

DREAM OR SCHEME: THE OPERATIONS, INTERNAL COMMUNICATIONS AND  
APPEAL OF THE AMERICAN DREAM IN MULTI-LEVEL MARKETING COMPANIES

BY

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*Abstract*

The Multi-level Marketing (MLM) industry uses a unique business model and is a relatively private industry, making MLM companies more difficult to study than most other companies. The business model has been questioned since the beginning of the industry by critics who assert that MLM companies are illegitimate pyramid schemes that can facilitate a variety of unethical behavior (Andriati, 2016; Cardenas & Fuchs-Tarlovsky, 2018; Eisenberg, 1987; Guo & Chan, 2015; Hannan, 2014; Koehn, 2001). Advocates for MLM companies view MLMs as legitimate, legal, and safe business models that are excellent for building strong, long-lasting customer relationships (Constantin, 2009; Fogg, 1998; Gregor & Wadlewski, 2013; Kumar, 2013; Lenahan, 2014). This study aims to answer three central research questions: 1) How do MLMs operate: how do they recruit, socialize, and motivate prospective distributors with their unique business structure; 2) do MLMs leverage the American Dream, and do their members feel they are achieving or will achieve the American Dream; and 3) how does the internal communication of these companies function between the different levels of positions and what impact does this have on the organization and members? Methods for the study include a literature review of sources defining MLM companies, their structures, and the history and growth of the industry. The second method used is a case study of cross-sectional, virtual and in-person interviews of both current and former Mary Kay and Arbonne distributors. Self-determination theory, equity theory, and expectancy theory are used to understand how MLM companies can utilize these theories to recruit and motivate MLM members. The theoretical approach to consumerism aims to answer the second research question and define how consumerism, materialism, individualism, and the American Dream can be exploited by MLM companies to cause unethical behavior.

## CHAPTER 1: INTRODUCTION

Multi-level Marketing companies (MLMs) are companies that utilize a unique business model which has been highly criticized since their formation. Critics of the MLM industry question their ethics and the legality of their operations (Andriati, 2016; Cardenas & Fuchs-Tarlovsky, 2018; Eisenberg, 1987; Guo & Chan, 2015; Hannan, 2014; Koehn, 2001). Critics also question the MLM business model, its legitimacy, and accuse the industry as a whole as being pyramid schemes or business cults (A Multi-Level Scourge, 2018; Krige, 2012; Mook, 1997; Pharaonic Creations, 2015; Sutherland, 2018, Walsh, 1999). Supporters of the industry view MLM companies as legitimate, non-illegal businesses that are the safest business model due to the lack of entrepreneurial risk, and that they are excellent for building long-lasting customer relationships (Constantin, 2009; Fogg, 1998; Gregor & Wadlewski, 2013; Kumar, 2013). Since these companies are mostly private, they are difficult to examine and analyze.

This study aims to better understand the MLM industry by answering three central research questions: 1) how do MLMs operate: how do they recruit, train, and motivate prospective distributors with their unique business structure; 2) do MLMs leverage the American Dream, and do their members feel they are achieving or will achieve the American Dream and; 3) how does the internal communication of these companies function between the different levels of positions and what impact does this have on the organization and members? These three research questions help to answer how and for what specific reasons people join MLM companies, if MLM companies are or can be exploitative, and how their chosen methods of communication play into these two questions.

### *Methods*

The first method is a literature review of sources describing the MLM business model, structure, operations, history of the industry, the impacts they have on others, positive implications, and negative ethical implications of MLM companies and the industry. Chapter two, a literature review, provides an extensive summary of previously published research, studies, and analyses of MLM companies that establish the context for this study. This review also introduces the ethical issues of MLM companies and why these issues are significant in the way that they affect MLM members and customers.

The second method used for data collection was a cross-sectional case study of semi-structured, virtual and in-person interviews. The interviews conducted studied current and former Mary Kay and Arbonne distributors. I chose these two MLM companies because according to the reviewed literature, these two companies are some of the top performing MLMs in the industry, have both existed for more than forty years, and appear the least likely to be considered pyramid schemes. Participants were chosen using non-random sampling methods, specifically purposive and network sampling based on their current or former member status with either of the two companies. Participant demographic data can be seen in Figure 1 and Figure 2.

<b>Name</b>	<b>MLM Company</b>	<b>Years of Experience</b>	<b>Gender</b>	<b>Age</b>	<b>Race</b>
1. "Kelly"	Arbonne	10-15 Years	Female	45-54	White
2. "Jane"	Arbonne	15-20 Years	Female	65-74	White
3. "Kira"	Arbonne	Less than 1 Year	Female	18-24	White
4. "Lilly"	Mary Kay (Former)	5-10 Years	Female	45-54	Non-White
5. "John"	Arbonne (Former)	Less than 1 Year	Male	18-24	Non-White
6. "Susan"	Mary Kay	5-10 Years	Female	55-64	White
7. "Emily"	Mary Kay	1-5 Years	Female	35-44	White
8. "Alice"	Arbonne	5-10 Years	Female	45-54	White

Figure 1: Interview Participant Demographic Data; Own Source

	<b>Average Age</b>	<b>Average Experience in MLM</b>
All Participants	46	7.8 years
Arbonne Members	41.6	9 years
Mary Kay Members	52	6 years

Figure 2: Interview Participant Average Age; Own Source

*Theory*

Chapters three and four aim to answer the first and third research questions where I examine MLM companies' methods of recruiting, socializing, and motivating members through the uses and exploitation of equity theory, expectancy theory, self-determination theory, organizational communication, and other slightly unconventional practices. MLMs use extrinsic factors such as appealing to wealth, promises of high income, business trips, etc. to do so (Krige, 2012; Hannan, 2014). In addition (and rarely discussed in the literature), MLM companies also use intrinsic factors that appeal to internal factors of human motivation such as striving for feelings of competency, autonomy, relatedness, and the way in which employees in organizations analyze and compare their experiences to that of their colleagues for perceived fairness and/or equality of treatment (Deci & Ryan, 2008; Hoffman-Miller, 2019; Hoffman-Miller, 2019; Pettypiece, 2015).

Chapter five discusses participants' perceptions about the American Dream, and examines the ways in which American consumerist culture, materialism, individualism, and the American Dream are exploited by many MLM companies to cause ethical issues within the industry. Some of these ethical issues include pushing consumption of non-essential products onto consumers, appealing to greed, colonizing members' lives, instrumentalizing personal relationships, losing moral autonomy, and in some cases product harmfulness (Cohen, 2016; Cardenas & Fuchs-Tarlovsky, 2018; Krige, 2012; Miles, 1998). In consumerism theory, the basis is that consumption is a process in which consumerism is a way of life (Cohen, 2016; Tauxe & Tauxe, 2012). Consumerism is a way of life rooted in American culture where Americans strive to construct their social identity and prestige through acquiring material goods, and these material possessions portray one's wealth, social status, well-being, and identity to others for



feelings of gratification, success, attractiveness, and affluence (Miles, 1998; Kasser & Kanner, 2005). These feelings of success, gratification, and more fulfill the American Dream for Americans, which is defined as having the opportunity to obtain prosperity, success, and upward social mobility through hard work (Eliassen, 2018). So, this chapter examines how consumerism and the American Dream—which many Americans aspire to have—can cause individuals to be more willing to partake in unethical acts in MLMs in pursuit of these goals to achieve the American Dream, and then portray their success to others.

## CHAPTER 2: LITERATURE REVIEW: THE FORMATION, GROWTH, AND HISTORY OF THE MLM INDUSTRY

This literature review will define multi-level marketing (MLM) companies, give a history of the industry, describe the multiple types of structures they can have, explain how the industry has continually grown, describe the business model, define pyramid schemes, and how they are differentiated from legitimate MLM companies.

Multi-level marketing companies (MLMs) refer to the practice of distributing, selling, or supplying products or services through various levels of independent agents (contractors, distributors, etc.) These agents are paid commissions, bonuses, discounts, dividends, or other forms of consideration in return for selling products and services and/or recruiting other agents. A distributor who recruits another member becomes that new member's "upline." The recruited member is the distributor's "downline." In MLMs, uplines are paid bonuses or commissions on the sales made by their direct downlines (Koehn, 2001, p. 153).

The MLM industry has shown impressive exponential growth over the past 30 years in terms of total sales and the number of salespersons involved (Kiaw & Cyril de Run, 2007, p.37). In 2015, more than 103.3 million people globally worked for MLMs and created a retail turnover of approximately 183.7 billion U.S. dollars (Groß & Vriens, 2019, p. 333).



The industry's growth seems to prove the attractiveness of MLMs, but the industry has faced several legal and ethical difficulties (Krige, 2012; Guo & Chan, 2015). Many people question

their legitimacy and recruiting techniques, calling them “business cults,” where “millions of people are ensnared in these pyramid schemes that use cult-like techniques to brainwash their targets and bilk them out of their money,” (A Multi-Level Scourge, 2018). Others view MLMs as legitimate businesses with the safest type of business model for someone starting a company that have the least amounts of entrepreneurial risk and are excellent for building long-lasting, quality customer relationships (Gregor & Wadlewski, 2013; Kumar, 2013). To understand the industry better, I will discuss the start of the industry and how MLM companies have transformed over time.

