

What's Wrong With Multi-Level Marketing?

a.k.a. "Networking" Companies

Bad Image or Bad Reality?

"Let me tell you about an incredible ground-level business opportunity," and you are invited to a house or to lunch for "a discussion." Funny enough, you feel sick in your gut that there is some hidden agenda or deception. "Probably a multi-level marketing (MLM) organization," you think. Suppose it is? Should you trust your instincts? Is there anything wrong with MLM?

This article will analyze four problem areas with MLM. Specifically, it will focus on problems of I) Market Saturation, II) Pyramid Structure, III) Morality and Ethics, and IV) Relationship Issues associated with MLMs. Thus, you can properly assess your "instincts."

1 Market Saturation: An Inherent Problem

1.1 Back to the Basics

A tutorial on market saturation hardly seems necessary in most business discussions, but with MLM, unfortunately, it is. Common sense seems to get suspended when considering if MLMs are viable, even theoretically, as a profitable means of distribution for all parties involved. This suspension is created by a heightened expectation of "easy money," but more on that later.

1.2 New, Innovative?

MLM can no longer claim to be new and, thus, exempt from the normal rules of the market and the way goods and services are sold. They have been tried and, for the most part, have failed. Some have been miserable failures in spite of offering excellent products.

Marketing innovations are not rare in the modern world, as evidenced by the success of Wal-Mart, which found a more efficient and profitable way to distribute goods and services than the status quo, providing lasting value to stockholders, employees, distributors, and consumers. But this is not the case with any MLM to date, and after 25 years of failed attempts, it is time to point out the reasons why.

1.3 Don't Some People Make Money in MLM?

First, we will analyze the "driving mechanism" of MLMs. We will detail how they are intrinsically unstable, guaranteed by design to oversaturate the market with no one noticing. We will look at why MLMs can never equalize into profitability the way companies in the real world can, so that the result will be that the organization as a

whole cannot, even in theory, be profitable. When this inevitable destiny occurs, the only money to be made is not from the product or service but from the losses of people lower down in the organization.

Thus the MLM organization becomes exploitative, and many high-level MLM promoters have been shut down, the "executives" incarcerated, for selling the fraud of impossible success to others. Other, larger MLMs have survived by hiring large batteries of attorneys to ward off federal prosecutors, even bragging about the funds they have in reserve for this purpose.

The unfortunate "distributor" at the bottom is the loser, and once this becomes apparent beyond all the slick videotapes and motivational pep-talks, good people start to get a bad taste in their mouths about the whole situation.

So, yes, money can be made with MLM. The question is whether the money being made is legitimate or "made" via a sophisticated con scheme. And if MLM is "doomed by design" to fail, then the answer is, unfortunately, the latter.

But how exactly does this happen, and must it always?

1.4 Doomed by Design?

The first question is this: Is any company choosing this marketing strategy destined to fail, to degenerate into an exploitative venture, regardless of how good the product is?

To see this clearly we must go through an, otherwise, obvious and elementary discussion of how any business must be careful not to overhire, overextend, or oversupply a market.

1.5 The Real World

Any business must carefully consider supply and demand. For example, if the ReVo Corporation thinks that it will have a full-fledged fad on their ovoid sunglasses next summer, perhaps they should plan to build and distribute, say, 10M units. This involves gearing up factories, setting up distribution and dealer networks, and carefully managing the inventories at each level so that ReVo will still have credibility with their distributors, retail outlets, and the public the following year.

If it turns out that there is a "run" on ReVo products, and they sell out in mid-June, then they have miscalculated demand and will miss out on profits they could have made. The more serious problem, however, is overestimating the saturation point for the product. If they make 10M units, and sell only 2M units, this may be the end of ReVo as a company.

The all-too-obvious point here is that management of supply and demand, and keen insight into realistic market penetration and saturation are crucial to any business, for any product or service. Mismanagement of this aspect of a business will eclipse good market access, excellent product design, human resource assets, production quality, and so on. Simply stated, a failure to "hit the target" of supply and demand can ruin a company if the market is oversaturated.

1.6 Market Dynamics and the End of the Cold War

Interestingly, the issue of supply and demand is what brought the USSR to its knees. By design, the Soviet government tried to macro-manage supply, where bureaucrats would decide how many potatoes were needed, how much toilet paper, etc. Assuming these bureaucrats did the best they could, unfortunately their efforts to deliberately manipulate the control "knob" of supply and demand was not good enough. Notwithstanding their good intentions, they were usually wrong, which created huge shortages and surpluses, and led to a massive economic collapse.

