

# Creating Fortunes in the New Economy

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THIS ARTICLE IS ADAPTED IN PART FROM PAUL ZANE PILZER'S NEW BOOK, *THE NEXT MILLIONAIRES*, WHICH FOCUSES ON THE CENTRAL ROLE OF DIRECT SELLING IN THE YEARS AHEAD. BY PAUL ZANE PILZER



THE GREATEST FORTUNES TO BE MADE IN THE YEARS AHEAD WILL NOT BE MADE IN WHAT PEOPLE WERE DOING 5, 10 OR 15 YEARS AGO. THEY WILL BE MADE IN INDUSTRIES THAT MOST PEOPLE TODAY DON'T EVEN REALIZE EXIST, OR DON'T YET THINK OF AS "INDUSTRIES."

As an entrepreneur, going into a well-established industry means working harder and putting in a lot more hours to beat the competition—with a smaller chance of great success. But when you go into a new or emerging industry, you get to work smarter instead of harder, and you can be the one distributing that new product that is suddenly in such demand because it improves so many people's lives.

The thing is, you have to be alert to see what is new and emerging—because once everyone else has noticed, it will no longer be new and emerging!

To get some perspective on where the most accessible fortunes lie in the new economy, let's look back at two historical examples of surprising new industries—the automobile and the personal computer—and then look ahead at two new industries that are just now on the rise: direct selling or "one-to-one marketing" and wellness.

## A Tale of Two Industries

When Henry Ford set out to create the "affordable automobile" in 1908, it seemed

absolutely ludicrous to most people. Where would you drive them? (There were hardly any paved roads.) How would you maintain them? (There were no such things as gas stations.) Who would have time? (Most people worked six days a week.) And who needed them? (Most people lived near where they worked.)

Automobiles were luxury toys for the rich. A car for the masses? What a ridiculous idea—what would they do with them?

Yet within a few generations, the nation sprouted a highway system, and the automobile had become one of the greatest industrial, technological and sociological forces of the twentieth century. From entertainment to industry, dating to demographics, there is not an aspect of human life that was not radically transformed over the last century by the automobile.

The automobile wasn't just a product—it was a trillion-dollar industry.

In the 1970s, the very idea of a "personal computer" was hilarious—the ultimate oxymoron! How could a computer be personal? For one thing, it cost millions of dollars. For another thing, computers in those days filled an entire room. And besides...what the heck would you do with it?



Twenty years ago, when Bill Gates and Michael Dell set out to create their own businesses (respectively, Microsoft and Dell Computers), they were both heading in a direction as unlikely as Henry Ford was in the 1900s: They were working in an industry that didn't yet exist, based on a product that by definition was as ridiculous as Henry Ford's "affordable automobile." A decade later, they had become two of the richest men in the world.

The first IBM Personal Computer (PC) came out in 1981. By 1990, PC sales exceeded automobile sales, and by the turn of the century, personal computers had become a trillion-dollar industry. One trillion!

The automobile and the PC are excellent examples of new and emerging industries of the early and late 20th century. But that's the past. What about the 21st century?

Let's take a look at two of the emerging powerhouse industries of today and tomorrow—direct selling and wellness—and why, instead of simply making a few dozen Henry Fords, Bill Gateses or Michael Dells rich, they are creating fortunes for millions of home-based entrepreneurs.

### The Rise of the Distribution Millionaires

In the past, the great fortunes were made by people who owned or controlled physical resources, such as the timber, mineral, land and steel barons; those who controlled the transportation of those resources, such as the rail and shipping magnates; and those who owned or controlled the process of turning those resources into the things we use.

This was the era of the "resource millionaires."

In the decades after World War II, something fundamentally changed: With the acceleration of post-war technology, large numbers of people became millionaires by finding cheaper ways of making things, often by shipping production overseas and using new materials like plastic. The economy boomed, and people got rich by making better and better things.

This was the era of the "manufacturing millionaires."

By the 1990s, the cost of manufacturing had dropped so steeply that distribution of the finished product had become the greatest factor in its cost and therefore, the most profitable place for innovation. In other words, the greatest opportunities for wealth were no longer in manufacturing, but in distribution. This is why the richest people in the world in 1990 were people who found better ways not of making things but of distributing things—distribution pioneers such as Sam Walton (Wal-Mart), Fred Smith (FedEx) and Ross Perot (EDS).