### *The Birth of The Industry*

Some scholars argue that the MLM industry dates back to the 1940s with companies such as NutraLite Food Supplement Corporation, Shaklee, Amway Company, Mary Kay, and Herbalife (Kiaw & Cyril de Run, 2007). Others view the start of the industry in the 1950s to the early 1960s (Andriati, 2015; Scheer, 2006). However, Gregor & Wadlewski (2013) argue that the MLM industry dates back to the 1920s. During this period in the U.S., the direct distribution of goods was an important component of social life. Companies in search of opportunities to sell their products opened sales agencies across the country (Marie, 2018). Producers delivered goods to the agencies and were later handled by direct distributors – traveling salesmen. These agencies were run by experienced employees who often had introduced products to the market themselves and trained new distributors. As the number of trained distributors generating higher sales increased, companies started rewarding managers for the time devoted to training new employees. Companies paid them sums in advance or gave them a share in the value of the sales of new distributors (Gregor & Wadlewski, 2013, p.8).

The first company operating based on these rules was founded by William Casselberry and Lee Mytinger in 1934. The company distributed products from the California Vitamin Company and Nutrilite XX Vitamins. In 1941 the company implemented the first C&M marketing plan (Casselberry & Mytinger) with the main goal to encourage distributors to work towards sales and searching for and training new employees. Distributors could receive 3% from sales of newly formed groups. Newly trained employees naturally brought about even higher sales to the company. Those sales in turn brought higher profits to distributors who were more eager to train new partners (Gregor & Wadlewski, 2013, p.9).

In the 1950s the company was hit by a crisis when two partners left and established their own company in 1959 – Amway. They started production of their own goods and worked out a special rewarding system, which was characterized by a division of profits proportionate to the contribution of work to the expansion of the company. After rapid expansion, Amway Corporation took over Nutrilite; simultaneously, a group of distributors left Nutrilite and formed the Shaklee company. The main difference between the companies was concerning the products they sold: Amway sold household detergents and Shaklee sold nutritional and food products (Gregor & Wadlewski, 2013, p.9; Scheer, 2006).

In the U.S. the success of MLMs started to attract interest. Many dishonest businessmen started manipulating the MLM model of commissions and membership into pyramid structures. The pyramid structures encouraged distributors to pay large subscription fees and were promised that these payments would be quickly paid back along with the expansion of the network (Scheer, 2006). The members were also encouraged to buy bigger batches of goods with higher discounts. As a result, many distributors who were expecting large profits from buying large amounts of inventory had issues selling the inventory later (Zimmerman & Zipper, 2017). This

system was based on the gullibility of people and was used by dishonest and persuasive individuals. The dishonest system led to social concerns which resulted in new legal regulations of MLMs (Babener, 2017; Scheer, 2006).

At the beginning of the industry, the MLM business was a newly introduced trading model that was not easily accepted by the public. People were skeptical of businesses that offered quick profit gaining (Mackay, 2019). This skepticism since then had largely dissipated until the events in the 1970s where dishonest businessmen took advantage of the MLM system and started pyramid systems. This began to attract the attention of society, regulators, and the Federal Trade Commission. Many members of society and regulators started to accuse any MLM of being an illegal pyramid scheme and led the industry into controversy (Babener, 2017; Kiaw & Cyril de Run, 2007; Scheer, 2006).

Amway was accused of being a pyramid scheme by the Federal Trade Commission (FTC) in 1975. After four years of litigation, it was decided in 1979 that Amway was not an illegal pyramid scheme. Amway won in the ruling and its method was ruled to be a legitimate business opportunity. The decision is now known as the Amway Safeguards Rule, which is one of the most significant sets of legal standards where courts and regulatory agencies determined the legitimacy of MLM/directing selling networks. In the administrative judge's decision, three features were pointed out in the Amway program. First, Amway required its representatives to engage in retail selling under the "ten retail customer policy" (distributors must sell products to at least ten external customers) which appeared in the agreement that representatives signed upon joining. Second, Amway required its representatives to sell a minimum of 70 percent of any previously purchased products before placing a new order to prevent inventory loading. Third, Amway had an official buy-back policy for unsold, unopened inventory. By adding these three

criteria, network/direct sales provide themselves with an “umbrella of legal protection,” (Babener, 2017).

If Amway had lost this case, MLMs may have ceased to exist after 1979. Twenty years after the decision, the FTC focuses more on "deceptive practices" of MLMs, like earnings representations or medical claims, rather than attacking the "structure" of MLMs. The MLM/network marketing/direct sales industry was regarded as a safe and legal course until the formations of pyramid schemes in the 1970s. In numerous schemes, the only commodity that moved through its levels was money—no tangible goods or services (Marie, 2018). The FTC established the earliest guidelines regulating pyramids in the Koscot Interplanetary Inc, 1975 case. The FTC was critical of three things: large membership fees, front-end loading/inventory loading, programs where distributors were misled as to the amount of commission they might reasonably earn, and programs where the commission was not based on the sale of products to end consumers (Babener, 2017).

Some cases like Koscot, Dare To Be Great, and other pyramid cases displeased the American public and these cases in the 1970s represented a low point in legal history of the industry according to Babener (2017). As a result of a few, the industry was penalized with overreactions by regulatory authorities. Many legislators and attorneys dedicated themselves to eliminating all forms of direct sales activities to attempt to leave no room for illegal pyramid schemes. So, the FTC's prosecution of Amway in the 1970s allows MLMs to operate today but could have permanently ended the entire industry of direct selling (Babener, 2017).

### *The Structures of MLM Companies*

MLM companies can use three different models to operate: Uni-Level systems, binary systems, and matrix systems. Understanding these models can help to distinguish them from illegal pyramid schemes.

### Uni-Level Systems

One type of remuneration plan that can be used by an MLM is the Uni-Level system. This model is a genealogical record of new clients directly under the person that recruited them. This system is illustrated by Gregor & Wadlewski (2013) in Picture 1 (p. 10).

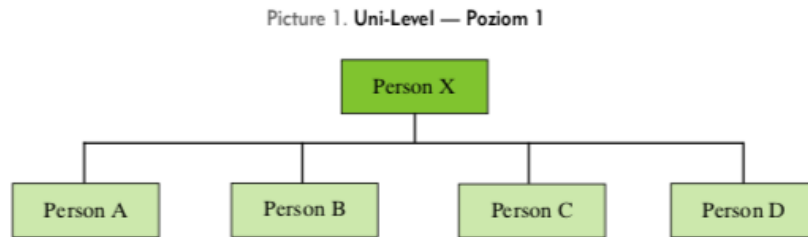


Figure 4: Uni-level System – Ponziom 1; Gregor & Wadlewski, 2013

In this model, Person X has recruited persons A, B, C, and D and these recruits are considered Person X's downline. Many MLMs that want to reward active clients take advantage of the Uni-Level System. For example, if a distributor receives \$50 in commission for recruiting a new member, person X would have earned \$200. Person A who recruited persons 1 and 2 will get \$100, and person B who recruited persons I and II will also receive \$100. Person D will receive \$200 like person X for recruiting four people. This can be seen in Gregor and Wadlewski's (2013) Picture 2 (p. 11).

Picture 2. Uni-Level — Poziom 2

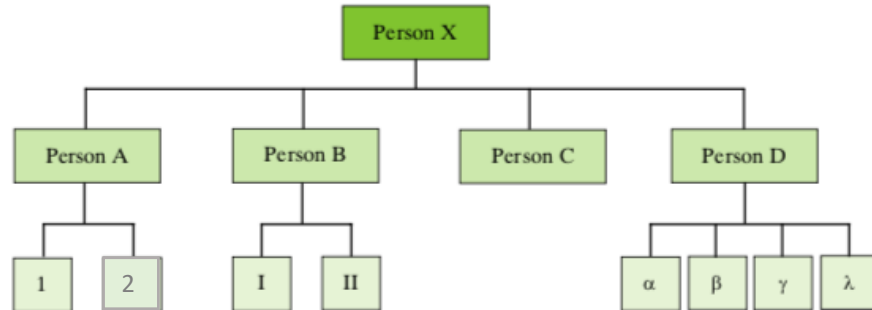


Figure 5: Uni-level System – Ponziom 2; Gregor &amp; Wadlewski, 2013

In a Uni-Level system, person X doesn't get a reward for persons recommended by persons A, B, C, and D despite that person X contributed to their joining. To do this, an MLM would need to introduce a two-level Uni-Level marketing plan. The company would allocate an identical amount of \$50 for recruiting; \$25 would be paid for directly recruited persons in the first line and \$25 would be paid for indirectly recruited persons in the second line. As a result, person X, while doing the same amount of work, would get \$300 instead of a \$200 reward. This means that by decreasing reward for direct recommendations and at the same time raising levels for which commission is paid brings much higher profits for the same contributions of labor and time (Gregor & Wadlewski, 2013, p. 11-12).

With the form of the Uni-Level system described above, the top person makes the most money. The concept of a pyramid can be described as a situation in which people on the top of the structure get the most money generated by the work of people located lower. So, the concept of a pyramid scheme could describe any kind of business activity or organization. For example, this can be seen when looking at the ranks of a corporate hierarchy in Gregor and Wadlewski's (2013) Picture 3 (p. 12).



Picture 3. Organizational Structure



Figure 6: Organizational Structure; Gregor &amp; Wadlewski, 2013

In this illustration of a corporate hierarchy, the shape of the structure reflects the number of people in each level. In typical corporate companies, none of the regular employees can earn as much as the employees above him or herself. In this situation, the authors claim that the owner earns the most using the lever effect, leveraging his or her efforts and gaining income from the labor of employees. So according to them, a high salary is not the effect of his or her high productivity, but the effect of his or her position in an organization.

In a multi-level Uni-Level System the situation is completely different. In this system, the more productive people earn more regardless of their level in a structure. In Gregor and Wadlewski's (2013) Picture 4 (p. 13), person II from the second line of person X is more productive than person X by recruiting seven people and each of them recruits two others. So, there is a situation where person II earns much more than person X even though person II is much lower in the structure (p. 13).