Seeing the disastrous end of market naiveté in Russia should help clarify the fundamental problem with the MLM approach. In the real world, the profit of a company is directly related to the skill and prescience of the "hand" on the "supply knob," so to speak. In the USSR, that "hand" could not react fast or accurately enough to market realities through the best efforts of the bureaucrats.

With MLMs, the situation is much worse. Nobody is home. Even the Soviets had someone thinking about how much was enough! If the bureaucrat in Russia was having a hard time trying to play Adam Smith's "invisible hand" in setting the supply level in the Soviet Union, then an MLM "executive" is in a truly unfortunate position. Not only is there no one assigned to make the decision of how much is enough, the MLM is set up by design to blindly go past the saturation point and keep on going. It will grow till it collapses under its own weight, without even a bureaucrat noticing.

MLM is like a train with no brakes and no engineer headed full-throttle towards a terminal.

1.7 "Everyone Will Want to Buy This Product!"

All products and services have partial market penetration. For example, only so many people wish to use a discount broker, as evidenced by the very successful but only partial market penetration of Charles Schwab. Not everyone wishes to join a particular discount club, or buy gold, or drink filtered water, or wear a particular style of shoe, or use any product or service. No one in the real world of business would seriously consider the thin arguments of the MLMers when they flippantly mention the infinite market need for their product or services.

1.8 The Demand Problem: Of Widgets and MLMs

Imagine a neat new product called a Widget that will sell for \$100 (a fixed price, to keep it simple). Now, while everyone could use a Widget, not everyone will. Some will be afraid of anything new. Some will be loyal to existing brands. Some will want to buy an inferior product for less money. Some will want a more expensive product for prestige, regardless of quality. The reasons go on and on, and the fact is that only "X" Widgets will sell at \$100.

The question for would-be marketers is... what is "X," and how can it be predicted to maximize profits? The fact that "X" is hard to pin down does not mean that it does not exist, and every Widget built beyond "X" will end up producing a problem for the

organization. The market only wants "X" Widgets at \$100. What are you going to do with your extra inventory of Widgets beyond "X" that no one wants, and the sales people you hired to sell them?

No one can perfectly predict "X," and the situation is not nearly as simple as considered here, but the objective for marketers is to forecast "X" as closely as possible in order to provide lasting value to all parties involved: to avoid missed opportunities as well as waste, loss, or failure.

1.9 The MLM Forecasting Approach: Ignoring the Target

Who has an eye on "X," the point of market saturation at a given price, in an MLM? Well, the funny thing, or perhaps the tragic thing, is that "X" will be reached and exceeded without anyone noticing or caring.

Let's just suppose that "X" has been reached today in a particular MLM; the number of possible units sold at this price has just been exceeded, and you happen to be a starry-eyed prospect sitting in an MLM meeting listening to the pitch. Now consider: Does anyone in this company know about "X"? Does anyone care? Is the issue being suppressed on purpose for some other motive? Since we are supposing that the market saturation number "X" has been reached, everyone joining the MLM from now on is buying into a false hope. But that is not what the speaker will be saying. He will be telling you, "Now is the time to join. Get in on the 'ground floor'." But it is all a lie, even though the speaker may not know it. The total available market "X" has been reached and nobody noticed. All the distributors will lose from here on out. Could this be you? How could you possibly know at what point you will become the liar in an MLM?

1.10 Pop or Drop

Perhaps a better paradigm than the runaway train analogy offered earlier of how MLMs perform over time is this: a helium balloon let loose in an empty room with a spiked ceiling, where product quality is analogous to the amount of helium. The better the product, the faster the balloon will rise, accelerating unhindered, towards disaster. The other option would be the case of a lousy product, in which case the balloon will sink of its own accord, never getting off the ground. To be sure, equilibrium is not in the cards, except perhaps as an accident, and then only temporarily. MLMs are intrinsically unstable. For any company that chooses an MLM approach, it's pop or drop.

1.11 MLMs vs. the Real World

The basic question that needs to be asked is this: If this product or service is so great, then why isn't it being sold through the customary marketing system that has served human society for thousands of years? Why does it need to resort to a "special marketing" scheme like an MLM? Why does everyone need to be so inexperienced at marketing this! Is the product just a thin cover for what is really a pyramid scheme of exploiting others? But more on that later.

