

Multilevel Marketing aka “Pyramid Schemes” – Good or Bad? (Part 1)

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by Syndicated Columnist Cathy Harris

I am not writing this article to offend anyone but the truth about multilevel marketing must be told. I feel that multilevel marketing is not only bad – but it's really, really bad. By the time you finish reading this article, I am sure most of you will agree with me. These types of schemes many call “pyramid schemes” are rendering people homeless.

Many of us remember when Amway was launched. Many of these new products being launched today are the old Amway system but with different names.

Many multilevel marketing plans are nothing more than pyramid schemes, which draw government scrutiny because of their unethical practices. Also, be cautious in using this means for marketing your product, because it is still associated in many minds with fly-by-night operators.

Multilevel marketers, also referred to as network marketers, are independent distributors. They recruit individuals to sell a variety of products, including household cleaners, diet ads, vitamins, beauty products and many more. They recruit members of their inner circles, such as family, friends, neighbors, co-workers and others. These people in turn are advised to do the same.

What's more frightening is if your network marketing opportunity fails (and over 90% of them do), this “once-in-a-lifetime” opportunity may haunt you for a lifetime, as friends, family, co-workers, remind you that your big dream turned out to be nothing. The more these people invested, the worse their reaction to you. Is this what you want to live with the rest of your life?

Many network marketers will always fail because there are significant costs involved in getting involved in any network marketing companies. This includes cost of products, sign-up and other fees, marketing materials, and mailing costs.

With the very high failure rate of network marketing companies, you'd be crazy to consider any company unless you know something solid about its finances. If you are interested in this means of advertising and distribution, check it out carefully beforehand.

You make money in two ways in a multilevel marketing organization. The first is by serving as a combination retailer and sales representative – you buy products from the company and resell them to customers. The second way is by recruiting people into the organization and earning a commission off their sales. That's

where the term multilevel comes in. If I recruit you and you recruit a friend, I get commissions off both your sales and your friend's sales.

If you're thinking of joining such an organization, consider whether you have any sales skills, whether you believe in the product, and whether the product is priced fairly. Products will not sell themselves. No matter what anyone tells you, you will need sales skills to succeed at this.

Multilevel marketing organizations want you to believe that, with very limited expense on your part, but a great desire to win, you can become wealthy.

Did you know that most people never recruit more than two people into any given network marketing opportunity? The commission returned from what these people buy is rarely sufficient to cover the expenses, thus ensuring that the network marketer actually loses money and so gets discouraged and drops out – looking for an easier way to make money.

Even though you make the company successful by joining, when you drop out the company has a very little chance of being successful. Like a pyramid, only the people at the top are successful. Many people who try to gain titles and positions and have hopes of rising to the top never make it. They carry a revolving door of inflated hopes destroyed by reality.

I am writing this article for those of you who have already gotten involved and don't know how to get out. Many have persuaded others to get involved such as college professors, police officers, pastors, community leaders, etc. The reason you can't get out is because you feel dedicated to the persons who got you involved in the first place. They continue to hound you by calling and emailing you and constantly encouraging you to recruit others while they are unable to get others involved themselves.

Pretty soon at the weekly meetings and quarterly trips to Florida, Las Vegas, and other locations, you only see the same persons time and time again. Every once in a while you get a new person to join. Then your upline/recruiter encourages them that they have made a good choice. But many are smart and get out right a way.

During these meetings and trips you hear testimonials from people who say they were near financial ruins but are now rolling in money, have a fancy car and a retirement home at the beach. You'll also see this at the company's web site, where you'll be amazed to learn that you're the last person to find out about the easy millions that are yours for the taking. If you see a picture with the CEO surrounded by a trophy wife, airplane, a fleet of sleek automobiles, hold your wallet. These people certainly aren't into reinvestment. Your hard-earned money is subsidizing their playroom.