Picture 4. Uni-Level — Poziom 4

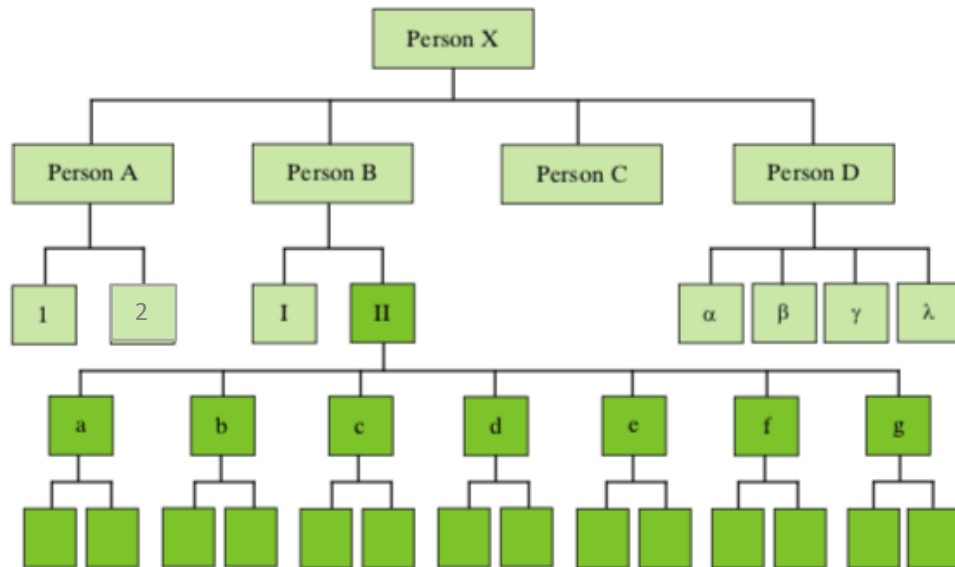


Figure 7: Uni-level System – Ponziom 4; Gregor &amp; Wadlewski, 2013

The fact that person II can earn more than person X proves that this system cannot be regarded as a pyramid scheme according to the figure above. The system described above shows a system that involves an honest mechanism rewarding the most productive people. However, this system can lead to dissatisfaction with results not proportionate to the amount of contributed effort. To avoid discouragement and protect the company against slower growth paces, other mechanisms to construct a selling network have been introduced (Gregor & Wadlewski, 2013, p. 14).

### Binary Systems

A binary system is supposed to motivate and boost the pace of building networks. It involves horizontal limitation of the Uni-Level system to two positions and simultaneously has unlimited vertical development of the network. So, every member can only have two persons under him or herself, like in Gregor and Wadlewski's (2013) Picture 5 (p. 14).

Picture 5. Binary system

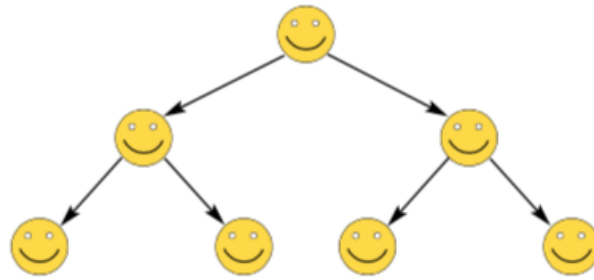


Figure 8: Binary System; Gregor &amp; Wadlewski, 2013

This means that adding more members to the structure enforces registration of the person in the first free position under any of the two previous persons. As a result of this, it's possible to have a developing structure without the need for one's own activity of recommending products. A situation in which more than two people are registered can be seen in the example of person X discussed in the Uni-Level system.

### Matrix System

The last model used in MLM companies is the matrix system and it's the system that resembles the concept of a pyramid scheme the most. It involves horizontal limitation of the structure. The most common value in matrix systems is the number three. Every member of the company has three free positions under him or herself. Having a greater number of persons supports the first person just like in the case of the binary system. This system is the closest to a pyramid scheme because the commission is paid for every person in the structure. This is the main trait that distinguishes this system from the binary system (Gregor & Wadlewski, 2013, p. 17).

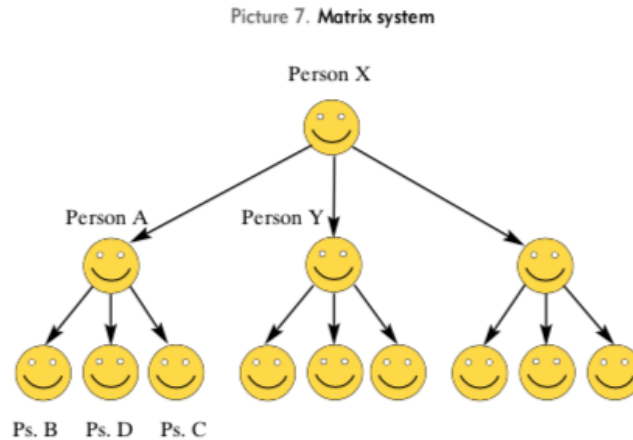


Figure 9: Matrix System; Gregor & Wadlewski, 2013

In Gregor & Wadlewski's (2013) Picture 7 (p. 17), person A, who is above two persons directly recommended by person X, will receive the same remuneration as person Y, who is above persons recruited because of person Y's own recommendation. According to the authors, this leads to an unfair situation in which unproductive persons are rewarded to the same extent as persons who work. So, in this system, people are paid on higher ranks rather than productivity. The Matrix system is another step after the binary system and motivating fewer active members to further work. In the binary system, the motivation is involved in unconditional growth of one side of the structure. In the matrix system, it is associated with the unconditional payment of a commission. Payment created this way creates a higher likelihood of including passive people in the process of building the network. However, the unethical and dishonest methods of calculating commissions in the matrix system are often combined with the Uni-Level system in most MLM companies. This combination makes it one of the most pro-development systems for the construction of selling networks and keeps fair rules for the distribution of commissions (Gregor & Wadlewski, 2013, p. 17-18).

*The Growth of Multi-Level Marketing*

Since the 1950s, multi-level marketing has been seen as "a sleazy way to do business" (Walsh, 1999). This reputation was due to the rise of pyramid and Ponzi schemes in the 1970s, but after the Amway case in 1979, people stopped frowning upon the business model as much. MLMs began to gain credibility in mainstream business circles after 1979 because from a corporate perspective, the strength of an MLM is that the model shortcuts the traditional retail distribution mechanism with all of its supporting costs—marketing, sales, inventory, and distribution (Mackay, 2019; Walsh, 1999).

Several trends have contributed to the growth of MLMs, including technology advances, economic changes, job security, the needs for financial security, control of one's destiny, the changes of corporate tactics in recent decades, and the rises of corporate downsizing (Walsh, 1999; Mackay, 2019). Technology has made MLMs more appealing to potential recruits who would otherwise be reluctant to handle the responsibilities of sales, recruiting, inventory, deliveries, and record keeping. With new technologies, these tasks can be managed in about ten minutes a week. The economic motives are powerful too. Increasing numbers of highly educated people are participating in MLMs. Workers in middle-management were being increasingly laid off due to corporate downsizing in the 1990s. These workers were facing the reality that the American ideals of working hard to advance in one's career were proving to be false in the corporate world during the 1970s to the 1990s. As experienced managers were downsized or forced to take early retirement, they took with them the expanded networks of business acquaintances and friends, and entrepreneurial determination to avoid being downsized again in the future. (Walsh, 1999; Mackay, 2019).

In the past few decades, there has been an increase in temp agencies and consultancy firms, and the growth of these firms is an explanation of how impermanent work has been institutionalized in America. In his book *Temp*, Louis Hyman aims to prove that people, not technology, have changed labor relations. In the post-war era of the 1950s and 1960s, there was the creation of the "secure job" and the rise of consultancy firms like McKinsey. The post-war corporation of this time was built upon commitments to bureaucracy, long-term growth, risk-aversion, and gradual profits (Mackay, 2019, p. 151). These corporate values go against the core principles of MLMs, which is why they were seen as sleazy and were a widely rejected form of business model during this time. The corporate values of the 1950s and 1960s also entailed secure employment. Simultaneously, consultancy firms and temp agencies emerged, but their services had to conform to the prevailing support for security. So, temps were pitched as a cheap way to support permanent labor, not challenge it. This socioeconomic arrangement of corporations was based on gendered, racial, and ethnic hierarchies. The cheap and dispensable labor of women, African Americans, and migrants constituted the emergence of temp labor (Mackay, 2019; Marie 2018).

During the 1970s to 1990s, American business dealt with wholesale restructuring in which corporations shifted to the "lean" model that prioritized downsizing, outsourcing, "just-in-time" production, and short-term profits (Mackay, 2019, p.152). This model entailed the turn to temporary labor as a permanent component of the workforce. Temps could be hired and dismissed according to demand and their lack of benefits made them a cheaper option. So, flexible labor became institutionalized. Although new technologies were introduced and certain processes became automated during this period, flexible labor stemmed from advice provided by consultancy firms and the labor supplied by temp agencies. One example that Hyman gives is

Silicon Valley, which consolidated the lean model and the permanent temp, or ‘permatemp.’ It also relied heavily on outsourced migrant labor, both documented and undocumented (Mackay, 2019, p. 152).

Workers who were affected by corporate practices were then forced to find alternative sources of income, but they were motivated to avoid traditional corporations due to the fear of being downsized again. They could perceive MLMs as the perfect solution because almost every MLM promises personal freedom and financial independence (Kiaw & Cyril de Run, 2007). This was especially true for the minorities that fell prey to corporate downsizing the most such as women, African Americans, and migrants. In Zimmerman and Zipper’s (2017) documentary, *Betting on Zero*, undocumented Hispanic immigrants were the prime victims of Herbalife when the company was found to be a pyramid scheme by the FTC in 2016 because these immigrants didn’t have other financial opportunities in traditional corporations (Zimmerman & Zipper, 2017).

