proporcionando sus asesores y se da también un control de calidad llamando directamente a algunos clientes

12. Dentro de Expertos Patrimoniales, ¿Utilizan algún tipo de tecnología para controlar o/y facilitar el servicio al cliente?

EP. La ventaja en este aspecto es que para el servicio post-venta al cliente, nos apoyamos en el sistema de la Compañía de Seguros, en este caso Allianz, que cuentan con muchos recursos para ello

13. ¿A quien considera su principal competidor, hoy y en el futuro?

EP. Principalmente los Agentes de Seguros que se dedican al negocio de Vida Individual. Una vez que nuestro modelo se empiece a conocer, seguramente nos van a seguir.

14. En Expertos Patrimoniales, ¿tienen planes o estrategias para retener a los clientes, y que no se salgan de los planes antes de tiempo?

EP. Uno de los elementos básicos en la presentación del producto son las consecuencias de suspender o retirar su plan antes de la fecha establecida ya que los beneficios fiscales se revierten y los bonos se pierden.

Adicionalmente, el producto es bastante flexible y permite suspensiones temporales y préstamos en caso de que algún cliente tenga problemas económicos y por otro lado existe la posibilidad de reestructurar el plan con la Compañía de Seguros.

15. Expertos Patrimoniales hace uso de materiales de promoción, tales como brochures, ¿Cuál es el principal mensaje que contienen estos materiales promocionales?

EP. Fundamentalmente, se trata de hacer conciencia en las personas sobre la importancia de contar con un plan de retiro adecuado. Se enfatiza en la diferencia entre contar con un buen plan de retiro y el no contar con él. Una persona terminará su vida laboral en promedio a los 65 años y su expectativa de vida es cuándo menos de 10 años más. Lo ideal sería que esos 10 años los disfrute plenamente y sin preocupaciones.

16. Durante mi estancia en México, me di cuenta de que el tema de los planes de retiro estuvo muy presente en los medios, ¿Cómo ha afectado esto a sus actividades?

EP. Definitivamente nos ha beneficiado ya que no obstante que las personas de más de 30 años y en especial de más de 40 ya muestran cierta preocupación por su retiro, la realidad es que la mayoría no hacen nada al respecto, siempre habrá otra prioridad y el bombardeo constante de los medios ha ayudado un poco a que en la mente de las personas inclusive de los jóvenes, el tema del retiro empiece a tener más peso en su escala de prioridades.

17. En su opinión, ¿Cuál es la principal razón por la cual otras empresas han tenido problemas implementando el esquema de multinivel?

La clave radica en promover un producto simple, un producto fácil de entender y fácil de explicar. Los multiniveles que se han tratado de implementar lo han hecho con seguros fundamentalmente de Vida Individual e inclusive de otros tipos como Dotal. Un seguro, es un producto muy complicado y en el caso más simple requiere cuestionarios médicos y está sujeto a evaluación por parte de la aseguradora si lo acepta o no, porque se trata de un riesgo para dicha aseguradora. Por otro lado, los seguros Dotal son extremadamente complejos como para que una persona con escaso conocimiento de la materia los pueda promover y sobre todo orientar de manera adecuada al cliente.

Un plan de retiro por el contrario, es algo que todo mundo entiende. Todas las personas están conscientes de que lo van a necesitar y es tan simple como pensar en cuánto tiempo me pienso retirar y qué cantidad requiero para estar bien y combinado con mi capacidad

económica actual, es decir cuánto puedo ahorrar. Esos son los elementos básicos y todos los conocen. El resto del proceso se basa en cálculos predefinidos y simplificados y explicar un solo producto. Aquí quisiera recalcar que se trata de “un sólo producto” y es un producto bastante simple. Esa es la clave y la diferencia...

Appendix 9

Observation notes of sales representative of Expertos Patrimoniales 26.07.2010

Primer paso: saludarse y “romper el hielo”. Este paso duro unos 10 minutos
El cliente pregunto acerca del plan de retiro, y fue entonces cuando el representante saco su material y comenzó a explicar el producto y a describirle la compañía de Allianz y EP.