Again, I don't want to offend anyone but to me, these types of unethical practices only hold people back from being the persons that they really need to be. Many of these persons could use these assertive skills and develop their own talents and open their own businesses. Being a part of these groups will do nothing but set you back emotionally and financially. Many will end up homeless as a result.

Because of the economy, people are so desperate to obtain extra funds that they become victims to these pyramid schemes.

Many people who join these schemes get so persistent and aggressive that it literally results in them begging you to join their venture. Some become so desperate, they have a hard time taking no for an answer. Sometimes it almost results in a "stalking-like syndrome."

Be careful when you meet someone in the community who attends a weekly meeting and tells you this meeting will change your life. Ask more questions about the meeting. Many can't even explain to you at that time, what type of meeting it is. If they tell you it's a financial meeting, be weary about going to these meetings. More than likely it's a multilevel marketing aka pyramid scheme.

At the risk of alienating people farther, I am not going to list some of these schemes. But feel free to contact me and I will tell you if you are involved in a "pyramid scheme." Personally, a few years ago I got involved with such a scheme which makes me an expert on the subject.

My advice to anyone who has joined these pyramid schemes is to walk away before it is too late for you to recover emotionally or financially.

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Multilevel Marketing: Investigate Before You Invest (Part II)

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by Syndicated Columnist Cathy Harris

Multilevel Marketing also called Network Marketing, Pyramid Schemes, etc. is still continuing to render people into a state of denial, despair and hopelessness which ultimately leads to homelessness.

After writing the first part of this article on July 24, 2006, I was able to inform many people not to quit their day job. I have since received many comments and questions from those who thought they were involved in a multilevel marketing scheme, but just wasn't sure. Over 99% of the time it was indeed a "Pyramid Scheme." Many admit they have lost friendships and had to distance themselves from family members and other acquaintances who have become obsessed with selling or recruiting them for these illegal Pyramid Schemes.

For the sake of this article and everyone in the community, I must now name some of these pyramid schemes: **Amway, Mary Kay, Avon, Tupperware, Herbalife, Quixstar, Noni Juice, Melaleuca, Pre-paid Legal, Primerica, YTB Travel, ACN, Fruta Vida Intl., Ameriplan, Warm Spirits, etc.** You can check with this website <http://www.mlmwatch.org> to find out about others.

In the world of network marketing, which companies can you really trust? Among the legitimate opportunities are unscrupulous impostors.

So how can you spot the real opportunities? Take the time to investigate the opportunity. Ask questions. Be wary of any companies that offer to give you "first shot" if you sign up immediately, recruiting plans that pay distributors for each new distributors they recruit, and companies that make ridiculous or unrealistically high earnings promises.

All multilevel companies have products which are sold directly, person-to-person. Multilevel marketing emphasis is on recruiting, as well as selling, whereas direct sales companies might not recruit.

Basically, direct selling differs from network marketing, dual marketing and multi-level marketing because in direct selling you do not necessarily have the opportunity to recruit, whereas in network marketing you have the opportunity to make some extra money by recruiting more salespeople into your organization. For instance, Avon representatives only recruit after reaching a certain level, whereas Mary Kay consultants may recruit from the ground level up.

A pyramid scheme superficially resembles a network marketing company, but its focus is on generating income through recruiting new members and charging

them fees rather than selling them products. A pyramid scheme tries to make money from you rather than with you.

In pyramids, sales are often the secondary goal and recruiting the first. Sometimes pyramids promote products that have no actual markets or have not even been created, yet. If you are offered an opportunity that requires a huge start-up investment or promotes frontloading or inventory loading be wary, it probably is a pyramid scheme.

Here are just some of the unethical statements that recruiters will use to try to recruit you into illegal Multilevel Marketing schemes:

#1: MLM offers better opportunities than all other conventional business and professional models for making large amounts of money.

#2: Network marketing is the most popular and effective new way to bring products to market. Consumers like to buy products on a one-to-one basis in the MLM model.

#3: Eventually all products will be sold by MLM. Retail stores, shopping malls, catalogs and most forms of advertising will soon be rendered obsolete by MLM.