1.12 From Contracted, Protected Distribution... to Mayhem

Imagine that Wendy's became suddenly possessed by the idea that "everyone needs to eat," and opened four Wendy's franchises on the four corners of an intersection in your neighborhood. Who would benefit from this folly? The consumer? Certainly not the franchises; they would all lose. Wendy's corporate? Perhaps temporarily, by speculative inventory sales while the unfortunate franchises were under the delusion that they could all make money. But in the end, the negative image of four outlets dying a slow death would likely offset the temporary inventory sales bubble. Even the most unreflective of the hapless franchisees would think twice about doing business in such a manner again. This is why real-world distributorships and franchises are contractually protected by territory and/or market.

Again, the simple fact is that even the most successful products will have partial market penetration. The same is true for services. Demand and "market share" are finite, and to overestimate either is catastrophic.

So why are MLM promoters obscuring this? Who is in control of the supply "knob," carefully and skillfully managing the size of the distribution channels, number of salespeople, inventory, etc., to insure the success of all involved in the business? The truth is chilling: nobody.

Imagine trying to write a computer model of how MLMs work, and you will see this point most vividly. An MLM could never work, even in theory. Think about it.

1.13 The People Machine

Chernobyl had a control system that failed. MLMs have *no* control mechanisms at all.

Where is the "switch" that can be flipped in an MLM when enough sales people are hired? In a normal company a manager says, "We have enough, let's stop hiring people at this point." But in an MLM, there is *no way* to do this. An MLM is a human "churning" machine with no "off button." Out of control by design, its gears will grind up the money, time, credibility, and entrepreneurial energy of well-meaning people who joined merely to supplement their income. Better to just steer clear of this monster to begin with.

There is simply no way to avoid the built-in failure mechanism of MLMs. If a company chooses to market this way, it will eventually "hire" (with no base pay and *charging* to join) far too many people.

Thus, the only "control system" will be the inevitable losses and subsequent bad image the MLM company will gain after it does what it was designed to do: fail. And sooner or later we have got to stop blaming *this* particular MLM company or *that*, and admit that the MLM technique itself is fundamentally flawed.

2 Pyramid Structure: An Organizational Problem

2.1 The Un-Pyramid

For most MLMs, the product is really a mere diversion from the real profit-making dynamic. To anyone familiar with MLMs, the previous discussion (which focused so much on the fact that MLMs are "doomed by design" to reach market saturation and thus put the people who are legitimately trying to sell the product into a difficult situation) may seem to miss the point. The product or service may well be good, and it might oversaturate at some point, but let's get serious. The product is not the incentive to join an MLM. Otherwise people might have shown an interest in selling this particular product or service before in the real world. The product is the excuse to attempt to legitimate the real money-making engine. It's "the cover."

Intuitively, we all know what is really going on with MLMs. Just don't use the word "pyramid"!

"You see, if you can convince ten people that everyone needs this product or service, even though they aren't buying similar products available in the market, and they can convince ten people, and so on, that's how you make the real money. And as long as you sell to a few people along the way, it is all legal." Maybe...

But the way to make money in all this is clearly not by only selling product, otherwise you might have shown an interest in it before, through conventional market opportunities. No, the "hook" is selling others on selling others on "the dream."

2.2 Math and Common Sense

MLMs work by geometric expansion, where you get ten to sponsor ten to sponsor ten, and so on. This is usually shown as an expanding matrix (just don't say "pyramid"!) with corresponding kick-backs at various levels.

The problem here is one of common sense. At a mere three levels deep this would be 1,000 people. There goes the neighborhood! At six levels deep, that would be 1,000,000 people believing they can make money selling. But to whom? There goes the city! And the MLM is just getting its steam going. Think of all the meetings! Think of all the "dreams" being sold! Think of the false hopes being generated. Think of the money being lost.

2.3 It Will Fail??? It Cannot Fail???

Nothing irritates a die-hard MLMer more than the preceding argument. If you point out the absurdity, for example, that if "the pitch" at an Amway meeting were even moderately accurate, in something like 18 months Amway would be *larger than the GNP* of the entire United States, then listen closely for a major gear-shift: "Well, that is absurd, of course. Not everyone will succeed, and so the market will never saturate."

Well, which is it? Are we recruiting "winners" to build a real business, or planning by design to profit off of "losers" who buy into our "confidence"?