### *The Multi-Level Marketing Business Model*

Less is known about the MLM business model than other traditional business models. Lenahan (2014) says that this lack of knowledge about MLMs causes them to be confused with pyramid schemes. Starting a new business is often associated with high amounts of risk, market entry barriers, and large capital needs to compete with current giants and dominant players in the market. Lack of experience and awareness of common practices can be very discouraging to prospective entrepreneurs. However, the level of risk associated with an idea and capital can be regulated by using one of three different business models as a foundation for one’s business (Gregor & Wadlewski, 2013).

The first model involves the implementation of a concept utilizing owned capital. This model has a very high risk of failure because it is associated with two unknowns. One unknown is the question of whether an idea can catch on in the market. The second unknown is the uncertainty concerning the return on investments. Despite high levels of risk, this is the most popular business model (Gregor & Wadlewski, 2013, p. 4).

The second model listed, with considerably lower risk, is a business model based on a franchising agreement. This involves managing business operations based on a previously adopted and tested concept. A prospective business owner purchases a license to receive a record book, which is a blueprint for a well-functioning company. In theory, proper implementation of the blueprint should lead to the development and survival of a successful company on the market. Success is not always the case though because a tested concept is not always sufficient enough to guarantee a return on investment. However, it is possible to conclude that this business model promises a substantially higher chance of success than typical business activity (p. 5).

The last model is one that can be used as a basis for a multi-level marketing business. This model compared to others is characterized by very small amounts of risk, or sometimes even absence of risk. There is no need to invest financial assets to implement a concept or buy an expensive franchising license. This is possible because of the operation based on recommending ready products that in many cases have already gained popularity on the market. Additionally, this model doesn't require costs associated with hiring employees because work in an MLM is based on voluntary membership. This means that one can achieve similar levels of success as with typical business activity but without the need to take the risk associated with hiring employees (Gregor & Wadlewski, 2013, p. 5). MLMs are also associated with much lower marketing costs since products are marketed through personal networks and word of mouth. In



2015, Herbalife spent only about 1.5 percent of its \$4.47 billion in sales. Consumer giants like Nike and Procter & Gamble dedicate about 10 percent of their revenue in marketing (Townsend, 2016). So, when considering the low risk associated with an entrepreneur not having his or her own business concept, or large capital costs associated with marketing and hiring employees, it is possible to conclude that the MLM model is the safest business model for an individual starting a company.

MLMs are still one of the fastest developing and least understood methods of introducing products into the market. This is mainly due to the poor understanding of the systems that multi-level marketing is often regarded as direct sales, pyramid sales, or even pyramid schemes. However, Gregor and Wadlewski (2013) argue that classifying MLMs as a branch of direct sales is a big mistake. They identify five basic methods of distribution of products.

First, there are retail sales, which is the most basic form of distribution carried out through a retail branch, such as grocery stores, department stores, etc. Second, there are direct sales which are usually used when selling insurance, kitchenware, etc. In this model, a commission from sold goods goes only to the seller who cannot build networks of distributors. For a representative to sell products or services for a direct selling organization (DSO), he or she must be employed by the company as a sales representative. Third, there is multi-level marketing which is defined as transferring a product or service from the producer of a service provider to the consumer (p. 6). An MLM is a system of rewarding people who contribute to sales of products or services through a bonus system that generally allows passive income. Passive income in an MLM is the commission that results from other members' sales (usually in the higher-up member's downline). Every person has the opportunity to build individual consumer-distribution structures and earn passive income. So, MLM businesses reward both the selling of

products or services and the recruitment of new distributors. The fourth method of selling is mail-order sale. This method is characterized by a lack of retail points where goods can be exchanged for money. The clients make orders directly after learning about a company's offerings via television, telephone, or catalog. The last method of selling is pyramid sales, which is an illegal organization of sales that can often be mistaken for multi-level marketing (Koehn, 2001, Lenahan, 2014).

### *Pyramid Schemes*

MLM companies are often mistaken for or accused of being illegal pyramid schemes (Lenahan, 2014), which use a similar model as MLMs, but without products or services being offered (Marie, 2018). Pyramid schemes, or endless-chain distributor schemes, urge people to make investments and in return, grant them a license to recruit others who then recruit more people into the scheme. These schemes are illegal because they are unethical in two ways: they are fraudulent, and they are recruitment-based rather than product sales-based businesses. Pyramid schemes are fraudulent because they usually promise a large return for a small investment. Those who join early make large amounts of money, but those who join later will run out of people to recruit (known as market saturation) and lose their money (Koehn, 2001, p. 153).

There are three warning signs to identify illegal pyramid schemes. First, they focus on growth through the recruitment of people instead of on sales of non-harmful products. Second, they require substantial upfront fees from those people who are recruited to sell the product. Last, they pressure recruits into inventory loading, which is purchasing corporate products for their own consumption, or to stockpile large amounts of inventory to meet sales quotas and

maintain their status/rank in the company (Koehn, 2001, p. 155; Zimmerman & Zipper, 2017).

Andriati (2015) argues there are twelve defining differences between legitimate MLM businesses and pyramid schemes, as seen in his table (Andriati, 2015, p. 246).

Difference of Pyramid System and Legal MLM Business		
No	Illegal/Pyramid Syetem	LegalMLM Business
1.	Not allowed by the national government	Allowed by the national government
2.	Profit is retained by initial members	Profit is retained by MLM members
3.	Profit is calculated based on numbers of new members and cash deposits	MLM members's profit is based on the members' hard work in group network, close points and minimum monthly personal purchases.
4.	Each member can be repetitive member	Each member can only have one life time membership.
5.	Registration fee and produc price are usually very high.	Low registration fee and affordable product price
6.	Limited number of recruits	Unlimited number of members
7.	Members keep products in bulk for further resale.	Members do not keep products in bulk for further resale.
8.	No training and workshop program is made available p	Compulsory training and workshop programs are available
9.	No product knowledge training is available	Compusory product knowledge training is available.
10.	<i>Downline's</i> success is not a matter of importance to <i>upline</i>	<i>Downline's</i> success is a matter of importance to <i>upline</i>
11.	The business does not bear an economic opportunityas <i>up line</i> only expects yields from <i>down line</i> recruitment.	The business bears a economic opportunity as <i>up line</i> must coopeeate with their <i>down line</i> dan and network groups
12.	The business does not require hard work and relies on speculation	The business must be attempted in hard work

Figure 10: Difference of Pyramid Scheme and Legal MLM Business; Andriati, 2015

The next chapter will discuss the operations of MLM companies including recruiting tactics, socialization practices for new members, and motivation tactics for better retention of members. Specifically, I will discuss the demographics of consumers that MLMs target, the exact methods that are used to recruit these consumers, the internal processes of socializing new

members, and the motivation tactics used to both extrinsically and intrinsically motivate members to stay with an MLM company.

### **CHAPTER 3: MLM OPERATIONS: RECRUITING, SOCIALIZATION, AND MOTIVATION PROCESSES**

MLMs operate by recruiting networks of salespeople, and this type of corporation can easily degenerate into unethical, fraudulent, recruitment-centered pyramid schemes (Koehn, 2001). Legitimate MLMs are composed of distributors who earn money primarily from product sales and those of the members in their downline (Eisenberg, 1987). MLM companies use various extrinsic and intrinsic tactics almost exclusive to this industry to recruit, socialize, and motivate members. Given that participation in an MLM is voluntary and the members are not salaried employees, the companies' socialization methods for new employees are different compared to traditional American corporations. Extrinsic tactics for recruiting and motivating members include utilizing factors of wealth and economics, relationship building, and socialization practices. Intrinsic tactics used to motivate and retain members include utilizing self-determination theory, expectancy theory, and equity theory. This chapter will discuss the tactics MLMs use to recruit, socialize, and motivate members. Psychological research suggests that extrinsic motivators are not always enough to motivate people and that intrinsic motivators are what fulfill people (Deci & Ryan, 2008; McCally, 2010). After discussing the extrinsic factors used to recruit and socialize members, I will explain how MLMs can use intrinsic motivators – based on self-determination theory, expectancy theory, and equity theory – to motivate members if the promised extrinsic motivators are not fulfilled.

#### **Recruiting New MLM Members**

MLM companies utilize numerous tactics to recruit new members. Several reasons make joining an MLM seem like an attractive opportunity including the simplicity of the marketing strategy, that consumers appreciate buying products from friends and family members, that MLM companies offer an easy way to try an entrepreneurial experience, and these companies offer their products at cheaper prices to members (Marie, 2018). Kiaw and Cyril de Run's (2007) study found that the central reasons why Malaysians join and stay in MLM companies include business development, financial independence, personal freedom, product benefits, and incentives like free business trips. While all these reasons make MLMs seem like attractive opportunities, some MLM companies go even further with recruitment techniques such as using success stories, appeals to business opportunity, high-income opportunities, offering solutions to life problems, targeting marginalized communities who experience fewer business opportunities, leveraging family/friend relationships, and product benefits.

