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New 'relationship network' launched in Australia

New 'relationship network' launched in Australia

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ACN, the US-based network marketing company, will launch its Australian fixed voice and mobile resale business in November 2004. To date, ACN has launched in 15 countries. The most successful is Sweden, where it is the third largest provider of fixed voice services.

Sales and marketing schemes that utilise personal relationship networks have been around for many years; for example, consumer products operation Amway is a typical network marketing operation. ACN's programme follows similar lines, with a start-up fee (A\$499) for a marketing kit and the lure of ongoing commissions for multi-layered sales.

The difference is in the product. Instead of selling single transaction goods such as washing powder and cosmetics, ACN markets utility services charged on an ongoing subscription and usage basis. This is both the beauty and the beast of the arrangement. Through reselling basic access and long-distance services, ongoing revenue streams for trailing commissions are more assured. However, it also makes selling the product that much harder. While it may be possible to leverage off personal relationships to convince a friend to try a new washing powder, the sale of 12 month fixed line or mobile contract may be more difficult.

So where will ACN fit into the Australian market? ACN's Australian CEO, Martin Paeche said it plans to operate **below** the **radar** of the **major operators** and outside traditional channels. It has signed wholesale switched voice resale agreements with Telstra and MCI and will effectively act as another channel for these infrastructure players. Whilst there is space in the resale market, competition is intense. Paeche believes ACN's relationship sales model will offer a point of difference. Also, when executed through a network marketing model, it has significant cost of acquisition advantage over traditional sales and marketing channels.

Despite the theoretical advantages of the model, and success overseas, ACN faces a challenge in Australia. Culture will have a big part to play. Network marketing may not have a good fit with the laid back Australian culture. People may take offence at receiving a sales pitch from a friend. Managing consumer and community understanding will be key. Perception as a 'sham' or pyramid selling scheme will seriously hamper both sales and the sign up of sales representatives. In the vital start-up phase, ACN's PR and brand management activities will be crucial. Some local press has already referred to ACN as marketing a potentially illegal pyramid scheme. Broader exposure of this nature could be disastrous.

Daniel is a consultant with our dedicated team in Australia. He can be contacted on daniel.swift@ovum.com.

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