

## The 10 Big Lies of MLM

by Robert L. Fitzpatrick, 1997

*(Robert L. Fitzpatrick is co-author with Joyce K. Reynolds of the new book, False Profits: Seeking Financial and Spiritual Deliverance in Multi-Level Marketing and Pyramid Schemes, published by Herald Press in Charlotte, NC (ISBN: 0-9648795-1-4) Read a Review of False Profits. He may be contacted at [falsprofits@aol.com](mailto:falsprofits@aol.com), False Profits Web Site)*

The multi-level marketing (MLM) field grows and its member companies multiply. Solicitations to join the movement seem to be everywhere. The impression accordingly grows that it is indeed the wave of the future, a business model that is gaining momentum, growing in acceptance and legitimacy and, as its promoters claim, will eventually replace most other forms of marketing and sales. Many are led to believe the assertions that success can be found by anyone who faithfully believes in the system and steadfastly adheres to its methods and that eventually all of us will become MLM distributors.

With fourteen years experience in corporate consulting in the distribution field and after more than six years of research and writing about the MLM model, I have gathered information, facts and insights that show the MLM business model to be essentially a free market hoax. It is analogous to calling the purchase of a lottery ticket a 'business venture' and winning the lottery a 'viable income opportunity for everyone.' MLM industry claims of distributor income potential, its glorified descriptions of the 'network' business model and its prophecies of a reigning destiny in product distribution have as much validity in business as UFO sightings do in the realm of science.

The very legality of the MLM system rests tenuously upon a single 1979 court ruling on one company. The guidelines for legal operation set forth in that ruling are routinely ignored by the industry. Lack of governing legislation or oversight by any designated authority also enables the industry to endure despite occasional prosecutions by state Attorneys General or the FTC.

MLM's economic score card is characterized by massive failure rates and financial losses for millions of people. Its structure in which positions on an endless sales chain are purchased by selling or buying goods is mathematically unsustainable and its system of allowing unlimited numbers of distributors in any market area is inherently unstable. MLM's espoused core business - personal retailing - is contrary to trends in communication technology, cost-effective distribution, and consumer buying preferences. The retailing activity is, in reality, only a pretext for the actual core business - enrolling investors in pyramid organizations that promise exponential income growth.

As in all pyramid schemes, the incomes of those distributors at the top and the profits to the sponsoring corporations come from a continuous influx of new investors at the bottom. Viewed superficially in terms of company profits and the wealth of an elite group at the pinnacle of the MLM industry, the model can appear viable to the uninformed, just as all pyramid schemes do before they collapse or are prosecuted by authorities.

Deceptive marketing that ably plays upon treasured cultural beliefs, social and personal needs, and some economic trends account for MLM's growth, rather than its ability to meet any consumer needs. The deceptive marketing is nurtured by a general lack of professional evaluation or investigation by reputable business media. Consequently, a popular delusion is supported that MLM is a viable business investment or career choice for nearly everyone and the odds of financial success in the venture are comparable or better than other trades, professions, employment or business ventures.

MLM's true constituency is not the consuming public but rather hopeful investors. The market for these investors grows significantly in times of economic transition, globalization and employee

## **THE 10 BIG LIES OF MLM** **by Robert L. Fitzpatrick, 1997**

displacement. Promises of quick and easy financial deliverance and the linking of wealth to ultimate happiness also play well in this market setting. The marketing thrust of MLM is accordingly directed to prospective distributors, rather than product promotions to purchasers. Its true products are not long distance phone services, vitamins or skin cremes, but rather the investment propositions for distributorships which are deceptively portrayed with images of high income, low time requirements, small capital investments and early success.

### **Lie #1:**

MLM is a business offering better opportunities for making large sums of money than all other conventional business and professional models.

### **Truth:**

For almost everyone who invests, MLM turns out to be a losing financial proposition. Less than one percent of all MLM distributors ever earn a profit and those earning a sustainable living at this business are a much smaller percentage still.

Extraordinary sales and marketing obstacles account for much of this failure, but even if the business were more feasible, sheer mathematics would severely limit the opportunity. The MLM type of business structure can support only a small number of financial winners. If a 1,000-person downline is needed to earn a sustainable income. Those 1,000 will need one million more to duplicate the success. How many people can realistically be enrolled? Much of what appears as growth is in fact only the continuous churning of new enrollees. The money for the rare winners comes from the constant enrollment of armies of losers. With no limits on numbers of distributors in an area and no evaluation of market potential, the system is also inherently unstable.

### **Lie #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.

### **Truth:**

If you strip MLM of its hallmark activity of continuously reselling distributorships and examine its foundation, the one-to-one retailing of products to customers, you encounter an unproductive and impractical system of sales upon which the entire structure is supposed to rest. Personal retailing is a thing of the past, not the wave of the future. Retailing directly to friends on a one-to-one basis requires people to drastically change their buying habits. They must restrict their choices, often pay more for goods, buy inconveniently, and awkwardly engage in business transactions with close friends and relatives. The unfeasibility of door-to-door retailing is why MLM is, in reality, a business that just keeps reselling the opportunity to sign up more distributors.