#### *Demographic Targeting of Prospective Members – Who Do MLMs Target?*

MLM companies often promise business opportunity, high income, and claim to be solutions to economic problems (Kiaw & Cyril de Run, 2007; Mook, 1997). So, they often focus their recruiting efforts with these benefits to certain target audiences who are generally marginalized groups because these groups face those issues the most. Many MLM companies

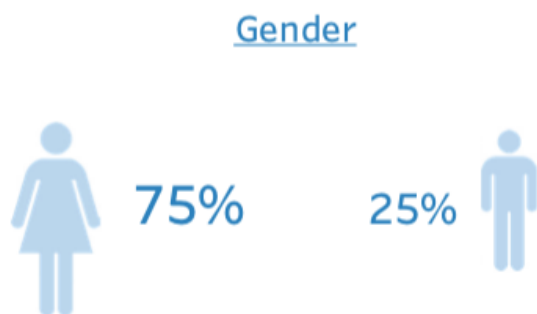


Figure 11: Gender in the MLM Industry; DSA, 2019

such as Mary Kay, Avon, Arbonne, and more focus on recruiting and offering business opportunities to women. An MLM in Colombia called Yanbal only hires women. The founders wanted to provide employment opportunities to

Latin American Women who did not have the same employment opportunities as men (Franco &

Gonzalez-Perez, 2016). Throughout the late 20<sup>th</sup> century American women generally had fewer professional job opportunities than men, so joining an MLM was an alternative where women could earn income and gain business opportunities. So, MLM companies like Mary Kay and Arbonne focused on recruiting women to join.

Other marginalized groups can be targeted by MLM companies, such as the lower class, college students, immigrants, military wives, mothers, the chronically ill, and ethnic or racial minorities. In other words, only middle to upper-class white men are not generally targeted. Some MLMs offer membership of the company to college students as a way to help pay tuition fees. Military wives may need to move often, and this will usually involve the need to make new friends. MLMs recruit them as a way to build a network of close relationships. Joining an MLM can be a good option for those who are too ill to have a normal job because a perk of an MLM is that one can work from home. Working from home is also a reason why young or stay-at-home moms are targeted so that they can spend time with their children and earn some extra income (Sutherland, 2018). In the U.S., the lower class is targeted, in general, because MLMs will advertise themselves as ways to earn money fast. In China, many MLM companies target pensioners, migrant workers, the ultra-rich, poor students, and the children of migrant workers with poor education (A Multi-level Scourge, 2018).

In *Betting on Zero*, undocumented Hispanic immigrants were targeted by Herbalife. The

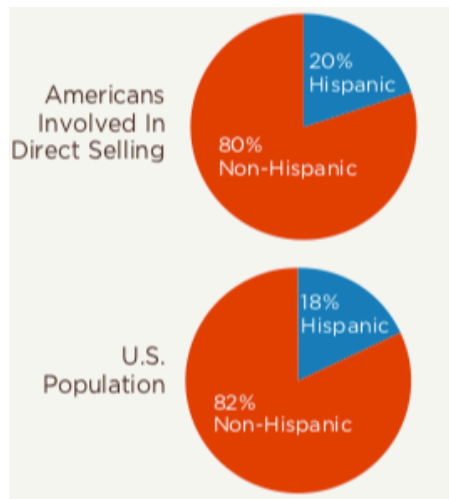


Figure 12: Hispanic vs. Non-Hispanic in the MLM Industry; DSA, 2018

fact that the percentage of Hispanics involved in MLMs is higher than the percentage of the Hispanic population in the U.S. (DSA, 2018) suggests that MLM companies are seen as good opportunities by Hispanic individuals and/or that MLM companies heavily target this demographic when recruiting (DSA, 2018). However, in the Herbalife case documented in *Betting on Zero* (2017), the targeted

individuals here became victims to the company rather than receiving business opportunities or supplemental income. The immigrants targeted were generally of low income and education level. These disadvantages did not allow them to realize that Herbalife was a pyramid scheme (before the restructuring in 2016) and that they were losing the money they had invested in the company. Being undocumented, the victims could not speak out against the company or file legal complaints (Zimmerman & Zipper, 2017). So, many MLM companies target marginalized groups to offer them opportunities they wouldn't normally have. However, MLMs can target these groups to further exploit them and make their situations even worse. Once the MLM decides who their target audience will be (or who they feel they can benefit), a popular recruitment tactic used is the sharing of success stories. If you were invited to an MLM member's mansion and asked to join the company, wouldn't you do it?

### *Success Stories*

Success stories are when successful distributors tell stories of their experience of success in an MLM company. These distributors tell other or prospective members that they can also achieve this type of success by working in the company, and the successful member can prove

their wealth by showcasing their houses, cars, etc. These displays of wealth are proof of success so that members will not feel that the MLM is a pyramid scheme in disguise. According to Sole-Smith (2016), a few people must be successful to influence others to join because many are skeptical of a business opportunity that seems too good to be true. However, these displays of wealth are also an appeal to one's greed. Many articles or advertisements for joining an MLM will include descriptions of successful distributors walking around in their mansions or driving an expensive sports car into neighborhoods made up of marginalized populations when meeting with a client (Page, 2017; Hannan, 2014). These displays of wealth are convincing to others that the company will lead a person to financial success, but it's a message of greed. While appealing to greed may not be unique to MLMs, it can be greatly exploited by them more than a traditional corporation. Typically, corporations don't advertise unlimited income as MLMs do. MLM advertising often sends the message that one can earn however much they want based on their own efforts and that members can even be more successful than a typical business executive (Hannan, 2014). This type of recruiting is portraying a dream of obtaining whatever one wants (Koehn, 2001).

Unfortunately, research has shown that many people who join MLMs lose money (Silverstein, Kosciulek, & Lee, 2019). Many distributors share their personal success stories on social media to entice others to join the company. However, it's difficult to know if all of these success stories are true given the incentive to recruit and the data that show how difficult it is to earn money in MLMs. In interviews with *Business Insider*, three former MLM distributors described how they found themselves making misleading claims on social media about the success they had achieved (Silverstein, Kosciulek, & Lee, 2019). So, even when the success stories aren't true, they're being used to recruit new members.



*Product Benefits or 'Miracles'*

Some of the main reasons for joining an MLM include product benefits and receiving products at lower prices (Kiaw & Cyril de Run, 2007). Some MLMs like Nu Skin have made claims to have miracle products, such as their AgeLOC cream. Nu Skin claimed the product relied on technology designed to target and influence age-related genes (Prior, 2012). The company had been under pressure after Citron Research released two reports claiming the company was using illegal marketing tactics in China, violated FDA regulatory law, and deceptively associated themselves with Stanford University. Audio evidence of NUS employees and representatives was provided, and also summarized a conversation with a professor at Stanford who confirms he no longer has a relationship with the company. Citron made three major claims in their report: Nu Skin is operating illegal MLM practices in China, there is a violation of FDA and FTC regulatory law in the U.S., and the company is lying about a scientific research relationship with Stanford University for their AgeLOC product. So, there are some concerns about product claims made within the MLM industry and how the companies can use these claims to sell products and/or recruit new members.

There are especially concerns about product claims made about health products. Wellness

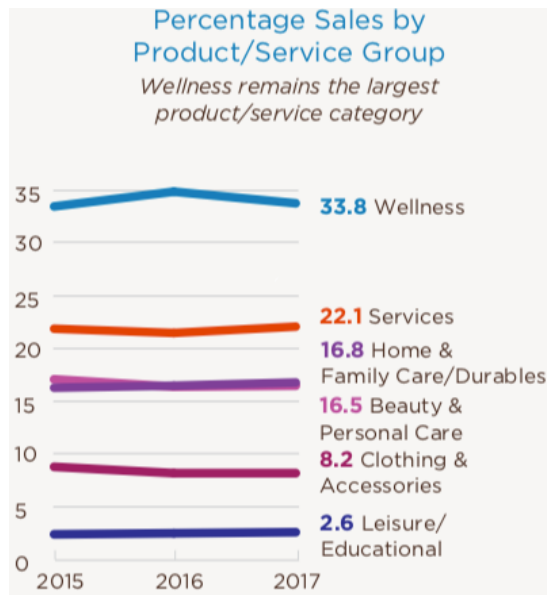


Figure 13: Percentage of MLM Sales by Product/Service Group; DSA, 2018

is the number one most popular category in the MLM industry (DSA, 2018). Among the top twenty MLM companies by global revenue in 2017, eleven companies are devoted to selling 'wellness' products. (Cardenas, & Fuchs-Tarlovsky, 2018; DSA, 2018). On their official websites, these companies claim a wide range of benefits to nutritional status and health. Some of the companies are responding to people's demands for health and fitness

maximization, anti-aging solutions, immunity improvement, the boost of metabolism, weight loss, vitality, or organs 'detoxification.' Additionally, like Nu Skin, some wellness distributors make illegal claims. For example, some MLMs claimed that nutritional supplements can cure all sorts of diseases or illnesses. In 2016, the watchdog organization Truth in Advertising investigated the sixty-two companies selling nutrition supplements that were members of the Direct Selling Organization. They found that sixty of them (97%) had illegally claimed or were currently claiming either directly or through their distributors that their products could treat, cure, prevent, alleviate the symptoms of, or reduce the risk of developing diseases or disorders. They found more than 2,000 problematic product claims made by those companies (Cardenas, & Fuchs-Tarlovsky, 2018, p. 134). These practices are ethically problematic, can cause legal consequences, and can tarnish the image of an MLM. Another commonly used recruitment tactic in MLMs is the representations of business opportunity and income to recruit new members.

#### *Representations of Business Opportunity and Income*

Similar to using success stories or appeals to wealth, many MLMs advertise to prospective members the ability to 'get rich quick,' and obtain high or unlimited incomes (Andriati, 2015; Sole-Smith, 2016). Most MLMs present working for them as an attractive business opportunity enabling distributors to earn large amounts of money either part-time or full-time (Koehn, 2001). One advertisement to join an MLM called Reliv states that the company was “a strategy that’s enabled the Felgers [two of its members] to earn more than \$40,000 a month,” (Fogg, 1998). Extreme success such as this example in an MLM company is possible, though the notion that everyone can do this is a fallacy. Earnings statements obtained in investigations by the FTC showed that many members made only a modest income, or they had a honeymoon period of initial success followed by a sharp drop off when they failed to maintain recruitment or generate repeat product sales (Sole-Smith, 2016). While misrepresenting the true nature of business opportunity is related to pyramid schemes, it also seems to be common practice in legal MLMs in the sense that relevant information about the business opportunity is not presented truthfully or withheld (Franco & Gonzalez-Perez, 2016).