This was the era of the "distribution millionaires." Although we are still in that era, we have now entered a new phase.

### The New Era of Distribution

There are two critical aspects to distribution: education and delivery. That is, teaching consumers about new products and services, and then physically putting those items into their hands. In times long gone, the simple peddler used to fulfill both functions at once. The door-to-door salesman would come to your house, teach you about an encyclopedia that

could contribute to your children's education, and if you purchased it, come back and physically deliver the actual books. The old-fashioned general store and mom-and-pop shops of bygone eras did much the same thing.

Not any more.

The distribution fortunes of the 1990s were made by people who found cheaper, faster and more efficient vehicles of physical delivery. But there is nothing in the model of a Wal-Mart, Home Depot or Target that provides the other critical element of distribution—education. That is the bottleneck, the major missing link in today's economy—and it is a place of extraordinary opportunity.

### The Power of One-to-One Marketing

The fortunes to be made in the years ahead will not be predominantly in physical delivery but in education—not in physical distribution, but in intellectual distribution: educating consumers about products and services that will improve their lives, but that they either don't yet know about or don't yet know are now affordable.

And because technology is advancing so rapidly and making so many new products, that gap is huge and growing larger every day—which means that the opportunity of intellectual distribution is continually increasing.

I am often asked, "Doesn't the Internet fulfill that function?" Surprisingly, the answer is "No, not at all!" The Internet is a great place to go to get educated about products and services you already know you want to learn about—but it cannot fulfill the education function of the peddler or general store proprietor any more than the infomercials of the 80s and 90s could.

The Internet, television and magazines are all passive media. The only place where we actually learn something new, where we engage with new information to the extent that we may actually change our minds and try something new, is in a live, one-to-one conversation.

The Internet is rapidly taking over the information function of teaching people things they already know they want to learn. But the vital sales function of teaching people about things they don't yet know about will always be an educational model that functions best person-to-person.

And that is what has given rise to the vehicle of distribution known as direct selling, or one-to-one marketing.

Direct selling has grown steadily over the past 20 years, increasing more than 91 percent in just the past ten years. With over 13 million Americans and 53 million people worldwide involved, it is now a \$100 billion global industry.

Yet as impressive as that is, it's not hard to see why the real growth has barely begun.

**THE FORTUNES TO BE MADE IN THE YEARS AHEAD WILL NOT BE PREDOMINANTLY IN PHYSICAL DELIVERY BUT IN EDUCATION—NOT IN PHYSICAL DISTRIBUTION, BUT IN INTELLECTUAL DISTRIBUTION.**

## THERE ARE TWO CRITICAL ASPECTS TO DISTRIBUTION... TEACHING CONSUMERS ABOUT NEW PRODUCTS AND SERVICES, AND THEN PHYSICALLY PUTTING THOSE ITEMS INTO THEIR HANDS.

For one thing, the demand is increasing exponentially. Because of the ever-accelerating pace of technological advancement, there is a growing flood of new products and services that desperately need their story told in the marketplace—stories which no amount of screaming TV ads or sprawling Internet pop-ups and banner ads can effectively tell.

Today, fewer than one percent of the population is involved in direct selling, yet people are pouring into the profession at the rate of 175,000 new people per week in the United States alone. According to Neil Offen, President of the Direct Selling Association, at the current rate of increase, some 200 million people will enter this industry over the next ten years, effectively quadrupling its current population.

One-to-one marketing is already a force to be reckoned with—but there is an explosion ahead.

### The Wellness Industry

A similar situation exists in a brand new health-related industry that has grown so quickly that it already does more than a third of a trillion dollars per year—and yet, relatively few people even recognize that it exists as an industry.

Wellness is not the same thing as “health care.” What we call the “health care” business is not really the health business but the sickness business. Our medical industry today has very little, if anything, to do with health. The \$2 trillion we spend on medical care, which represents one-sixth of the U.S. economy, is concerned with treating the symptoms of illness. It has very little to do with preventing illnesses or with making people feel stronger or healthier.

Today, however, there’s a brand new industry that has nothing to do with sickness but is all about creating wellness. Wellness doesn’t treat people who are sick or address illness. Wellness is for people who are already well

and who want to stay well, slow down the aging process, or keep from becoming customers of the sickness business.