During "the pitch," anyone can make it work. "It's the opportunity of a lifetime." "Just look at the math!" But mention the inevitable saturation and the losses this is going to cause for everyone, and then you'll hear, "Of course it would never really work like that." "Most will fail," you will be told, "but not you, Mr. Recruit. You are a winner. I can just see it in your eyes."

If you are a starry-eyed recruit, it will grow as presented. If you are a logical skeptic, then of course it would never really work like that.

But the dialog usually never even gets to this. The fact that MLM is in a mad dash to oversupply is largely chided as mere "stinkin' thinkin'." Expert MLMers know how to quickly deflect this issue with parable, joke, personal testimony, or some other sleight of mind.

2.4 New Solution: A Retarded MLM

Some modern incarnations of MLMs attempt to address this particular problem by limiting the number of people you can sponsor, say, to four. But the same geometric expansion problems exist; the failure mechanism has just been slowed down a bit. And now there is the added problem of even more unnecessary layers in the organization.

The claim that an MLM is merely a "common man" implementation of a normal real-world distribution channel becomes even more absurd in this case. Imagine buying a product or service in the real world and having to pay overrides and royalties to five or ten unneeded and uninvolved "distributor" layers. Would this be efficient? What value do these layers of "distributors" provide to the consumer? Is this rational? Would such a company exist long in a competitive environment?

2.5 Confidence Men and the Shadow Pyramid

The age-old technique of "con men" is to create "confidence" in some otherwise dumb idea by diversion of thought, bait, or force of personality. The victim gets confidence in a bogus plan, and, in exchange, the con man gets your money. MLMers are very high on confidence.

Since the brain inevitably intrudes itself into the delusion that an MLM could ever work, spirits drop and attitudes go sour. But this depressive state can itself be exploited. As doubts grow when the MLM does not do what recruits were first "con"fidenced to expect, then a further profit can be made keeping the confidence going against all common sense.

Thus, a parallel or "shadow" pyramid of motivational tapes, seminars, and videos emerges. These are a "must for success," and recruits are strong-armed into attending, buying, buying, and buying all the more. This motivational "shadow pyramid" further exploits the flagging recruits as they spiral inexorably into oversaturation and failure.

The more they fail, the more "help" they need from those who are "successful" above them.

So, MLMs profit by conning recruits up-front with a "distributorship fee," and then make further illicit money by "confidencing" these hapless victims as they fail via the "sale" of collateral material.

2.6 Special MLM "Job" Offer: A Losing Proposition

Would a rational person, abreast of the facts, go to work selling any product or service if he or she knew that there was an *open agenda* to overhire sales reps for the same products in the prospective territory?

What do you think? Is this a good "opportunity" or a recipe for collective disaster?

So, as the saying goes, "Get in early!" This is a rationalization on the level of "getting in early" on the L.A. looting riots. If profit from the sale of products is fundamentally set up to fail, then the only money to be had is to "loot" others by conning them while you have the chance. Don't miss the "opportunity," indeed!

Where is the money coming from for those at the top? From the sucker at the bottom... as in every pyramid scheme. The product could be, and lately has been, anything.

The important thing is to exploit people while the exploiting is good, if you want to make quick money at MLM.

3 Morality and Ethics: A Problem of Greed

3.1 Moral Riddle: What is Ever Present but Universally Condemned?

While issues of morality and ethics can be tricky to discuss, materialism and greed are universally condemned by every major religion, and even by most of the irreligious. This does not mean people are not materialistic or greedy; in fact, the common ethical call to not be so is strong evidence that we are.

For most people, this means if we are going to be materialistic or greedy, we would rather not be obvious about it. Thus, Madison Avenue has subtle, highly polished ways of appealing to these vices without being heavy handed. We don't mind so much... as long as it is "veiled." This hypocrisy, while sad, is the status quo. So, Madison Avenue is trying to be ever more subtle in appearing not to be manipulating our immoral "bent" towards greed and materialism.

3.2 A Blatant Appeal to Materialism and Greed

Not so with the MLM crowd. Pick up any brochure or videotape for an MLM and you are more than likely to see a cheesy, obvious, and blatant appeal to greed and materialism. This is offensive to everyone, even die-hard materialists. Typical is an appeal to "the American dream." Usually there will be a mood shot of a large new home, a luxury car, a boat, perhaps a beautiful couple boarding a Lear jet, and so on.

