

Multi-Level Menace

Multi-level marketing companies use subtle influence techniques to capture and influence recruits—and you are at risk.

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If you've been around social media lately, you'll have come across a friend who suddenly is posting about makeup, diet shakes, essential oils, shampoo, or even insurance. Their personality seems somehow different. And they want to "catch up for a coffee"—with an agenda.

More and more people are being lured into the glittering promises that are multi-level marketing (MLM) companies. Social media provide rich hunting grounds. MLMs are proliferating. They are aggressive recruiters, with trained workforces using influence techniques to reel in new members. Once signed up, they exploit their members ruthlessly. This isn't an issue we can afford to ignore—we're not safe.

What Is an MLM?

The structure of these companies defines them as multi-level marketing. They also may call themselves network marketing, party plan, or direct sales companies.¹

Distributors in such companies earn money and advance by selling products or services to end customers but *also* from commissions on the sales of the people who have signed up underneath them, continuing down in multiple levels (hence *multi-level*). The ultimate aim of the people at the top is to earn massive passive incomes off their teams.

All of these MLMs sell some product or service. They each have their own version of "MLM opportunity" where you can sign up as an independent distributor of these things—and of course it costs to sign up.

You sign up under someone—usually a persuasive friend or relative—who becomes your *upline sponsor*. You can then purchase the products or services from the company at varying wholesale discounts and either use them yourself or sell them to others at the retail price.

But the *real* push is to get more people to sign up under you for the "MLM opportunity." You then become *their* upline sponsor. These people are called your *downline*. And when they place a wholesale order with the company, *you* earn a commission based on the amount *they* spend. And when they sign up people underneath them, you might earn commissions on *those* people's orders as well. This is how the big bucks are made at the top of MLMs—from downline commissions, not product sales. Studies show that only 1

percent of people at the top of an MLM typically make a very large income. The 99 percent remaining make minimal income, nothing, or lose money (Taylor 2011).

MLMs love to tell their new members that they are now "small business owners"—I'm sure you've seen the #girlboss, #bossbabe, and #mompreneur tags on Twitter, Facebook, and Instagram. But legally, recruits are "independent distributors" and operate within very strict rules imposed by the company (MLM Intel 2018). They are not running their own business. They cannot sell the products however they wish. They are victims.

Who Are These Companies?

There are hundreds of MLMs—some are mainstream to the point of seeming "harmless," such as Avon and Tupperware. Others are becoming more visible, such as dōTERRA, LuLaRoe, Isagenix, Younique, and Primerica. Some "brick and mortar" businesses, such as The Body Shop and Swarovski, have MLM arms.

These MLMs operate in a legal gray area. Are they legitimate business opportunities? Are they pyramid schemes? These are questions that keep lawyers and regulators arguing and are beyond the scope of this article. MLMs often claim they're not pyramid schemes because they sell products or services—but product-based pyramid schemes *are* a thing.

Some warning signs are:

- recruiting participants is unlimited, in an endless chain;
- advancement through the hierarchy is based on recruitment achievements;
- ongoing purchases from the company are required to advance and/or earn commissions;
- the company pays commissions to more than five levels of distributors;
- more profit is earned from commissions than from the sale of the actual product²; and
- the use of complex points systems instead of accounting

with actual money.

Basically, these companies have a few people at the very top exploiting a massive number of people below them. They can cause real harm to their members financially, socially, and emotionally.

Cult specialist and counselor Steve Hassan defines “any group that uses unethical mind control to pursue its ends—whether religious, political, or commercial—as a destructive cult” (Hassan 2016, 39). On this basis, my view tallies with his—MLMs are cults.

But, whatever their classification, these companies use undue influence methods to catch and (attempt to) keep their recruits.

Who Are the Victims?

Some MLMs prey on college students—great way to cover your tuition fees, right? Military wives are targeted—they often have to make new friends when moving. Chronically ill people are also targets—make an income when you’re too unwell to have a regular job. Young mothers at home are *especially* targeted, playing on their desire to be with their children and contribute to the household income. But all of us can fall victim to these companies. Don’t be complacent.

Ex-members are often too damaged or embarrassed by their experiences to speak out—or too scared—so their stories remain unheard and the public remains unaware.

Because cults are not well understood, it makes us all easy prey. Our biggest weakness is not grasping how these groups operate. One of the ways that we are vulnerable is we are sure that we’re *not* vulnerable. We like to think that those “brain-washing tricks” wouldn’t work on *us* and that only “stupid, weak people” join MLMs and cults.

We believe that we are in control of our own minds and no group could unduly influence us without our assent. However, our brains are changing all the time, even if we don’t like to acknowledge it. Our unconscious minds can get

overloaded and make bad decisions. Just think of how well you operate and make decisions after a week of insomnia. Listening to droning, repetitive speeches when drowsy is dangerous—the critical mind is not paying attention, and “undue influence” can slip in under your usual radar.