Here is how I define wellness: Wellness is money you spend to make yourself feel healthier, even when you’re not “sick” by any standard medical terms.

Dollars spent in the wellness industry are spent to make you stronger, to make you see better, to make you hear better, to fight what we might call the symptoms of aging.

Ten or 15 years ago, it would have been tough to go into the wellness industry. Why? Because there was no wellness industry. What happened?

Well, the phenomenon of aging has obviously been around for as long as life itself, so it wasn’t as if there was a sudden spontaneous “need” for a wellness industry. The wellness business showed up in the last decade due to new technology.

Who would have imagined that we “needed” to create a product to address sexual performance for 70-year-olds? Geriatric impotency is not exactly a medical problem that society was worrying about. When it hit the market in 1998, the whole world started making Viagra® jokes—but notice, everyone accepted that the product worked. Not only that, it became an instant \$10 billion business.

Viagra for sexual performance, Rogaine® for hair growth, cosmetic dentistry and elective plastic surgery, antioxidants and other supernutritionals... all these new products and more enhance quality of life and slow down the aging process, and they all are the result of recent advances in technology.

At the onset of this decade, when I first began taking a serious look at what I later came to call the “wellness industry,” I thought that these currently-existing aspects of this new industry might already add up to a few billion dollars in U.S. sales. Once I did careful research, the true figures were astonishing. When I added up all the different facets and aspects of wellness, I found that wellness was already a \$200 billion business.

### Hold the Pickles, Hold the Lettuce

In the old economy, the efficient way to serve the mass market was to create vast quantities of uniform products. Henry Ford initially made his Model T affordable by making a single universal model, often boasting that he would sell you a car “in any color you want, so long as it’s black.”

With the technology of the new economy, not only is this idea obsolete, but the entire concept of “mass market” has been turned on its head. Michael Dell set out to create the perfect consumer computer, and instead discovered that the real secret to winning the consumer market was to offer computers custom-built to the individual consumers’ specifications.

Today, the notion of “one size fits all” has gone the way of the horse and buggy. “Hold the pickles, hold the lettuce, special orders don’t upset us” is more than a cute jingle for a mass-market burger franchise. “Have it your way” is the mantra of the new economy.

Now we’ve seen “mass customization” in consumer items from computers to sneakers to the ring tones on your cell phone. Companies who bring this concept to market in other areas, taking advantage of Internet technology to fulfill needs of the individual in such critical domains as health care and wellness, stand to do especially well in the years ahead.



Even during the economically more difficult years of 2001-2004, this phenomenal growth continued. Today, only a handful of years later, it has nearly doubled to become a \$350 billion dollar business.

To the \$70 billion in vitamins and food supplements, you can add \$24 billion in fitness club memberships. A generation ago, whoever heard of joining a fitness club? In 1975, jogging was regarded as a “craze,” a fringe thing, like the hula hoop, that would go away quietly if we just gave it time. The idea that an entire nation would consider running as a normal, everyday activity would have been seen as lunacy.

To this \$94 billion, you also need to add another \$12 billion paid to personal trainers. Personal trainers?! Twenty years ago, nobody would have believed it. A top-paid athlete, sure, but everyday people, actually paying someone to show them how to step on and step off a machine, just to stay fit? Who would pay for such a thing?

We would: \$12 billion worth.

And this is only the beginning, because most people still either don't even know that

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wellness products exist, or don't think such products are applicable to them. As the rest of the population begins to learn about wellness, this sector will continue to flourish at an even more explosive rate. At the rate it's going, I project that by the end of this decade, just as the PC industry did ten years ago, the wellness industry will grow to exceed \$1 trillion.

**The Big Picture**

Now let's put these two specific trends—direct

selling and wellness—into perspective: Let's look at them in the context of the overall economy.

In 1989, at the beginning of the worst period of economic decline since the Great Depression of the 1930s, most experts were predicting decades of economic gloom. The most popular book in the U.S. was titled *The Great Depression of 1990*.

That year, at the lowest point of this recession, I wrote a book titled *Unlimited Wealth* that predicted exactly the opposite: that we were headed

#### THE DEMOCRATIZATION OF HIGHER VALUES

In the new economy, the sheer quantity of compensation is no longer enough. People today also demand a better quality of compensation. We don't simply want money, we want lifestyle. Today's workers understand that it doesn't matter how much money you earn if you never get to see your spouse or children, or if you sacrifice your health for your work.