This tactic seems to be effective however when considering the demographic age breakdown of MLM members. The majority of MLM members are aged 35 to 44. Interestingly,

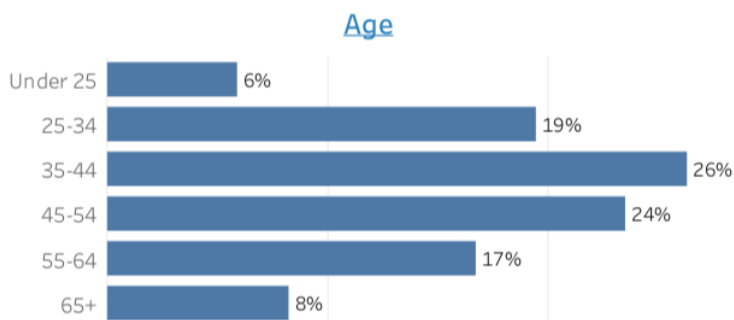


Figure 14: Age in the MLM Industry; DSA, 2019

people ages 18 to 25 are the least active in MLM companies with their demographic being outnumbered by those ages 65 and greater (DSA, 2019).

I argue this could be explained by the amounts of debt each age group experiences. Since MLMs often advertise that members can earn extra income and financial freedom, people ages 25 to 59 may perceive that joining an MLM can

solve their economic issues because these adults experience the most amounts of debt (Federal Reserve Bank of New York, 2019).

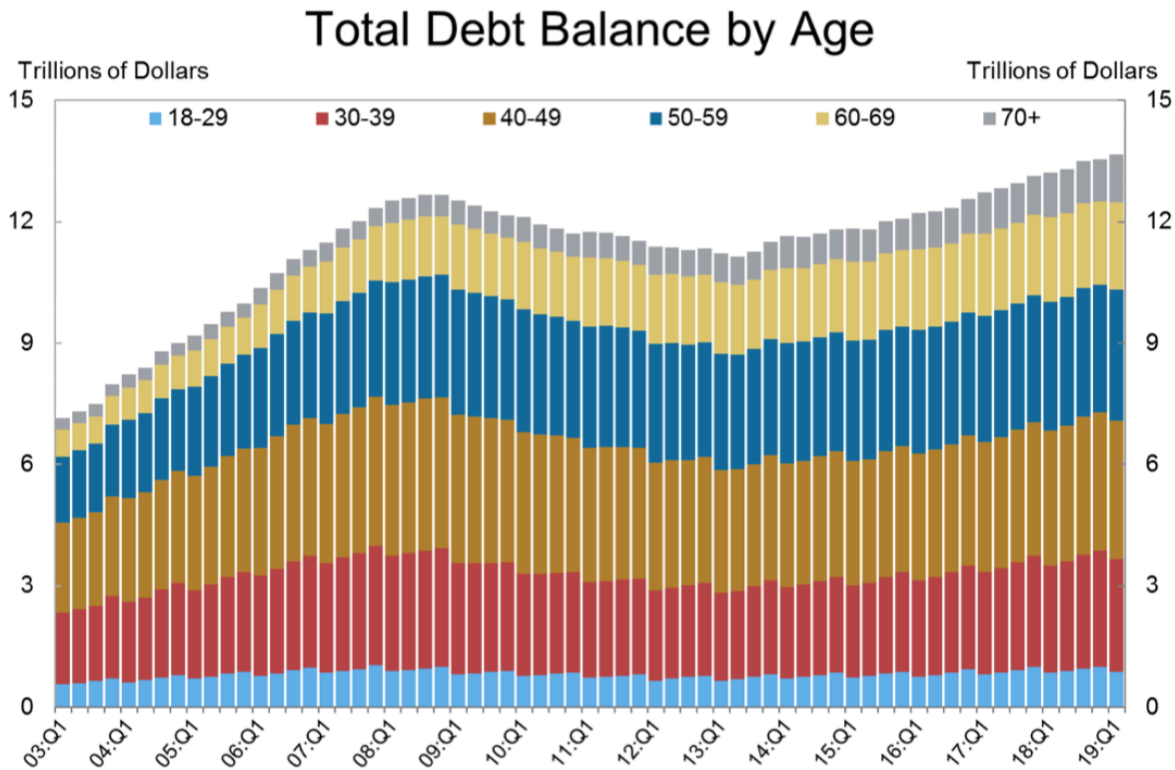


Figure 15: Total Debt Balance by Age; Federal Reserve Bank of New York, 2019

The above figure from the Federal Reserve Bank of New York (2019) shows that the amount of debt per age group almost directly correlates with MLM membership by age. People ages 18 to 24 have the least debt and the lowest MLM membership. People ages 25 to 59 have the highest amounts of debt and also the highest membership in MLM companies. Comparing these two factors, the amount of an individual's debt seems to be a major factor in joining an MLM company. The DSA (2017) Direct Selling Consumer Attitudes Survey shows that long-term or supplemental income is one of the three main reasons listed in favor of becoming an MLM member along with flexibility and product benefits. Following, stressing extra income and business opportunity seems to be one of the most effective recruiting techniques used by MLM

companies. Along with stressing the earning potential, MLMs can also exploit consumers' fears by stressing the possibility of future economic uncertainty.

### *Leveraging Economic Uncertainty*

Business analysts have noticed that contrary to regular business, the success of MLM companies run counter to economic cycles (Franco & Gonzalez-Perez, 2016). During economic recessions, most businesses see reductions in their sales, industry growth, and many times must lay-off employees. In contrast, the direct selling industry tends to see an increase in profits and recruitment during economic recessions (Lamoreaux, 2014). During times when many are struggling for employment, like during the corporate downsizing practices from the 1970s to 1990s, many people turn to MLMs for employment (Walsh, 1999). When Amway entered the Colombian market in 1996, the country was entering the worst recession in decades. This recession spiked unemployment levels up to 20 percent in the late 1990s. The rise of unemployment has a direct impact on the rise of informal jobs (Franco & Gonzalez-Perez, 2016).

MLMs are always openly recruiting and promise financial opportunities (Scheer, 2006). Even if there's not an active recession, it's likely that uncertain economic conditions channel people toward direct sales as a lifeline (Lamoreaux, 2014). While some may be tempted to view direct sales as an attractive employment alternative, it is not a realistic means of supporting families during difficult economic times considering that the majority make less than \$5,000 a year (Lamoreaux, 2014; Scheer, 2006). However, since many are unfamiliar with the MLM business model and operations, people view them as great financial opportunities during recessions. So, MLMs typically see growth in economic recessions.

Some MLMs have also appeared to be capitalizing on economic uncertainties and the perceived decline of “family values.” Amway’s website listed changing employment patterns and technology as evidence that job security is increasingly rare. It also cited the rising costs of retirement and education as proof that the average income won’t be enough to sustain most families in the future. Similarly, The People Network mentioned downsizing, small-business failures, faltering educational performance, and ‘the breakdown of the family core’ in its sales literature (Mook, 1997). Some MLM companies are using economic uncertainties as methods for recruiting people to join and the data have shown as mentioned before that this tactic works well. Many MLM companies see large increases in memberships during economic downturns or scares of these downward turns. They can exploit these fears of economic downturns and use it to their advantage in their recruitment literature, like Amway had done, to persuade people to join. Another exploitative recruitment tactic that can be used by MLMs is leveraging the trust of established family and friend relationships.

### *Leveraging Relationships*

Some MLMs encourage members to sell products to family members and friends and to recruit them into the company (Koehn, 2001). Since selling and recruiting for MLMs occurs through networking and human interaction, the growth of these companies usually depends on family ties (Franco & Gonzalez-Perez, 2016). Researchers Pratt and Rosa found in their analysis of three network marketing companies, including Amway, that these companies placed high importance on the non-work lives of its members (Franco & Gonzalez-Perez, 2016, p. 30). Also, these companies encourage their distributors to recruit others from their social and family networks. Thus, they encourage members to bring their family into the business physically or

psychologically. Similarly, the companies build a system of family by developing family-like bonds between current members and new members. (Franco & Gonzalez-Perez, 2016, p. 30). This marketing strategy can pose certain ethical issues. Members who are desperate to succeed after joining may feel driven to pressure relatives and friends into buying cosmetics, jewelry, etc. In other words, MLMs can alter human relationships, encouraging people to ‘instrumentalize’ relations rooted in love and affection (Koehn, 2001).

Relatives may feel somewhat forced into buying goods to keep their children from feeling ashamed, to show support, or to avoid fighting in the family (Koehn, 2001). This practice isn't always unethical. It's normal for people to want to talk about their jobs, businesses, successes, etc. to family and friends. A member who finds an MLM to be a good opportunity may attempt to recruit family and friends to offer them good opportunities as well instead of purely out of the member's self-interest in recruiting for personal income gain. However, promoting a business opportunity in private settings entails using and potentially misusing situations of relatively high trust. It can also either temporarily or permanently damage a relationship.

Bloch (1996) says that the standard justification MLM members use is that they are offering their friend/family member a wonderful opportunity, but 90-95 percent of them will not see it that way. This is because the member would be making money by recruiting them and making money off of friends in Western societies is not acceptable behavior. MLM members are encouraged to reach out to as many connections as possible when they first join. Bloch (1996) found that 9-9.5 out of 10 responses ranged from 1) not interested, neutral response – not upset, but would not join; 2) moderate disapproval; 3) serious disapproval – some combination of upset, annoyed, offended or horrified. These types of responses indicate that when members

reach out to their friends/family (with about nine out of ten reacting in neutral or negative ways) they are endangering the trust of their social connections by seeking to take advantage of that trust.