Who is more at risk? It’s true that some people are more vulnerable to cult influence than others because of their personalities (not their level of intelligence). As neuroscientist Kathleen Taylor explains, creative people who are open to new ideas, think intuitively and flexibly, and are tolerant of “outgroups” seem to have increased suggestibility and susceptibility to influence attempts. People pleasers and people who aren’t great at critical thinking are also more vulnerable (Taylor 2017, 214–215).

Certain stresses make you more susceptible to influence, too, breaking down your usual defenses. MLMs rely on the

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effects of stress on your brain. A death in the family, loss of a job, a relationship breakup, a serious illness, and so on—at these times, you’re especially vulnerable to approaches from a friend offering you a way out, some “sure-fire” income, a sympathetic ear.

MLM approaches can appear from many quarters. It might be a friend or family member who is already in an MLM. You might find yourself at an MLM-sponsored event or caught up at an MLM booth at a craft fair. Increasingly Facebook, Instagram, Twitter, YouTube, websites, and blogs are awash with MLMs.

Trained recruiters. MLM members are *trained* on how to get new recruits and “build their downline.” Often the members being coached don’t realize that *they’re* being manipulated into manipulating others! They are taught tactics such as always be smiling and positive. Don’t say anything negative. Make plenty of time to connect with your prospect. Become good friends with them.

Members are taught to tailor their message to their prospect. Are you interested in earning lots of money? They will talk about the huge earning potential. Do you want to stay home with your kids? They will focus on how flexible your work hours can be.

They have script books on how to respond to common objections. If you say: “I already have a full-time job,” their response will be something like: “Brilliant! You’ve got heaps of contacts for booking parties and finding your first downline at work. A lot of women sell [MLM product] part-time for extra income.”



This quote is from a book on network marketing, explaining how to deal with a prospect who says no because they have no interest:

Thank them for their time! Add them to your newsletter list and Facebook for monthly follow-ups so they become a part of your “audience”, watching what you do over time. Again, ask for referrals. If you replace every “no” with a referral, your contact list will never run dry! Follow-up with them from time to time, letting them know what’s new and exciting in your company and to see if the time is right to revisit. The fortune is in the follow-up! (Robbins 2013, 74)

They don’t take no for an answer—it’s only “no for now.” These people are trained, prepared, and insistent. You need to be aware that they *are* influencing you.

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The Impact of Influence

Sometimes, when we are sufficiently motivated, we stop and think about the influences we experience. When we do not we are open to exploitation. (Taylor 2017, 76)

Our world is constantly influencing us.³ Whether it’s a counselor helping us to overcome anxiety, a company wanting us to buy their cereal, a political party wanting us to vote for them, or a deceptive group trying to get you to join, influence is everywhere. Many forms of influence are benign or helpful, such as education and psychotherapy. But there are darker motives around.

We have ways of automatically responding to certain situations (for example when someone gives us an unexpected gift) with automatic responses (we feel an extremely pressing need to reciprocate). There are many such innate responses that we’re not consciously aware of. Automatic responses are critical for our survival—we can’t pay close attention to absolutely everything around us constantly, so they’re not a bad thing. But they can be misused.

MLMs use these influence methods regularly. For example, people react strongly to scarcity, which causes a drive to get whatever is rare. An MLM only needs to say a popular item is out of stock (which may not be the case). Their distributors get stressed about the “out of stock situation.” Then suddenly there’s more stock available but only in “limited quantities.”

This announcement triggers panic buying by the distributors, who often order more than they actually need—or can

sell—of the “scarce” product. The company gets a burst of orders, makes a heap of money, and the hapless distributors end up with too much of that product, probably have trouble on-selling to their customers, and end up with piles of the stuff in closets, not to mention mounting debt.

How MLMs Operate

Recruitment and losses. People generally don’t join cults; cults actively *recruit* them. MLMs especially always need fresh blood. The drop-out rate from the “base of the pyramid” is massive—estimates put it at 50–90 percent per year (FitzPatrick 2017). To maintain the level of passive income the top 1 percent enjoy, they need to constantly replace these membership losses. They pressure their downlines to continue signing up new members. MLM training and conferences focus heavily on training their members in how to recruit—how to overcome objections, how to overcome shyness, how to build a team, and so on. Many people make a career out of training MLM members how to recruit and build teams. Most books on network marketing, direct sales, and MLMs are about recruiting and team building.

Mind control. Mind control is also called “thought control, brainwashing, and undue influence.” It is the process of controlling people through intentionally and deviously changing their normal beliefs and thought processes. It’s not forced indoctrination, as seen in military settings, but persuasion through subtle influence techniques. Someone who has successfully been subjected to undue influence typically isn’t aware of it. They will tell you that they’re thinking clearly and freely for themselves.