While this need not necessarily be part of the MLM approach, it usually is.

Such a transparent appeal should make people suspicious. "Why the bait?" "Are they trying to 'get my juices going' so that my brain turns off?" "Couldn't they show people doing more wholesome things with the money they make?" "If this is really a legitimate opportunity, why not focus on the market, product, or service instead of people reveling in lavish materialism?"

But we have reason enough to know, having read this far, why the distraction is needed. Unbridled greed suspends good judgment. When the eyes gloss over in a materialistic glaze, common sense is a stranger.

Besides being cheesy and offensive to our sensibilities, this is not a big deal for participants, right? But consider that all companies must have control over the way they are presented to the public. Thus, an MLM has the right and obligation to dictate what material is used. Otherwise any agent could say whatever he or she liked about the nature of the company, causing obvious problems. Again, it would take too much time to audit and approve each individual's idea for a presentation where the goal is mass marketing. Using "boilerplate" presentations affords the added benefit of consistency. This is basic "information quality control."

The net effect is that the MLM rep is "stuck" with the company-approved video, brochure, and presentation outline.

3.3 "Not Me, I Would Never Stoop That Low!"

In 1991, some distributors in the MLM FUND AMERICA began to produce their own, improved recruitment material. They were summarily fired, which did not please them since many of them were founding members who had "gotten in early."

Later the same year, by the way, the founder of FUND AMERICA was arrested for having generated some 90% of revenues selling "distributorships" versus product... making it clear that this particular MLM was little more than a pyramid scheme.

3.4 Job Opening: Salesperson of Sin!

Do you want to be involved in the blatant promotion of values contrary to your belief system?

In most MLMs you will have no choice. You are going to have to sit through meeting after meeting after meeting after meeting. You are going to be "motivated" to coerce

your friends and family to hear "the pitch." This is the way the "dream" is planted and fertilized. Get used to it.

If you are a materialist, you only have to get over the cheekiness of the presentation. But if you do not wish to promote such ideas, if you consider them sinful, then this puts you at the focal point of a moral dilemma. Do you wish to be a salesperson for materialism?

3.5 Lack of Information Quality Control: An MLM Incentive?

On the flip-side of the issue of being stuck with the recruitment "pitch" is the fact that the MLM organization is otherwise loose, to say the least. This is part of the appeal to many, to "be your own boss."

But in practice this leads to loony product claims, many of which are deceptive and some of which can be positively dangerous.

Hyperbole is a given in an MLM. When inexperienced salespeople are turned loose to sell on *full commission* without supervision or accountability, what else could happen?

Since MLM organizations are notoriously flash-in-the-pan, one has to wonder why any new company would choose this flawed marketing technique. Perhaps one of the things to consider is that the MLM organization can effectively skirt the Federal Trade Commission by using word-of-mouth testimonials, supposed "studies" done by scientists, fabricated endorsements, rumors and other misrepresentations that would never be allowed to see the light of day in the real world of product promotion, shady as it is.

Thus, MLM has evolved into a "niche": it can be used to sell products that could not be sold any other way. An MLM is a way to get undue credibility by exploiting people's personal friendships and relationships via "networking." This is an intrinsic moral difficulty with MLMs that will be expanded in the last section.

3.6 MLM Sales Technique: Rumors, Slander, Defamation

Hyperbole is not limited merely to product claims, however. When MLMers turn to their competitors it can get ugly indeed. Some of the most outlandish rumors of modern history can be traced to MLMs. In recent years, for example, the international rumor that the president of a major real-world corporation was a Satanist, and that the logo of his company contained occult symbols, turned out to have a *commercial* motive and was traced to specific Amway distributors. These were successfully sued in 1991, but the rumor persists. And how much else of the MLM negative "sales pitch" is fabrication or outright lie? Not all the negative selling claims are as scandalous or widespread as the previous example, but the MLM culture produces so much of this stuff it would be hard to prosecute it all.

Again, what else could be expected from inexperienced salespeople thrown into an oversaturated sales market on full commission and no accountability?

Negative selling is not unique to MLMs, but MLMs have a legacy of fostering a culture of credulity, of bizarre "gossip-as-fact." After all, this is a friend telling me this!

Telling lies about people or groups is slander. Systemic and malicious slander is illegal in most civilized countries. Slander is a sin listed next to murder and adultery in Biblical texts. But how will you know when you become the slanderer by repeating what you heard in an MLM meeting?

