



The Time Travel Report

November 28, 2001

A publication of Time Travel Ltd



In late November of 2001 the US media announced that after ten years of economic growth and prosperity we were officially in a recession, and had been since March of the same year.

The United States has gone through recessions before and always emerged stronger than before. Alas, this time the situation has been made much worse by the act of terrorism against not just the United States but the entire world on September 11, the day that witnessed the destruction of the World Trade Center twin towers in New York City as well as the largest mass murder in human history.

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Many a business vanished in an instant. The airline industry took the largest hit in its history. The stock market fell even further. For example, Enron was selling for \$90.56 in August 2000, while its share value dropped to a mere 61 cents on the day of this report (November 28, 2001). One of its employees mentioned on NBC news that he was starting from zero again.

History teaches us that in times of recession the middle class is hit the most. It even tends to disappear altogether into the ocean of poverty.

Faced with harsh reality, many Americans realize for the first time in their lives just how unstable and unreliable the idea of having a good job and being set for life is. Indeed, for a long time that idea was the basis of the American Dream.

Not any more!

The idea of being set for life vanished in the 1980's when big corporations, which had never laid off an employee before, started "downsizing," though the prosperity of the decade that followed may have restored the belief that having a good job was enough.

While a recession typically sees the plunge of the middle class into poverty, there always is a small group of people who are able to climb up the economic ladder in times like these. For example, people who are buying shares of companies everyone else is selling tend to rise up economically in time.

Of course, the reason everyone is selling is not necessarily because the sellers do not understand the rule of *buy low sell high* but because they usually have no choice but sell to stay alive.

Because the majority of people are not doing well during a recession, people start looking for a bargain. Instead of going for a brand name, they are willing to buy generic and save money. So, one obvious way of getting ahead of the recession game is to supply people with things they need at a price they can afford.

That, of course, is much easier said than done. You may have the entrepreneurial spirit. Or you may just feel pressured to do something about your situation. But how are you supposed to get into business with no working capital?

The solution many people seek is to start a business without spending much money, or without spending any money at all. Throughout most of history, not just US history but human history, that was simply impossible. However, a 20th Century technology is making a difference at the brink of the 21st. The Internet has made it possible for anyone to start a prospering business. But only if they know what they are doing.

Indeed, the same Internet has been one of the factors of the recession we are in. The problem lies not with the Internet itself but with people who rushed in without any kind of understanding of the nature of the Internet. They spent millions on advertising campaigns that no one responded to. They were left with nothing.

Their problem was in continuing to use the same strategies that worked in the offline world, even though they are completely meaningless and absolutely pointless online.

A completely different group of entrepreneurs sprang out of the ranks of the Internet savvy people. Instead of *spending* millions—which they did not have anyway—they *made* millions. Corey Rudl, a young man in his twenties, became a legend!

Ironically, it was the big losers that made the headlines. The successful ones stayed in obscurity. That created the impression that while it is easy to lose big time, it is quite unlikely that anyone could become rich on the Internet.

That impression is *false*. Corey Rudl may have been the first Internet millionaire but he is hardly the last. In fact, he [has taught many how he did it](#) and they have emulated his approach quite successfully.

An idea born in the 1990's was that of affiliate programs, which are essentially business cooperatives. A number of people with little resources other than a web site hooked up with large businesses and drove traffic to them. When the big business made its money, it paid the affiliates a commission.

Many affiliate programs sprang up. And many have died. Most made several serious mistakes (again, continuing to work online the same way they used to offline).

Their biggest mistake was trying to control the affiliates. They told the affiliates the exact words to place on their web sites, the exact images to show. Essentially, they treated the affiliates as places of cheap advertising.

But we already know that traditional advertising does not work on the Internet...

Secondly, many companies treated affiliates as a discardable commodity. They used affiliates to jump start their business, then simply dropped the affiliate program. By the time they realized their former affiliates had much more power on the Internet than they had thought, most of these businesses were out of business.

Quite often the affiliates are more Internet savvy than the businesses they affiliate with. That is why trying to control the affiliates tends to be one of the biggest mistakes an Internet business can make. Smart Internet businesses treat their affiliates as genuine business partners, *which they are*. These businesses learn from their affiliates, then pass the experience on to the rest of the affiliates. Alas, while this is the best thing to do—both, for the business and its affiliates—very few Internet businesses have chosen this path.

Not understanding their affiliates as their business partners has led most Internet businesses to committing yet another serious mistake. They tend to advertise their affiliate programs on the same web pages they describe—and try to sell—their product from. That means they are trying to get people to join their affiliate “program” so they can get a commission on their own purchase and never market it again. In other words, they are offering the impression of a discount.