#4: MLM is a new way of life that offers happiness and fulfillment. It provides a way to attain all the good things in life.

#5: MLM is a spiritual movement.

#6: Success in MLM is easy. Friends and relatives are the natural prospects. Those who love and support you will become your life-time customers.

#7: You can do MLM in your spare time. As a business, it offers the greatest flexibility and personal freedom of time. A few hours a week can earn a significant supplemental income and may grow to a very large income, making other work unnecessary.

#8: MLM is a positive, supportive new business that affirms the human spirit and personal freedom.

#9: MLM is the best option for owning your own business and attaining real economic independence.

#10: MLM is not a pyramid scheme because products are sold.

These guidelines will help you evaluate whether the opportunity you're being offered is a wise investment.

1) Consider the company. Read and reread all materials given to you, and make sure the literature you're reading is authorized. Do not sign anything rashly; a reputable company will wait until you are ready. Take into consideration how long the company has been in business. But while there is something to be said for longevity, don't necessarily discount new companies.

2) Find out who the management team is: How long have these individuals been in the business and what other companies have they worked for? Be aware of the company's finances. Does the company have adequate capitalization? Do the sales volume quoted to you work out on paper? When do mission checks go out? Do distributors receive product as soon as it is ordered, or is there a long waiting period? Also, will the company buy back your products if the opportunity doesn't work for you? A good network marketing company should have a buy-back policy of at least 90 percent for all unsold inventory and sales aids in salable condition.

3) Consider your sponsor: How do you know them? How much do you trust them? You are essentially becoming business partners, so consider this person your director, teacher, and supporter. Is this person successful? Are they driving a company car? Don't be swayed by the money totals they say they make. Check any figures they give you with authorized company literature and a phone call to the company, itself.

4) Ask for a list of names and phone numbers: Talk to other people in your sponsor's down-line, as well as other network marketers in the organization. Call at least 10 people and ask them some pointed questions about the company. Find out if they are happy with the support the company has given them, the products they are selling and their own sponsors. Most importantly, find out if they would sign up with the same company if they had a chance to do it all over again. Consider how often your sponsor will meet with you. How will they support you and contribute to your success?

5) Signing Up: If you decide to invest in an MLM opportunity, know that by law a company cannot make a profit on a sign-up fee. Your initial investment should go only for the sales kit or demonstration material needed. No minimum purchase or inventory requirement should be necessary to become a distributor, and according to the Multilevel Marketing International Association (MLMIA), mandating the purchase of accessory products or services is illegal. Front loading is strongly discouraged by ethical companies, associations and states.

Remember that the product is as important as the opportunity. Do not sell a product you do not believe in. Also consider: Does the marketplace you live in demand such a product? If not, are you willing to travel outside your immediate area to sell it? Is the product reasonably and competitively priced? How much commission will you receive from selling the product? This is especially important. Even if you never recruit one person, how much can you make?

Also, is customer satisfaction guaranteed? Make sure you can return any products clients aren't satisfied with.

How to Investigate a Network Marketing Opportunity:

- 1) Ask advice from trade organizations like the Direct Selling Association (DSA) (www.dsa.org), which has over 150 direct selling companies as members and offers free brochures. The Multilevel Marketing International Association (MLMIA) (www.mlmla.com) is a smaller trade organization that represents MLM companies.
- 2) Check your state's department of consumer affairs, attorney general's office or Better Business Bureau (www.bbb.org) for information about the company. The MLMIA can only provide information about its members.
- 3) Don't be afraid to call the company itself and verify the information you've been given. Request precise answers and, if you need to, ask several different people the same questions.
- 4) The Federal Trade Commission (FTC) (www.ftc.gov) (202-326-2222) can tell you if any formal complaints have been made against a company. It also offers various literature, including a free booklet on franchise and business opportunities.
- 5) Get at least 20 names and phone numbers of different distributors for this company. Call at least 10 of them to find out more about the company.

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