

# THE GREAT INFLUENCE SCAM

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Hey lovelies! Are you interested in an incredible business opportunity that gives you the ability to work from home? For decades now, network marketing companies have been dangling the promise of a rocketing income, flexible schedule and aspirational lifestyle in front of people desperate for a lucky break. But what happens when the dream of direct sales starts to look more like a nightmare? Debika Ray investigates.

“I was in a religious cult in my youth—so I quickly recognized the feeling,” says Charlotte over a confidential internet call from Australia. She does not want to divulge her full name because, she says, the subjects of this discussion are highly litigious. Charlotte is part of the Anti-MLM Coalition—a group of activists striving to educate people about multi-level marketing. Also known as network marketing, multi-level marketing is a business model—popularized by the likes of Avon and Tupperware in the middle of the last century—under which a brand’s products are sold through a network of unsalaried representatives. The representatives buy discounted stock to resell and are remunerated through a system of commissions on their transactions and those of anyone they enlist as fellow distributors. It’s a business model that has thrived for decades but one that is laden with insights into the gendered nature of consumerism and the power of social media to muddy the waters between social and transactional relationships.

Charlotte signed up in 2016 to sell a range of liquid lipsticks after a friend who was already doing so pointed out that she would get a discount on the products if she enrolled as a distributor. She lasted about five months before withdrawing, put off primarily by the interactions she witnessed on the secret Facebook groups she was added to by her “upline”—the person who recruited her. “It’s hard to put into words,” Charlotte says. “It’s very much like high

school girl, *Mean Girls* sort of stuff. There’s a lot of adulation of the CEO, the woman who started the MLM, and that is quite typical because the founder is seen with almost religious fervor so there was nothing she could say that was wrong.”

The term “pyramid scheme” is often used to describe these kinds of groups, but MLM chains are not technically pyramid schemes. For one thing, they are legal in most jurisdictions—although many argue that they should at least be better regulated. For another, most involve selling tangible products and services, rather than investment opportunities.

Far from ringing alarm bells, for many people the names Avon (which has been operating since 1886) and Tupperware (since 1948) evoke cozy images of groups of women gathered around the kitchen table sharing conversation and advice over tea and cake, making harmless, small-scale purchases from each other and sometimes going on to become “Avon ladies” or host Tupperware parties themselves. A myriad of other brands, selling everything from sex toys to dog food, earn billions operating in a similar way. Big names include American companies Amway (health, beauty and homeware products), Herbalife (dietary supplements), LuLaRoe (clothing) and Mary Kay (cosmetics); German firm Vorwerk (household appliances, kitchen and beauty products) and Hong Kong-based Infinitus (Chinese herbal health products). According to the Direct Sell-

ing Association, which represents the industry, in 2017 there were 18.6 million direct-selling representatives in the US—where most of these businesses are based—up from 15 million in 2007. MLMs account for about \$34.9 billion in sales. Many now operate in other developed countries, as well as in countries with growing consumer markets such as India and Mexico. The trouble is, according to research, the practice is less about selling products than about roping other people into doing it, too.

Multi-level marketing has taken on a new life in the social media era, with platforms such as Facebook, YouTube and Instagram giving distributors new channels through which to market their stock and win over recruits. Yunique, for example—founded in 2012—boasts of being “the first direct sales company to market and sell almost exclusively through the use of social media,” through its “virtual parties.” “My most successful parties are when the hostess invites between 200 and 300 people,” says one blog by a network marketer, advising others to post regularly on their own personal page, as well as within groups they specifically set up for MLM sales. It’s perhaps no surprise that social media, much of which is built around personal image and branding and careful self-presentation, lends itself so well to MLM—especially when brands are increasingly keen to tap into the power of “influencers.”

Many opposed to MLM complain of their feeds being inundated by friends selling essen-

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## TEXT: DEBIKA RAY

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tial oils or dietary supplements, as well as photos depicting the glamorous lifestyle that supposedly comes with climbing the ladder within one of these organizations—photos of designer items, sports cars and luxury holidays are signifiers of their success. Partly because of this, the practice of MLM has attracted vociferous opposition—the “antiMLM” group on Reddit has over 470,000 members, while *The Dream* podcast recently caused a stir with its investigation into the world of MLM—including its impact on women. The objections go beyond mere annoyance—many point to the financial and psychological damage these schemes can do.