Even with neutral or negative responses, private ties can make it more difficult for family and friends to refuse an offer to join a meeting, buy products, or join the company. So, a customer's autonomy to make choices according to their own interests, needs, etc. are restricted due to the possible misuse of private relations (Groß & Vriens, 2019). The last recruitment tactic is not a tactic—it is something that occurs subconsciously within us. Nonetheless, it is a powerful tool that impacts our decision making.

### *The Illusion of Invulnerability*

A large factor that plays a role in recruiting new members for MLMs is the illusion of invulnerability. Interestingly, the concept is not a tactic deployed by MLM recruiters and many are probably unaware of the concept's existence. The illusion of invulnerability is the idea that people ignore danger, take extreme risks, and can be overly optimistic. Studies have shown that people generally approach the threats of life with the philosophy that bad things are more likely to happen to other people than to themselves (Levine, 2003). With this logic, most people will say they are less prone to become victims than everyone around them. Levine (2003) found that people will believe they are considerably less at risk than other people when it comes to disease, death, divorce, work/jobs, and natural disasters. In many cases, the people who are most at risk are the ones most convinced of their immunity (Levine, 2003).



### Young Living 2016 Income Disclosure Statement

Rank	Average monthly income	% of all members
Royal Crown Diamond	\$152,377	<0.1%
Crown Diamond	\$74,188	<0.1%
Diamond	\$39,566	<0.1%
Platinum	\$15,324	<0.1%
Gold	\$6,067	0.1%
Silver	\$2,227	0.2%
Executive	\$514	0.6%
Senior Star	\$240	1.3%
Star	\$77	3.5%
Distributor	\$1	94%

Figure 16: Young Living 2016 Income Disclosure Statement; Silverstein, Kosciulek, & Lee, 2019

This concept can explain how even

when prospective members are warned

before joining and MLM company with

figures or statistics about high failure rates

in MLMs, they perceive they are less

likely to experience failure like most other

people. Income data from an MLM named Melaleuca found that the top 1 percent of the

company hierarchy (82 out of 10,000 people) received about 54 percent of the total payout.

Many of the company materials stated the business provides an opportunity for motivated people

to make money while working independently, but those at the bottom made around \$10 a week

before expenses and taxes (Elkind, Burke, & Dan, 2012). According to data from the Direct

Selling Association (2018), MLM companies brought in an estimated \$34.9 billion in revenue in

the U.S. in 2017 with more than 18 million people selling their products. That works out to just

under \$2,000 in revenue per direct seller for the year. Although that revenue goes to the

companies, the sellers receive a percentage. When examining the 2016 income disclosure

statement for and MLM called Young Living, one can see that the majority of the income is

rewarded to less than 1 percent of the top distributors. Approximately 94 percent of all members

are at the very bottom, earning average monthly incomes of less than \$1 – and these income

disclosures don't include any expenses. A similar scenario can be observed on the ItWorks! 2016

income disclosure statement (Silverstein, Kosciulek, & Lee, 2019). Additionally, a study done in

2011 by John Taylor of the Consumer Awareness Institute analyzed the compensation structure

for thirty MLM companies. Taylor accounted for expenses including the products that

distributors had to buy themselves just to qualify for commissions or bonuses. Taylor found that

over 99 percent of participants lost money in each of the MLM companies analyzed (Silverstein, Kosciulek, & Lee, 2019). Articles and studies like these are easily available to consumers and are often some of the first results to pop up in a search query about numerous MLM companies.

However, with the illusion of invulnerability, prospective members may believe they are less likely to experience failure like others, that they could be immune to financial dangers, and that they will be more successful than others.

**It Works! 2016 Income Disclosure Statement**

Rank	Average monthly income	% of Active Distributors
Ambassador Diamond	\$33,882	0.03%
Presidential Diamond	\$14,389	0.11%
Triple Diamond	\$8,402	0.23%
Double Diamond	\$4,536	0.82%
Diamond	\$2,022	1.7%
Emerald	\$939	1.8%
Ruby	\$474	8.4%
Executive	\$219	9.3%
Distributor	\$51	77.6%

Figure 17: It Works! 2016 Income Disclosure Statement;  
Silverstein, Kosciulek, & Lee, 2019

socializing members. While I wouldn't classify their methods as completely unique, I would say they differ greatly from those of traditional corporations.

### Socialization of New Members

MLM companies are widely known for their ability to create an enthusiastic family-like atmosphere. These companies are usually described as places where members and prospects are encouraged to believe in themselves, cheer each other, and envision better futures for themselves and their families. Research on the effects of transformational leadership in an MLM company shows that members who ascribe to a higher purpose to their work are more satisfied as well as more financially productive (Groß & Vriens, 2019). Atouba et al. (2016) say that a strong belief in a company is supported by constant mutual confirmation among members. Communication is frequent, sometimes daily phone calls between members and regularly scheduled meetings. In some MLMs, members are taught not only how to recruit others, but also what a fair and just

Once members are recruited into an

MLM they must go through training and

socialization processes just like a typical

employee at any company. Although, MLM

companies have their own ways of

society is, and how to feel superior to critics of the company. It is thought that some MLMs do this because MLM members are often confronted with criticism by non-members – members need each other to constantly confirm their belief in the moral values of direct selling and its promise of success (Groß & Vriens, 2019).

MLMs such as Amway, Mary Kay, and Herbalife are active in nurturing a strong moral self-perception. Some have referred to MLMs as quasi-religious corporations because they do not offer just a job but promise to solve problems that are part of living in modern society. These MLM companies advertise themselves as cure-all solutions to combine work and family, works towards a greater good, and create a better society. However, family conflicts could increase if members spend less time with their families due to business obligations. Some researchers have highlighted the fact that strong corporate socialization might turn MLMs into ‘total institutions,’ in which companies colonize every aspect of members’ lives: their relationships, world views, and hopes for the future (Sutherland, 2018). Strong corporate socialization has been problematized by several authors in numerous MLM settings. For example, MLMs might undermine members’ ability to critically reflect on the moral quality of the company’s business practices. Restricting members' ability to reflect endangers their moral autonomy.

Strong corporate socialization during training may cause members to become unaware of ethically problematic aspects of their own or the company's behavior (Groß & Vriens, 2019). Being unaware of unethical behavior that is practiced in pursuit of achieving one’s goals (becoming an entrepreneur, financial freedom, etc.), can lead to a skewed version of utilitarian ethics in persuasion. Utilitarian ethics judge in terms of outcome, not the ethics of each action leading to the outcome (Perloff, 2017).

For example, a member might become so engulfed with their end goal of being financially free, that they feel they should do whatever they must do to reach that goal, even if certain actions leading to that goal may not be ethical. They could view their current actions as a necessary evil or be unaware that their actions are unethical to pursue their end goal. This was seen in the documentary *Betting on Zero*. Members of Herbalife sometimes intentionally lied to people that the MLM was a good opportunity to make money (even though it was not) to persuade people to join. They did this to grow their teams and in turn, gain more commission. These members participated knowingly in unethical acts to pursue their own end goals. Whether unaware or aware that these actions were unethical, they could justify it to themselves because they can view it as doing whatever was necessary to achieve their goals—a value that is often supported in American society. This skewed version of utilitarian ethics in persuasion created by MLM socialization practices can cause some of the ethically problematic behaviors previously discussed.

Some MLMs with strong socialization practices such as Amway have been accused of being ‘business cults.’ An ethnographic interview of Amway distributors found that members were instilled an identification with the company through "sense breaking" and "sense giving" practices (Franco & Gonzalez-Perez, 2016). Members first went through a face where the organization changed their perspective of them, then proceeded to create an identity within the company (Franco & Gonzalez-Perez, 2016). In response to accusations of being business cults, some companies have set up guidelines to prevent future accusations. Amway, for example, now explains in its guidelines that upline members are prohibited from making spiritual, religious, or moral statements on stage, or propagating a particular world view (Groß & Vriens, 2019).

When examining how MLMs operate and train members, most literature identifies several MLM constituents and relations between them. The three constituents referred to are the MLM headquarters, independent distributors, and prospective members. The headquarters are responsible for all key business decisions and defining and establishing corporate policies, such as the conditions for becoming a member. The second constituent, the self-employed distributors, work from home, market the MLM's products, recruit, teach, and motivate others to do the same. The third constituent, the prospective members are normally included in explanations of how MLMs operate. They are usually approached face to face or via social media by members to buy products and/or join the company. The three relationships are illustrated in Groß & Vriens's (2019) Figure 1 model.