3.7 Great Men?

Another morally questionable practice that is not intrinsic to MLMs, but seems axiomatic, is the pent-up idolatry of the leaders.

In FUND AMERICA, the "approved materials" showed what a great man the founder was, depicted the depth of his management experience, showed him in mood shots, etc. It is easy to swoon in admiration of such a powerful, visionary man, dedicated to bringing this wonderful opportunity to common Americans like us.

It turned out he was a criminal fugitive from Australia, where he had been run out of town for doing the same.

But you would never guess it from the company material. A great man.

There are more than a few MLM "executives" like this who will pop up tomorrow in the MLM du jour. MLM exploitation can be very profitable and the jail sentences light. Let the MLM "dream" buyer beware.

I have been taken to task for making this point too strongly--and do not wish to imply that all MLM leaders have criminal records--but it does pay to do some research here. Are the idols you are being asked to worship in MLM worthy of respect, or contempt? Have they been prosecuted or sued for exploiting people in the past? Have they done prison time?

Do not expect to hear the full truth in the MLM video.

3.8 Pride and the Secret Closet: Vanity and the Way MLMs Grow

"Mr. Prospect, now you aren't required to buy more than three product units, but why bother joining unless you plan to succeed? Besides, all of our products are 100% money back guaranteed."

"Hmmm... To ask for a refund, then, is to admit defeat. Others appear to be doing O.K. at this. I'm no failure! Perhaps I should go to another motivational seminar or strong-arm and alienate one more friend to join. I wasn't fooled! I'm no failure!"

So, the "inventory" and "recruitment kits," never viable, collect dust. They become a pile in the back closet or attic, a trophy to pride being unable to admit that greed seized the moment.

3.9 Back to the Pyramids: Innovative Marketing or Organized Crime?

It is generally agreed that to mislead people in order to get their money is morally reprehensible. It is labeled "theft" or "fraud," and those who do it should be punished. No one is naive enough to suggest that you can't make money at it. Crime can pay, at least temporarily.

Pyramid schemes are illegal. They are illegal because they are exploitative and dishonest. They exploit the most vulnerable of people: the desperate, the out-of-work, the ignorant. Those who start and practice such fraud, should, and increasingly are, being punished for their crimes.

But add a product for cover, and call it an MLM, and people are willing to swallow its legality. Is this true? Really? Who says so?

3.10 The Feds versus the MLM Gang: The Other Side of the Story

It is a fact that a few large MLMs have survived against the best efforts of law enforcement officials to shut them down, spending millions of dollars to protect, lobby, and insulate themselves. But the same could be said for any organized crime. It is difficult to stop once it becomes so large.

And MLMs look so legitimate to the public, so decent. So many nice people are involved. Surely, it can't be illegal! The people lower down may even defend the very organization that is robbing them, hoping that they might get their chance to make "the big money" later.

But if it looks like a duck, walks like a duck, and quacks like a duck, it probably is a duck. Unless it is an MLM, and then it is NOT a pyramid.

The Feds generally see it differently... when the ML (multi-level) aspect begins to eclipse the M (marketing) of products or services.

People can make money in an MLM, undeniably. The moral issue is: Where is the money coming from? Selling product? Then why not sell the same product in the "real world"?

But everyone knows that the real incentive is the pyramid aspect, and the product just the excuse to make it legal, or at least the MLM promoter would like you to believe it is legal.

3.11 The Mob and the MLM: A Stretched Analogy?

Talk to a mobster, and he will tell you that he is "merely misunderstood in his benevolent intentions." "We are just trying to 'build our business.'" "It's all a conspiracy to make us look bad." "The Feds are out to get us because they are jealous or afraid of our new way of life." "Why, look at all the good we do!" "We are looking more legitimate every day." "Here's a statement from a famous DA that the Mob is really a good organization and no harm ever comes from it." "We've even got a minister to endorse us now!"

3.12 Propaganda and MLM Expansion

The MLMers of the new millennium are starting to sound a lot like the gangsters of yesteryear. In an era where management science and the law generally condemn MLM, they've "got their own experts," from academia or law, who are "on the payroll." Confidence, remember, is key.

Regardless of all the vehement denials, MLMs are all to *some extent* pyramid schemes, and pyramid schemes are illegal. Sure, some are "getting away with it," but so did the Mafia for decades. It is hard to stop a juggernaut, especially one that has taken such pains to look legitimate and misunderstood, that is highly organized, and that has so much money from its victims to propagandize, lobby, and defend itself. And so the exploitation goes on.