This is a demand that didn't exist in the past. During the industrial age, the question "Are you truly happy with your life?" would have been greeted by most as self-indulgent nonsense. "Happy?! What a question! I'm making money."

Today we want more. Our economy and living standards have grown to the point where we not only expect to make a living, but also expect to have the best possible experience living that life. We don't want to have to sacrifice family for work, or vice versa.

The typical direct seller's benefit statement—"You work when you want, how you want, and with whom you want"—combined with the very real value of a business based on helping others succeed, creates a uniquely attractive package to the 21st century businessperson. And I see a more seamless weaving together of work and family in direct selling than in any other sector of the economy.

When you go out into the world and successfully earn money, you are helping other people, adding value to society, and contributing to the betterment of the world. That, to me, is serving God: doing the best job you can at serving more of God's children. I know of no business that exemplifies this principle as well as direct selling.

into an era of unprecedented growth and opportunity, and that those who embraced this stood to profit enormously.

Many in the financial and business community gave this book little credence—that is, until the years ticked by and the forecasts began proving accurate. But there were those who were quick to grasp its significance, including the late Sam Walton and, interestingly, members of the direct selling community, who got the message loud and clear and responded immediately.

At the time, I was not too familiar with direct selling or the one-to-one marketing model. But these people sought me out, telling me excitedly that my theories and explanations bore out their experience and validated the direct selling model. Intrigued, I continued meeting and interacting with members of the direct selling community. Over the past 15 years, I have come to know hundreds of direct selling professionals as friends and associates, and I have had the opportunity to see how they work.

What these experiences have shown me is that direct selling provides an unparalleled opportunity for millions of people to take responsibility for their own economic well-being, create long-term financial stability and realize significant wealth, while enriching the lives of untold numbers of others. And this has far greater significance today than ever before, because what happened in 1990 is happening again today—only to a

much greater degree!

#### The Impact of 9/11

From 1991 to 2001, the world economy doubled in size, enjoying the highest growth rates ever recorded with the lowest interest rates and low inflation.

In the United States, household wealth tripled, growing from \$13 trillion in 1991 to more than \$40 trillion in 2001. Over the same ten years, the number of U.S. millionaires doubled, jumping from 3.6 million in 1991 to 7.2 million in 2001. Then everything changed on September 11, 2001.

As the towers of the World Trade Center came crashing down before our eyes, some thing else came crashing down along with them—millions of people lost faith in their economic future.

Since 9/11, millions of people and businesses have begun to accept that their temporary economic situation could be permanent. This acceptance is the greatest threat to our future way of life—even greater than the physical threat caused by the heinous acts of those responsible for 9/11. For just "as a man thinketh in his heart so is he," in today's modern economy, "as a people think about their economy so is it."

What most people don't realize is that our economy is already surging ahead. In the third quarter of 2001, our Gross Domestic Product declined by 0.2 percent and everyone screamed "recession!" But the following quarter, GDP grew again—in fact, by ten times the amount of

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## DNA, FOUNTAIN OF YOUTH?

Anti-Aging products are the primary products that will drive the wellness industry to \$1 trillion by the year 2010, simply because aging is the primary factor behind the increasing demand for wellness products and services.

The individual cells in our body are constantly dying and replacing themselves. On a cellular level, the biochemical objective of most wellness activity is to ensure that these individual cells receive the raw materials—proteins, vitamins and minerals—necessary to remanufacture themselves at the optimal level.

At some point in a person's life, "something" tells each cell in each bodily organ to stop reproducing itself, causing normal aging, illness and eventually death. Sometimes, even though there is no observable biochemical deficiency, "something" tells abnormal cells in an organ to uncontrollably multiply until they impair that organ's function; this is the scenario of cancer, for example.

Today we know that this "something" is one of the many and complex instructions in deoxyribonucleic acid, the genetic code for life, commonly referred to as DNA.

DNA is an organic compound found in all cells that contains the genetic code for inherited characteristics and replication. This genetic code is a human "text" with over three billion different letters, written entirely with only four characters (A, T, C and G) and with no spaces or

the decline! Our GDP has risen in every single quarter since. Our economy quickly regained its headlong rush into this new era of increased wealth and prosperity that had begun in 1990; by 2004, even the Dow Jones—the widely regarded and tracked stock market index—had fully recovered.