Their strongest argument comes from independent researcher Jon M. Taylor’s 2011 report for the Federal Trade Commission, the US consumer protection agency: Taylor concluded that 99% of MLM promoters take a loss after expenses. This is partly because distributors often buy up their own stock to meet the targets needed to qualify for commissions. “Often you need to sell a minimum amount—for example, £500 worth of products,” says Hannah Martin, who runs the Talented Ladies Club, a British website and service which helps new mothers back into work, and has been investigating MLMs for the past few years. “If you don’t meet that target, you become ‘inactive’ and have to buy a starter kit—the initial minimum investment in stock—again.”

Taylor points out that the business model is largely insular and dependent on purchases by distributors themselves, rather than by people outside the line of business—essentially shifting money from newer entrants to a few at the top. This means that distributors are heavily incentivized and trained to recruit, which chimes with the findings of Jane Marie, host of *The Dream* podcast. “The product you’re selling doesn’t really matter,” she says. “The goal of all these companies is to find sitting ducks who will say, ‘Yes, sign me up,’ then who cares

if there’s a market for whatever you’re selling?” MLM businesses refute these claims. One blog—believed by many to be from an affiliate of the Direct Selling Association—asks why “92 million people around the world” would continue to take part in a business if losses are almost guaranteed. And it’s certainly not the case that people have universally bad experiences. One woman who has been selling Younique products for almost four years tells me that MLM is attractive because it’s cheap to start up and, if the product is good, your only limit is yourself. “The people who don’t like them are usually those who thought they would be millionaires overnight and who just didn’t do the work that was necessary.”

But Robert Fitzpatrick, president of consumer campaign Pyramid Scheme Alert, says the very foundation is false: “The ‘opportunity’ is not ‘unlimited,’” he writes in one paper. “It is finite and diminishing. The thousands at the bottom of the pyramid cannot possibly enroll as many recruits as those few at the top already have.” Taylor echoes this: “MLM as a business model is the epitome of an ‘unfair or deceptive acts or practice.’ MLM makes even gambling look like a safe bet in comparison.”

And the impact is not just financial, says Charlotte. Getting involved can be psychologically and socially damaging, often affecting personal relationships. “The typical pattern seems to be one partner in a couple joins an MLM, gets very involved and heavily invested, develops new social circles, their personality changes and they spend increasing amounts on MLM products and training, dropping ‘non-supportive’ friends and family and increasing conflict when the other partner has concerns. We’ve also heard of university students abandoning their studies to work in MLMs full time.” It’s easy to see why it would be a nuisance to have your friends unexpectedly treat you like a customer or potential recruit, and why do-

ing so might damage your relationships. But the pressure to succeed and the incentive not to quit, Charlotte says, is reinforced by the way distributors present themselves on social media. “Distributors are encouraged to ‘fake it ‘til you make it,’” she says. “There’s a culture of overstating your earnings and you’re encouraged to sell a lifestyle, which most of them are not actually living.” The intention is to inspire newer entrants to stick with it, with promises of rewards—fancy cars and vacations—if you rise up the ranks to the likes of “black” or “platinum” status. The Talented Ladies Club has pulled together examples of distributors saying things online like, “Make your Facebook think your business is booming—even if you’ve only had one order.”

So if MLM can be so damaging, why does it continue to attract people? That’s difficult to answer because of the lack of academic research into MLMs and transparency by the companies around their practices. But it’s also at least partly because of who such businesses target (or rather, who their independent representatives target, because instructions rarely seem to be linked to the companies themselves). Marie is cautious about attributing it to a personality type, but she says she noticed that responses during her research for *The Dream* tended to fall into two camps. “People were either immediately suspicious or they were fully on board. Those who are interested truly believe that they will be that one percent who succeed.” More specifically, she says, reps strive to recruit people in particular life circumstances. “They look in communities where they feel they’ll have a good chance of converting believers with the promises of wealth and freedom,” she says. “It’s definitely marketed to people who have few other options for work and for making a living, and for whom their lives are already pretty restricted.” Charlotte has a similar assessment: “They are

presenting an opportunity to people who are having a rough time or don’t have enough money—young moms at home, people with disabilities or chronic illness, retirees, immigrants who haven’t been able to work because of visas, military wives, freelancers, students.”