Después saco la hoja para hacer el plan de retiro personalizado y calculo cuánto debería de ahorrar al mes para llegar a su objetivo. Al mismo tiempo utilizo la tabla de predicciones para checar las cantidades de dinero, y los años que requiere ahorrar para llegar al objetivo.

El representante le hizo su plan personalizado al cliente y se lo propuso. Después le explicó los beneficios del producto, incluyendo los beneficios fiscales del plan de retiro. Además le explicó las reglas del plan y las consecuencias que hay cuando se retira el dinero antes de la maduración del periodo inicial, y de la inconsistencia de pagos.

Al terminar, el representante le preguntó al cliente que si tenía alguna duda, y que si quería llenar el formato. Lo llenaron juntos, lo cual no tomo más de 5 minutos. Al terminar el representante le pidió algunos documentos y le volvió a preguntar que si tenía alguna duda. Después le explicó los siguientes pasos del procedimiento.

Se despidió amigablemente.

SWOT Analysis of Using Multilevel Marketing to Distribute Private Retirement Plans in Mexico

Strengths	Opportunities
- The potential for exponential growth	- The exponential growth - The potential to reach new markets
- The success stories and the big multilevel marketing corporations, such as Mary Kay	- Enthusiasm that drives people to want to make lots of money
- MLM is a big part of the social life in Mexico for housewives	- Greater sales opportunities
- The increasing need for private retirement plans in Mexico - The media's constant announcement on issues related to the bad situation of Mexico's pension system.	- Mexicans become interested in getting their own private retirement plans
- The low costs (financial strength)	- Greater profit margin
- The increasing need for more income per family	- Higher number of potential sales representatives, mostly women.
- The increase in women wanting to be less dependent on their husbands in the future.	- The increasing need for private retirement plans with an accessible minimum periodical savings contribution
- People within their networks want to help each other	- More sales - More sale representatives, as a way to help people with economic problems.
- Mistrust is lower, as with the use of MLM the individuals involved in the selling transaction have an existing relationship, such as a friendship.	- More sales as the selling process is easier - The clients can be easier to convince. - The selling process is less susceptible to errors and lack of knowledge
- Every individual has own networks of friends, family etc.	- The high number of potential customers

Weaknesses	Threats
- Complexity of the product	- Fear of risk of joining the network
- Association with illegal pyramid	- Negative effects on long-term

<p>schemes and the Ponzi schemes</p> <ul style="list-style-type: none"> - Fraud scandals from consulting firms in Mexico. - Only for temporal cash needs - High number of drop outs from the network 	<p>growth of the firm's network.</p>
<ul style="list-style-type: none"> - No quality control 	<ul style="list-style-type: none"> - Weak branding
<p>Intangibility</p>	<ul style="list-style-type: none"> - Not a clear vision of the benefits
<ul style="list-style-type: none"> - Culture of resisting change 	<ul style="list-style-type: none"> - Lack of urgency
<ul style="list-style-type: none"> - Unawareness of the need, because of the popular thought that if one has an AFORE, one will have enough money to retire. 	<ul style="list-style-type: none"> - Lack of interest