After the economic crash of 2001, many people felt they missed their chance to be part of the boom

of the 90s. Yet since 9/11 U.S. household wealth has increased \$8 trillion to \$48 trillion—an additional 20 percent!

Today, the U.S. and the world economy look almost identical to the way they looked in 1991, except that there are more opportunities for entrepreneurs due to recent changes in taxation and technology. Based on this history and on current conditions, I project that figure will roughly double again in the next ten years, reaching the \$100 trillion mark by the year 2016.

This is actually a fairly conservative projection; after all, this is only a doubling of the U.S. household wealth in the next decade, a figure which more than tripled during the 1990s. What is more startling than that sheer growth is the nature of the growth—because in the course of adding another \$52 trillion in household wealth, we will also see the creation of more than ten million new millionaires!

### The Democratization of Wealth

Over the last few decades, we've seen companies rise from virtually nothing to create huge fortunes. As of this writing, Microsoft has a market cap (value) of \$274 billion. If that new wealth were distributed among individuals, a million dollars at a time, it would have created 274,000 millionaires!

By the year 2001, we had a U.S. household wealth of \$40 trillion. If we had spread that wealth

out, a million dollars per person, how many millionaires do you think that \$40 trillion would have produced? Forty million!

Of course, Microsoft didn't distribute its wealth to 274,000 individuals, and we didn't spread out our entire \$40 trillion in household wealth that way—but the truth is, we're starting to do that more than ever before.

This is why we are experiencing such a boom in home-based businesses. Today, small businesses account for more than one-half our nation's economic output and employ more than half our private-sector work force—and more than half of these are home-based businesses.

In the past, it was risky going into business for yourself; corporate employees had better pension and health benefits. Not any more. Recent changes in tax law have leveled the playing field—if anything, actually tilting it toward the individual entrepreneur! Congress has responded to a shift in values: People today want to work from home. Now they can.

The large corporation is giving way to the independent contractor and the self-employed entrepreneur. In effect, we're breaking down those huge corporations into their component parts; namely, the individual entrepreneurs—and as a result, more and more of those entrepreneurs are becoming millionaires. In the past, where we'd see a single company going

punctuation. While the actual substance we now call DNA was discovered in 1869, its role in inheritance was demonstrated only in the latter half of the 20th century and the complete mapping of the human genome was not completed until the beginning of the 21st century.

Our demand for wellness-based products and services is driven primarily by one function of the genetic code that causes aging, from the wrinkles that appear in our skin to the ultimate breakdown of our bodily organs. Over the long term, the understanding and eventual manipulation of this genetic code holds the greatest promise for the wellness industry.

By examining a person's DNA, which can be taken from the mouth with just a small swab or scraping device, it is already possible to predict the probability that a person will develop certain diseases. Scientists expect by the year 2010—it should be possible to predict every forthcoming disease or condition not caused by external factors, i.e., diet and exercise.

This means that in only the next few years, by using this information to predict the probability of developing a certain condition, a wellness distributor could suggest a vitamin—or supplement-based therapy. For example, a person with a genetic propensity to develop osteoporosis would be directed to take calcium supplements, or a person with a genetic propensity for developing prostate problems would be an early candidate to take saw palmetto.

to \$1 billion, today we'll more likely see 1,000 individuals each going to \$1 million

Instead of the rich getting richer, it means there are more people getting rich: The number of millionaires is increasing.

In the past, you never had a chance. Because the big corporation ruled, someone else made that money... the Astors, the Vanderbilts, the Rockefellers. But during the 1990s, 3.6 million people stepped forward and claimed their own fortunes.

Now let's go back to that forecast of \$100 trillion in household wealth by 2016. (And remember, that's a conservative forecast.) Where will that new \$52 trillion come from? Of course, the majority of it will go to make those people who are already wealthy still wealthier. But at least 20 percent of it—\$10 trillion or more—will represent new entrepreneurs coming to the table.

That \$10 trillion represents ten million new millionaires. One of the greatest thrills I have as a writer is knowing that a good number of those next millionaires are reading this article right now. **SH**

Professor **Paul Zane Pilzer** is a world-renowned economist, multimillionaire entrepreneur, college professor and author of five best-selling books. To learn more about Paul Zane Pilzer, please visit his Web site at [www.PaulZanePilzer.com](http://www.PaulZanePilzer.com).