Martin adds that, in her experience, reps are encouraged to pounce on people if they catch sight of vulnerability—for example, if they lost their job or need a new car. “They are encouraged to find people’s weak points,” she says, showing me an advisory document for recruiters that says that, when speaking to potential recruits, you should “Focus on their WHY.” It goes on to explain that you should “Spend plenty of time on this. Try to get them to connect—If you can make them cry, you have found their WHY!”

The gendered nature of MLM also provides some clues to its logic: the Direct Selling Association put the proportion of female salespeople at 73.5% in 2017, and a glance at the brands reveals that the products are largely female-oriented. Traditionally, women have different types of social networks than men, ones that lend themselves to this domestic, conversational, intimate way of selling. “Anyone worth recruitment will see joining you in this business as a relationship,” says one rep on *The Dream*. As well as cashing in on this social capital, MLM businesses recognize that women are more likely to be comfortable letting a female salesperson into their home.

In return, for many women with small children, the prospect of working from home and setting your own hours is an attractive way to balance work and domestic responsibilities. “They market very heavily to highly religious communities and places where escape is not an option—for example, to military spouses and those who live on military bases,” Marie says, pointing out that many of these companies proudly brand and market themselves as Christian businesses. “They praise women for

their sacrifices and talk about the virtues of motherhood—it’s quite predatory and almost like grooming in that way.”

There are financial reasons for the focus on women, too: for example, while women tend not to be the primary breadwinners, they do often control the household finances, which means losses are less likely to be noticed. On her podcast, Marie was told about a sort-of joke in some circles called the “husband unaware plan.” “A lot of these companies actually talked about that pretty openly—like, ‘Don’t tell your husband how much money you’re putting into it. As long as he doesn’t know how much money you’re spending on it, it’s fine.’”

If these networks are such a bad bet that it’s an open joke that participants should disguise their expenditures, why do people remain in them? Martin’s theory is that it’s similar to an abusive relationship that encourages secrecy and isolation, while promising something better. “You’re told things like that your husband, friends and family won’t understand and that if your circle isn’t supportive, you should get a new one. Simultaneously you’re love-bombed by your network, who are described as your ‘sisters’ and ‘family.’”

Then there are the psychological traps that keep us all chained to bad decisions. “Some people avoid thinking about their losses and will continue participating in behavior that contributes to even more loss, out of denial and refusal to go through the pain of saying, ‘I screwed up,’” Marie says. And the sunk cost fallacy also comes into play. “When you’ve invested so much money in something, you might as well continue—if you quit now, you’re definitely out the \$3,000 but if you keep going there’s a chance you will make \$3,001.”

In the first episode of *The Dream*, Jane Marie traces the ideology behind MLM and pyramid schemes back to the human potential movement of the 1960s—a philosophy that has con-

tinued to be propagated by self-help books such as the phenomenally popular *The Secret* (2006). The contention is that we have a vast amount of untapped potential within us and unlocking it relies largely on changing the way we think and behave: Positive thinking, confidence and good behavior can lead to personal happiness and prosperity, as well as to the success of society at large. Speaking on the podcast, Pyramid Scheme Alert’s Robert FitzPatrick points out that this is a foundational concept in the United States. “Thinking correctly in America is supposed to lead to prosperity,” he says, describing a vision in which “there’s enough for everyone; scarcity is an illusion.”

These utopian ideas tug at both our sense of greed and ambition and our need to believe that things can get better for all of us. MLM makes sense at a time when political certainties are melting away and inequality is skyrocketing. While financial worries are rife for the majority, there’s a small minority swimming in wealth—a minority that has no incentive to encourage others to seek equality at their expense. Everywhere, hoaxes that play on our insecurity and loss of control are thriving.

It’s perhaps not a coincidence that MLM has infiltrated the highest levels of society. Between 2009 and 2011 Donald Trump himself endorsed a multi-level marketing company called The Trump Network, which sold vitamins and health products, and his education secretary Betsy DeVos’ father-in-law is the co-founder of Amway, which had sales of \$8.8 billion in 2018. From the kitchen table to the highest levels of government, we live in an age of false promises. And, as with nationalistic promises to restore pride and control, statistics, evidence and expertise seem powerless to cut through the kind of simple, emotional and inspiring message that MLMs present: that you are the master of your own destiny and that we can dream of better times. Aren’t we all looking for that?