This attitude caused much bad blood among those affiliates who were taking the program seriously and were marketing it in the hope of earning a commission. But the customer who discovered the product through the affiliate's effort joined the program and got the commission for himself, leaving the true affiliate with nothing.

Once the affiliates started complaining, most Internet businesses responded by restructuring as a two-tier affiliate program. That would give each affiliate a commission on any sale he produced and a smaller commission on any sale produced by his "subaffiliates" (the people who came to the company web site through the affiliate's efforts and signed up to become affiliates themselves).

This system was hailed but in reality did little for the affiliate while it was good for the company. It gave the company all of the advantages of *multilevel marketing* but without giving the same advantages to the affiliate. In essence the affiliate produced affiliates who produced additional affiliates who produced additional affiliates, etc. Nice for the company. But the affiliate was only paid for the sales of his direct subaffiliates but not for the sales of the subaffiliates of his subaffiliates.

While in the offline world multilevel marketing has a bad reputation (and usually well deserved), in the online world it is one of the features to be looking for when deciding which affiliate program to join. Let us not forget that the biggest mistake an *affiliate* can make is to join too many programs. His site will become one huge advertising billboard. No one will take it seriously.

Since it is necessary for an affiliate, or prospective affiliate, to be selective, it is essential to have a set of criteria for the evaluation of affiliate programs.

First of all, look for a company that will treat you as a *business partner*. They must let you run your business in any way you choose. If they offer a number of products, they must let you choose which of their products and services to market and allow you to post a link directly to the individual product or service. That excludes all those businesses that tell you exactly what words to use on your site.

They also must *protect you* from people who join affiliate programs just for the discount. That means that they either do not mention their affiliate program on their site, or give you the commission even if the customer joins the program, or make it not worth the customer's while to become an affiliate just for the discount.

Just as turning your web site into a billboard will turn prospective customers away, the affiliate program that attempts to sell everything imaginable is not likely to earn you any money. The program should *specialize* in something.

The program should offer a *multilevel* style of marketing and pay you not just for your sales but for the sales of your entire downline. But it must not be a pyramid that makes its money mostly from hiring a downline. The latter is easily avoided assuming the program does not charge you for joining (again, it is a matter of attitude: if they see you as a business partner, they cannot expect you to pay them a fee for the “privilege” of letting you drive customers their way).

In times of recession you need to join a program that lets you market *something everyone needs*—or at least thinks he does—but offers it for less money. This means a smaller commission but more customers to get a commission from.

Another important criterion valid at all times but especially during a recession is that the company should have *several years of doing business on the Internet* behind itself. There are too many programs out there that pop up out of nowhere, then disappear without a trace.

Last but not least, the product or service should produce *residual income*. While your web site may be accessible to anyone, only a certain number of people will visit it in any given month. Only a certain percentage of these will actually buy the product or service you market. If the product or service does not produce residual income, selling to the same number of customers month after month will produce the same level of income for you. But if the product or service produces residual income, selling to the same number of new customers, while getting residual income from old customers, means that every month your commission is *bigger than the month before*.

Is all of this possible? The short answer is yes. The long answer is that it is rare. The absolute majority of affiliate programs are not worth joining.

At the time of this report (November 28, 2001) we are aware of *only one company* that fits all of the criteria spelled out above. We are hoping that this report will inspire other companies to follow the lead of this one company.

The company we are talking about is [Cognigen Networks](#). They started their affiliate program in 1994. They have evolved during that period from a simple affiliate program, one among many, to a true [business opportunity](#). They treat their affiliates as their business partners. They listen to their affiliates, learn from them, then freely teach the less experienced affiliates. They do not charge any fees to join or to stay an affiliate. They discourage people from joining just for the discount. They do this by requiring any affiliate to have four active customers in any given month to be paid commission. Best of all, their product is something everyone needs—long distance services—and they do have the lowest prices in industry. This means not only a steady influx of customers during

this recession but residual income: Once a customer signs up he is unlikely to switch to any other long distance service because there is no cheaper long distance service available.

They have added a multilevel marketing structure several years ago: The affiliate earns a percentage of all business produced by his downline.

They make it easy to start. Once an affiliate signs up, he gets a professionally designed web site just like [the one seen here](#). At the same time, the affiliate is free to design his own site, like [the one seen here](#).

You are encouraged to [join the program](#) if you would like to have an upper hand during this recession by starting your own business at no cost to you. You should also [join the program](#) if you wish to *start your own affiliate program* (or already have one) and want to *learn how to do it right*. You will be learning from the masters!

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