If these guys show up in your neighborhood, you are either "in" or "out," family or target, friend or foe. Suspicion rules the day; everyone has an "angle"; greed supplants innocence. The "neighborhood" is turned into a marketplace, and may never recover from the blow.

The ethical questions remain: Are MLMs a morally acceptable way to make money? Are they--and will they continue to be--legitimate?

3.13 MLM Proselytizing: Beneath Begging?

If money is needed that badly, why not simply ask friends and family for help rather than taking money from them under false pretenses--and also selling them a bill of goods? By "sponsoring" them, you have not only conned them and profited at their expense, you have made them feel like losers, since they are not able to make a success of the hopeless MLM concept.

Once seen, only the morally blind, or consciously criminal, could continue in such a "business."

But wait, perhaps you could recruit... your mother!

3.14 Moral Inventory

By way of review, the prospective MLM initiate has to face and resolve these ethical issues:

1. Do I want to be involved in encouraging people to be more materialistic?
2. Do I want to sell a product that perhaps couldn't be sold any other way?
3. Do I want to be a part of an enterprise famous for slander, libel, and rumor?
4. Do I want to be a part of a company that may employ criminals as marketing experts?
5. Do I want to make money off my ability to convince people that an unworkable marketing system is viable?
6. Do I want to be known among my friends and family as a person who tried to con people with a thinly veiled pyramid scheme?

If you can answer these questions "yes," training is available... But remember that God is watching, even if you never get "successful" enough for the Feds to notice you.

4 Relationship Issues: An Experiential Problem

4.1 Learning the Hard Way

MLMs grow by exploiting people's relationships. If you are going to be in an MLM, you swallow hard and accept this as part of "building your business." This is "networking." But to those not "in" the MLM, it seems as if friendship is merely a pretext for phoniness, friendliness is suspected as prospecting, and so on. There is no middle ground here, try as you might.

While this is the most difficult point to make, it is perhaps the most important. Anyone who has any experience with an MLM has strong feelings, either for or against, and *this is the problem*. Polarization runs deep.

4.2 High-pressure Selling -- Reserved for Pyramids Only

When it comes to selling product, MLM sales reps are probably no more aggressive or obnoxious than ordinary salespeople. Since most are not salespeople by nature, and it is characteristic that MLMs attract few people with any experience selling this particular product or service, they usually sell through pre-fab "parties" or home "demos." Thus, sales pressure is exerted by situation, if at all.

It should be noted that when selling product, the only distinction from a real-world business is the possibility for deception due to the "looseness" of the MLM and the incentive to exaggerate claims without any accountability. Other than this, selling product in an MLM is fairly similar to selling any product in the real world.

But when it comes to getting you "signed up" as a "distributor," the MLMers get pushy and deceptive beyond the boundaries of polite social norms.

Remember, an MLM is defined by its rewarding people to recruit others in multiple levels.

4.3 "Mother, Let Me Tell You About a Fantastic Opportunity..."

Even ex-accountants are willing to practice the crudest of high-pressure selling tactics, at least when it comes to "signing people up." The end justifies the means, when it comes to getting people to come to the "meetings," where the objective is to get a materialism frenzy going at high pitch through a slick speaker or video. The reasons for this "confidence building" should be obvious by now, but here we are considering the relationship cost associated with the "success" of the MLM.

The above title is meant to be absurd. Most people, no matter how jaded, would not foist such a con on their own mothers. Even if people don't know the specifics of what is wrong with MLMs, intuition often warns us: "Don't tamper with that relationship." The first marks for recruitment are the gullible, or the "expendable" friends. But successive moral compromise, experience, and desperation... may yet lead to "good old Mom."

4.4 Never Admit You Are Wrong

Many have left high-paying jobs to "pursue their dreams" in an MLM. Having been conned so dramatically, they do not easily admit defeat. It seems easier to cling to the bad dream in an increasing cycle of desperation to make the MLM work against all odds. "Losers" at the bottom congregate into support groups, perhaps spinning-off another MLM where they can be "boss."

There is an undeniable camaraderie among MLMers. But for everyone else, "there goes the neighborhood." It is saddening to see people being encouraged against all instinct and common sense to chase after an illusory "pot of gold," but what can be done?