There are several mind control models out there. The one I’m describing here is cult specialist and counselor Steve Hassan’s BITE model. BITE stands for Behavior, Information, Thought, and Emotions. MLMs somewhat affect these things with prospects but more so with recruits once they’ve signed up.

Behavior Control. This is control of a person’s environment—their clothing, diet, rituals, sleep, and activities. While not as extreme as some religious cults, MLMs do work to control their recruits by setting specific achievement goals (monthly tasks, team targets, etc). Most have a dress code, maybe a particular shade of blue is required to be worn at all company training and events. Some require their female members to wear skirts with pantyhose, not trousers. “Running your business from your smart phone” means that there is great restriction of free time—and in fact, recruits are generally glued to their phones, posting on social media, messaging prospects and customers, and neglecting their families.

Information Control. It is easy to be controlled if you don’t have accurate information. MLMs are often caught lying or withholding or distorting information. The super keen members don’t read much except for MLM-related material. And the material these companies put out can be really dodgy, especially if they’re making health or science claims, as many do.⁴ Members are not allowed to criticize the leaders, products, or organization—not even in their private Facebook distributor groups. They are specifically told not to share any

doubts or criticisms with their downlines.

Distributors are encouraged to report each other's misdemeanors (such as disclosing income or selling products on eBay) against the company's official policies to their MLM's Compliance Department. This encourages spying on each other and creates an atmosphere of fear.

Thought Control. These groups have internalized doctrine and language. They advocate thought-stopping practices. They block out information critical of the group and disbelieve criticisms. *The Secret* and Law of Attraction materials are promoted within MLMs. Members are also often told to avoid contact with ex-members and critics—those “haters” and “negative Nancies” who are just “bitter because they didn't try hard enough and failed.” Questioning or critical comments are usually treated with “delete and block.” When presented with facts about MLMs, they cannot hear it. “Because of

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thought control, factual information that challenges the cult worldview does not register properly” (Hassan 2016, 121).

Emotion Control. Deceptive groups can take advantage of identity guilt. Young moms at home who feel guilty that they're not contributing to the family income are an easy target for MLMs. Love bombing is used to influence and entice recruits, and the level of emotional control ramps up once you sign up. Happiness is redefined as having lots of recruits and money. If things go badly, members blame themselves rather than the company, business structure, or leaders.

Any criticisms of the products, revered founder, or the company are quickly quashed. Negative comments are deleted, angry or upset distributors are silenced, and “mean girl” behavior abounds.

The distributors are desperately trying to fit in with their new group of “MLM friends,” doing what they're told. They're sold the lie that if they do *this* or *that* they will succeed and earn heaps of money, the car, the “free” vacations.

Anti-MLM campaigner Bot Watch sums it up nicely:

The recruiters act as though they really care about you. They might call you and other people in their teams “hun” and litter their social media with heart emojis and positive, uplifting messages aimed at raising your confidence and feeling part of a new “family”... [However] MLM people advocate unfriending and cutting out people from their lives if they question the new MLM family. A Them vs Us feeling is created. For each real-life person cut off, the MLM bond is strengthened. (BotWatch 2017)

In a Nutshell

What it boils down to is this: we're *all* at risk. Just being smart isn't enough protection. MLMs are everywhere, infil-

trating your social groups and communities, both online and off. New MLMs are popping up all the time. It's crucial to learn about how these deceptive groups ensnare and exploit people. Know the names of these companies. Be suspicious of vague “business opportunities.” Educate yourself about cults and influence. Research online thoroughly before you join a group, attend a “life-changing lecture,” or sign up for “your own business.” Caution your loved ones who are considering signing up.

Stop and think. This is the way to resist persuasion. Be careful out there. ■

If You Need Help

If you have a loved one who is embroiled in an MLM and you're concerned, I highly recommend reading Steve Hassan's very practical book *Freedom of Mind: Helping Loved Ones Leave Controlling People, Cults, and Beliefs*. For more information and support, visit the Anti-MLM Coalition's website mlmtruth.org, which has many articles and provides links to other MLM resources, covering a wide range of companies.

Notes

1. Some direct sales companies are benign, as they focus on sales, without recruitment—but some recruitment MLMs call themselves direct sales companies, muddying the already muddy waters.

2. Summarized from *The 5 Red Flags: Five Causal and Defining Characteristics of Product-Based Pyramid Schemes, or Recruiting MLMs* (2006) by Jon M. Taylor, www.ftc.gov/system/files/documents/public_comments/2006/07/522418-12585.pdf.

3. The primary ways people are influenced are: reciprocity, commitment and consistency, social proof, liking and making friends, authority, scarcity, and instant influence. To learn more about influence, read Cialdini's seminal book *Influence: Science and Practice*.

4. See “Crimes against Science,” *BotWatch Blog*, February 17, 2018, botwatch.blog/2018/02/17/crimes-against-science/.

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