### **Lie #3:**

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

### **Truth:**

Less than 1% of all retail sales are made through MLM and much of this sales volume is accounted for by the purchases of hopeful new distributors who are actually paying the price of admission to a business they will soon abandon. MLM is not replacing existing forms of marketing. It does not legitimately compete with other marketing approaches at all. Rather, MLM represents a new investment scheme that uses the language of marketing and products. Its real products are distributorships which are sold with misrepresentation and exaggerated promises of income. People are buying products in order to secure positions on the sales pyramid. The possibility is always held out that you may become rich if not from your own efforts then from some unknown person who might join your 'downline,' the 'big fish' as they are called.

## **THE 10 BIG LIES OF MLM** **by Robert L. Fitzpatrick, 1997**

---

MLM's growth is a manifestation not of its value to the economy, customers or distributors but of the recently high levels of economic fear and insecurity and rising expectations of quick and easy wealth. It is growing in the same way legalized gambling and lotteries are.

### **Lie #4:**

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

**Truth:** The most prominent motivating appeal of the MLM industry as shown in industry literature and presented at recruitment meetings is the crassest form of materialism. Fortune 100 companies would blush as the excess of promises of wealth and luxury put forth by MLM solicitors. These promises are presented as the ticket to personal fulfillment. MLM's overreaching appeal to wealth and luxury conflicts with most people's true desire for meaningful and fulfilling work in something in which they have special talent or interest. In short, the culture of this business detours many people from their personal values and desires to express their unique talents and aspirations.

### **Lie #5:**

MLM is a spiritual movement.

### **Truth:**

The use of spiritual concepts like prosperity consciousness and creative visualization to promote MLM enrollment, the use of words like 'communion' to describe a sales organization, and claims that MLM is a fulfillment of Christian principles or Scriptural prophecies are great distortions of these spiritual practices. Those who focus their hopes and dreams upon wealth as the answer to their prayers lose sight of genuine spirituality as taught by all the great religions and faiths of humankind. The misuse of these spiritual principles should be a signal that the investment opportunity is deceptive. When a product is wrapped in the flag or in religion, buyer beware! The 'community' and 'support' offered by MLM organizations to new recruits is based entirely upon their purchases. If the purchases and enrollment decline, so does the 'communion.'

### **Lie #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.

### **Truth:**

The commercialization of family and friendship relations or the use of 'warm leads' which is required in the MLM marketing program is a destructive element in the community and very unhealthy for individuals involved. Capitalizing upon family ties and loyalties of friendships in order to build a business can destroy one's social foundation. It places stress on relationships which may never return to their original bases of love, loyalty and support. Beyond its destructive social aspects, experience shows that few people enjoy or appreciate being solicited by friends and relatives to buy products.

### **Lie #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.

### **Truth:**

Decades of experience involving millions of people have proven that making money in MLM requires extraordinary time commitment as well as considerable personal skill and persistence. Beyond the sheer hard work and talent required, the business model inherently consumes more

## **THE 10 BIG LIES OF MLM** **by Robert L. Fitzpatrick, 1997**

areas of ones life and greater segments of time. In MLM, everyone is a prospect. Every waking moment is a potential time for marketing. There are no off-limit places, people or times for selling. Consequently, there is no free space or free time once a person enrolls in MLM system. Under the guise of creating money independently and in your free time, the system gains control and dominance over people's entire lives and requires rigid conformity to the program. This accounts for why so many people who become deeply involved end up needing and relying upon MLM desperately. They alienate or abandon other sustaining relationships.

### **Lie #8.**

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

#### **Truth:**

MLM is largely fear-driven. Solicitations inevitably include dire predictions about the impending collapse of other forms of distribution, the disintegration or insensitivity of corporate America, and the lack of opportunity in other professions or services. Conventional professions, trades and business are routinely demeaned and ridiculed for not offering 'unlimited income.' Employment is cast as enslavement for 'losers.' MLM is presented as the last best hope for many people. This approach, in addition to being deceptive, frequently has a discouraging effect on people who otherwise would pursue their own unique visions of success and happiness. A sound business opportunity does not have to base its worth on negative predictions and warnings.

### **Lie #9.**

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

#### **Truth:**

MLM is not true self-employment. 'Owning' an MLM distributorship is an illusion. Some MLM companies forbid distributors from carrying additional lines. Most MLM contracts make termination of the distributorship easy and immediate for the company. Short of termination, downlines can be taken away with a variety of means. Participation requires rigid adherence to the 'duplication' model, not independence and individuality. MLM distributors are not entrepreneurs but joiners in a complex hierarchical system over which they have little control.

### **Lie #10:**

MLM is not a pyramid scheme because products are sold.

#### **Truth:**

The sale of products is in no way a protection from anti-pyramid scheme laws or unfair trade practices set forth in federal and state law. MLM is a legal form of business only under certain rigid conditions set forth by the FTC and state Attorneys General. Many MLMs are in gross violation of these guidelines and operate only because they have not been prosecuted. Recent court rulings are using a 70% rule to determine an MLM's legality. At least 70% of all goods sold by the MLM company must be purchased by non-distributors. This standard would place most MLM companies outside the law. The largest of all MLMs acknowledges that only 18% of its sales are made to non-distributors.

---

*Robert L. Fitzpatrick is co-author with Joyce K. Reynolds of the new book, **False Profits: Seeking Financial and Spiritual Deliverance in Multi-Level Marketing and Pyramid Schemes**, published by Herald Press in Charlotte, NC (ISBN: 0-9648795-1-4) Read a Review of False Profits. He may be contacted at [falsprofits@aol.com](mailto:falsprofits@aol.com), False Profits Web Site*