Ejemplo comparativo de cargos

Plazo: 25 años SMGDF 59.82

Aportación: 10 000 mensual UDI: 4.59 Rendimiento estimado: 12% anual

OPTIMAXX PLUS DE ALLIANZ

Año	Mes	Saldo inicial del plan	Aportación	Bono	Rendimiento	Cargo Admin.	Gestión de Inversión	Cargo Fijo
	0	0	10,000	10,000	200.00	500		
1	12	247,361.03	10,000		2,473.61	3,710.42	247.361	
2	24	382,840.88	10,000		3,828.41	4,713.35	382.841	74.52
3	36	531,469.11	10,000		5,314.69	4,713.35	531.469	77.52
4	48	696,929.50	10,000		6,969.30	4,713.35	696.930	80.65
5	60	881,131.11	10,000		8,811.31	4,713.35	881.131	83.90
6	72	894,264.04	10,000		10,862.00	4,713.35	1,086.200	87.28
7	84	909,239.19	696,930		13,145.02	4,713.35	909.239	87.57
8	96	1,567,683.64	10,000		15,686.74	4,713.35	1,568.674	94.47
9	108	1,851,649.24	10,000		18,516.49	4,713.35	1,851.649	98.28
10	120	2,166,696.39	10,000		21,666.96	4,713.35	2,166.696	102.24
15	180	4,365,825.91	10,000		43,658.26	4,713.35	4,365.826	124.58
20	240	8,128,508.86	10,000		81,285.09	4,713.35	8,128.509	151.81
25	300	14,567,364.36	10,000		145,673.64	4,713.35	14,567.364	185.00

Appendix 12

Ejemplo comparativo de cargos

Plazo: 25 años SMGDF 59.82
 Aportación: 10 000 mensual UDI: 4.59 Rendimiento estimado: 12% anual

SKANDIA VISIÓN

<u>Año</u>	Mes	Saldo inicial del plan	Aportación	Rendimiento	Cargo Admin.	Seguro de Vida
	0	0	10,000	100		
1	12	128,093.28	10,000	1,381	373.28	2,336.50
2	24	269,408.78	10,000	2,794	388.21	5,134.83
3	36	425,507.96	10,000	4,355	403.74	8,225.90
4	48	597,938.49	10,000	6,079	419.89	11,640.37
5	60	788,410.10	10,000	7,984	436.68	15,412.08
6	72	998,811.55	10,000	10,088	454.15	19,578.45
7	84	1,231,229.41	10,000	12,412	472.31	24,180.78
8	96	1,487,968.71	10,000	14,980	491.21	29,264.73
9	108	1,771,575.92	10,000	17,816	510.86	34,880.71
10	120	2,084,864.12	10,000	20,949	531.29	41,084.44
15	180	4,217,420.77	10,000	42,274	646.39	83,313.28
20	240	7,725,594.61	10,000	77,356	786.44	152,782.07
25	300	13,497,099.36	10,000	135,071	956.82	267,069.29

Appendix 13

Comparativo de OptiMaxx plus de Allianz y Visión de Skandia

<u>Año</u>	<u>Mes</u>	<u>ALLIANZ</u>	<u>SKANDIA</u>	<u>DIFERENCIA</u>
	0			
1	12	247,361.03	128,093.28	119,267.74
2	24	382,840.88	269,408.78	113,432.09
3	36	531,469.11	425,507.96	105,961.14
4	48	696,929.50	597,938.49	98,991.01
5	60	881,131.11	788,410.10	92,721.01
6	72	1,086,199.62	998,811.55	87,388.08
7	84	1,314,501.97	1,231,229.40	83,272.56
8	96	1,568,673.64	1,487,968.71	80,704.92
9	108	1,851,649.24	1,771,575.92	80,073.32
10	120	2,166,696.39	2,084,864.12	81,832.27
15	180	4,365,825.91	4,217,420.77	148,405.14
20	240	8,128,508.86	7,725,594.61	402,914.25
25	300	14,567,364.36	13,497,099.36	1,070,264.99

COMPARATIVO DE CARGOS Y COSTOS

<u>CONCEPTO DE CARGO</u>	<u>ALLIANZ OPTIMAXX PLUS</u>	<u>SKANDIA VISIÓN</u>	
Cargo Administrativo	1.5 trimestral vencido sobre saldo inicial	6 días SMG DF anual	59.82
Seguro de vida	N/A	2% Anual sobre el saldo del plan (se carga al final de cada año)	
Gestión de inversión	0.1% mensual sobre el saldo del plan	N/A	
Cargo fijo	15 udis mensuales	N/A	4.59