4.5 Counting the Cost: The First Church of MLM

Many readers will share the experience of observing MLMs divide families, friends, churches, and civic groups. Lifelong friends are now "prospects." The neighborhood is now "a market." Motives change, suspicions rise, divisions form. The question is begged: "Is it worth it?"

Especially nasty is the church situation. Will the pastor join? If not, he will take a dim view of MLM proselytizing at church functions; animosity will rise, factions will form. You are either "in" or out. If the pastor joins, then those who are not "in" will feel a little uncomfortable in this church.

A church (or any community group) can be easily torpedoed by an MLM.

4.6 Trust Your Instincts?

For most people, thankfully, the MLM experience usually ends in very quick financial failure and is then sidelined. Two possible responses are: 1) being embarrassed about participation, or 2) becoming even more intractable when the MLM has failed. You

will find the latter chasing after the latest "get rich quick" scheme with similar results. "If we could have just sponsored so and so--they have so many friends--we would have made it."

Thus, there is reason for the "bad taste" most people have for MLMs. By instinct if not experience or insight, we wince at the thought of what we know will follow in the wake of an MLM. Relationships strained, factions formed, deception, manipulation, greed, loss, a closet full of videotapes, brochures, and useless inventory that "everybody wants."

4.7 Disease Alert: Beware of MLM Blindness

Apparently, it is difficult for gung-ho MLMers to see how they look from the outside. They can watch lifelong friendships unravel, churches and civic groups poisoned, the avoidance of friends and family, etc., and never see that MLM was the cause.

If you try to point this pathology out, you are treated as if you have attacked the very gospel! Perhaps for some, the MLM approach is a new gospel?

They will claim to have made "new friends," most of which are MLMers or new acquaintances who could be considered "future prospects." The shallowness of these "new friends," the stilted conversations among the "old friends," and the embarrassment, in general, for what seems clear to everyone but the MLMer go unnoticed. Callousness sets in; standards are lowered.

Of course, it could be pointed out that this might have happened anyway. Perhaps the die-hard MLMers would have ruined their friendships anyway in some other non-MLM business failure. Is the MLM really the cause, or just the vehicle?

Business failure of any type is traumatic on the relationships involved, but in most small businesses there is at least the *chance* of success. And this is never the case in an MLM, unless "success" can be defined as profiting off of the failures of others.

Non-MLM real-world businesses that offer products of interest to friends, family, etc., such as insurance agents and small retail shop owners, seem to be more circumspect in dealing with personal relationships in all but a few rare (and grievous) cases. But the MLMer is recognizable by duplicity of friendship overtures, overbearing glad-handing, full-time prospecting, outrageous initial deception, and social callousness. This is no accident, but rather sheer desperation. How could it be otherwise? For the active MLMer is in a hopeless bear trap: with hubris as one steel jaw and oversaturation the other.

And so the MLM relationship "bull" tramples through the relationship "china closet," blindly ruining fragile and valuable things. Some never pull out of this, figuring the coldness they experience in their emotional lives is due to some other cause than their MLM participation.

4.8 The Aftermath

One can't help but wish that the "neighborhood" could be like it once was. But an MLM storm has blown through, ruining valuable relationships with no regret or conscience. And brace yourself, another one is coming. Perhaps it is in that smiling face approaching you, or in that nice letter you just received from a "friend"?

What goes unnoticed to the MLMer is that when the neighborhood is turned into a marketplace, something precious is lost... which is not easily regained.

This aspect of the MLM experience should not be underestimated, and the reflective reader would do well to think twice about the value of friends, family, community, and church fellowship before joining or continuing in an MLM.

5 Summary of What's Wrong With Multi-Level Marketing

1. MLMs are "doomed by design" to recruit too many salespeople, who in turn will then attempt to recruit even more salespeople, ad infinitum.
 2. For many, the real attraction of involvement in multi-level marketing is the thinly veiled pyramid con-scheme made quasi-legal by the presence of a product or service.
 3. The ethical concessions necessary to be "successful" in many MLM companies are stark and difficult to deal with for most people.
 4. Friends and family should be treated as such, and not as "marks" for exploitation.
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It is hoped that by clearly pointing out "What is Wrong With Multi-Level Marketing" that many might be spared the inherent and associative pitfalls by avoiding the practice.

As well, for those who insist on practicing MLM, it is hoped that this analysis will serve as a handy framework of *problem areas* to be avoided if and where this is possible.