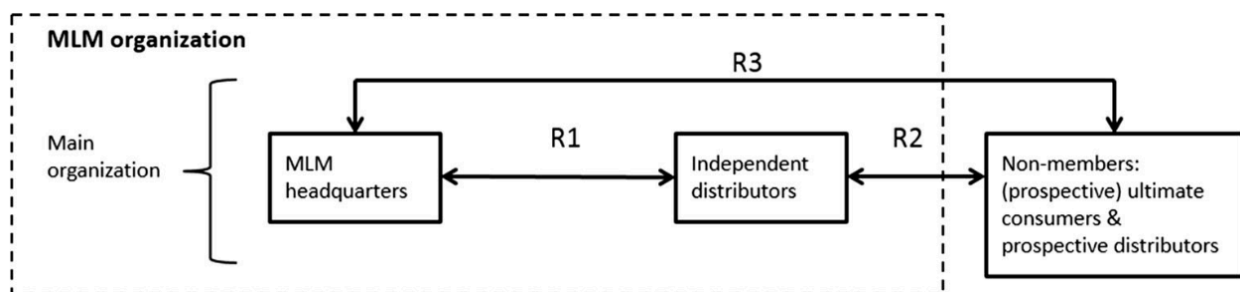


Figure 18: MLM Organization; Groß & Vriens, 2019

Between these three constituents, three relationships are usually described. The first relation is between the headquarters and the members. There is a formal agreement a member has with the headquarters. There are also the rules and regulations set by the headquarters, such as the member agreement and handbook regulating the rights (commissions, bonuses, etc.) and duties of a member. The handbook also contains information such as how to recruit others, codes of conduct, how to declare taxes, etc. The second relation is the interaction between members and prospective members. This relation refers to how members approach prospective members, recruit, and that members behave appropriately towards non-members. The third relation is

between the MLM headquarters and non-members. The headquarters regulates the rights of prospective and actual clients as well as the rights of prospective and newly recruited members. Examples include buyback policies, cancellation policies, and the right of a new member to withdraw from the agreement without penalty (Groß & Vriens, 2019).

Based on the existing MLM model it is difficult to explain why the current countermeasures do not suffice to ensure ethical behavior. Groß & Vriens (2019) argue that MLMs are organizations that primarily rely on coordination by training, indoctrination, and that MLMs are not ideal-typical bureaucracies. Because members are legally independent, central bureaucratic elements such as formal employment, contracts, and fixed working hours are missing. Given this, researchers can better understand why legal and ethical problems continue to exist by understanding indoctrination and socialization. As discussed before, socialization plays a relevant and potentially dangerous role in MLM recruiting and training practices. Some researchers even view the socialization practices used by MLMs as a form of “clan control,” as MLMs utilize a variety of social mechanisms to produce a strong sense of community. Based on the theory on the normalization of corruption, “coordination by means of training and socialization can also lead to highly problematic organizational behavior,” (Groß & Vriens, 2019, p.341).

### *The Distributor Network*

The main organization described before helps to understand coordination efforts by the headquarters. However, training and socialization at MLMs are often carried out by independent high-level members. A researcher’s analysis of Amway found that behavior is strongly influenced by what she calls training organizations (Groß & Vriens, 2019). Training

organizations are run by independent high-level members who organize regular meetings and provide motivational material. The goal of the training organization is to teach new members the basics of the business. In addition, members are socialized within the upline and downline system of MLMs. Typical interactions between upline and downline members include regular phone calls, meetings, and upline members assisting their downlines with product sales. So, training, motivation, and education (the socialization and indoctrination of new members) is handled by independent training organizations and upline members – not the MLM headquarters.

Groß and Vriens (2019) extend the existing model of MLMs of the three constituents by adding the training organization and the upline members. These two new constituents are referred to as the Distributor Network (DN) by the researchers and can be seen in Groß and Vriens's (2019) Figure 2 model. Relation R4 refers to the relationship between the headquarters and the DN. Some MLM headquarters attempt to regulate the DN by imposing guidelines regarding how members should be educated. Relation R5 refers to the relation between the DN and individual members—how members are influenced to act, think, and feel about the business.

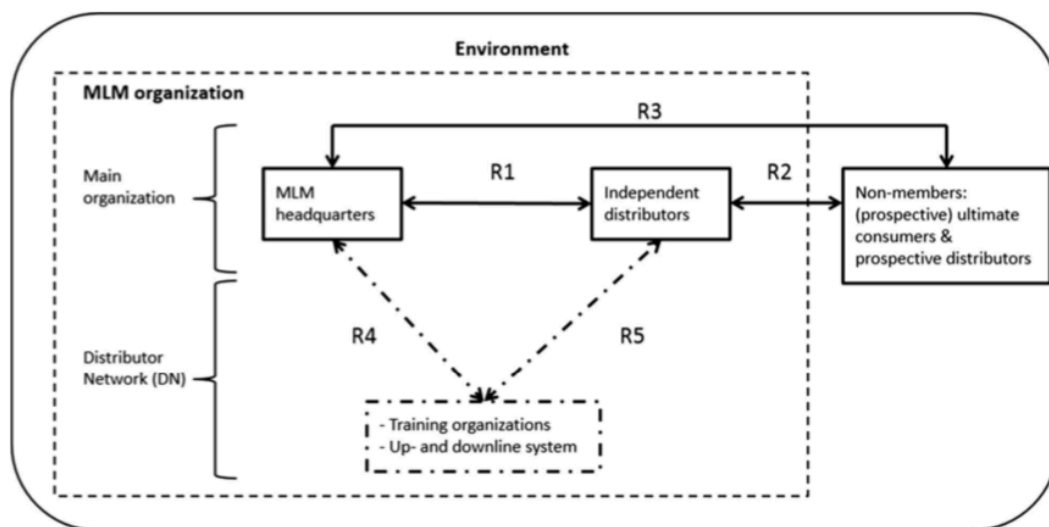


Figure 19: MLM Organization – The Distributor Network; Groß & Vriens, 2019

MLM headquarters are regulated with existing countermeasures after the Amway 1979 case such as the 10-customer rule, the 70 percent rule, and more to ensure the MLM is not

accused of being an illegal pyramid scheme. Another sign of a pyramid scheme is the focus on recruiting new members rather than product sales, so many MLM headquarters ensure that educational materials do not focus solely on recruiting. When a researcher compared Amway and Mary Kay Germany, the researcher found that both company official documents stressed the importance of product sales. However, their DNs conveyed different messages. At local Mary Kay meetings, members applauded each other for recruiting as well as product sales. At the local Amway meetings, only recruiting was honored by applause. So, from studying the DNs of an MLM, one could see that recruitment is presented as an extra to one's sales at Mary Kay whereas at Amway, recruiting was seen as the only way to build one's business (Groß & Vriens, 2019). Such differences between Amway headquarters' rules and the lived practices promoted by the DN illustrate that regulating the main organization of MLMs may not be enough to prevent the legally and ethically problematic focus on recruiting in MLM companies. A DN might overrule the countermeasures taken by the headquarters, and there is currently no way to regulate the DN members.

Once members have been recruited and socialized, they must be continually motivated to keep them. A worker's motivation in any company affects their productivity, overall happiness, and willingness to stay with the company (Atouba et al., 2016; Deci & Ryan, 2008). Again, while MLMs' motivation tactics are not necessarily unique, they are not typical in traditional corporations either.

### **Motivating Members**

MLM companies do not only use extrinsic factors to recruit and motivate members as covered previously. They also use intrinsic motivational tactics that play on human psychological wants and needs. In general, people want to feel they are competent, have



autonomy, a connection to others, a connection to a higher purpose, that their hard work is paying off for reasonable rewards, and that they are treated equitably compared to their colleagues at work (Deci & Ryan, 2008; McCally, 2010; Hoffman-Miller 2019). First, I will use self-determination theory to describe how MLM members can achieve feelings of competence, autonomy, and relatedness. Second, I will use expectancy theory to describe how MLM members feel that the effort they put in is worth the benefits and rewards their effort brings. Lastly, I will use equity theory to describe how MLM members feel that they are treated fairly compared to other members, and how MLMs can evade violations of equity theory. These human motivation theories help to explain how MLMs can use intrinsic motivation tactics to motivate and retain members when the promises of extrinsic motivations are not met or fulfilled.

### *Self-Determination Theory*

Self-Determination Theory (SDT) is a theory of human motivation, development, and wellness that focuses on types of motivation, not just the amount (Deci and Ryan, 2008). In the early 2000s, large numbers of people were leaving jobs in large organizations to work for themselves. In the 1950s, research showed how extrinsic rewards could condition human behavior over time. However, in the 1980s, Deci and Ryan emerged with intrinsic motivation and self-determination in human behavior. SDT says that motivation develops within us, grounded in basic human needs to develop our skills, to act on our own accord, and to connect with others. These needs are narrowed down into three main needs: competency, autonomy, and relatedness (McCally, 2010).

SDT has focused on long-term goals that people use to guide their actions. These goals fall into two categories: intrinsic aspirations and extrinsic aspirations. Intrinsic aspiration goals include affiliation, generativity, and personal development. Extrinsic aspirations include goals

such as wealth, fame, and attractiveness. Numerous studies have revealed that focusing on intrinsic goals rather than extrinsic goals is associated with greater health, wellbeing, and performance (Deci & Ryan, 2008).

The theory also states that people are the most engaged and do their most creative work when they feel they're acting on their own will towards goals that they find meaningful. Deci and Ryan's biggest find was that rewards like prizes and money were less effective and sometimes could diminish motivation. Many during the time rejected the idea, but by 2000 there were more than 100 studies that confirmed and extended their findings.

Numerous MLMs appeal to greed and material wealth to recruit by showing success stories, seemingly unlimited earning potentials, and how success in the company will lead to a luxurious lifestyle of mansions, high-end sports cars, and more (Hannan 2014). However, according to SDT, this extrinsic motivation shouldn't be enough for distributors to remain members of an MLM company. This is especially true when considering that 90% of MLM distributors earned less than \$5,000 a year. The majority of recruits lose money before bailing on the firm, and those at the bottom earned around \$10 a week before expenses and taxes (Scheer, 2006; Walsh, 1999). So, even though distributors are recruited by promises of extrinsic motivation, there must be large amounts of intrinsic motivation that keeps them from leaving an MLM, especially when the promised extrinsic motivations aren't rewarded.

I assert that MLMs fulfill SDT in each of the three aspects – competence, autonomy, and relatedness. For competence, MLMs market themselves as an easy way to start one's own business, and that any aspiring entrepreneur can be successful with an MLM. First, many MLMs will tell potential distributors that by buying large amounts of products and building networks of

clients, anyone can make large amounts of money, work their way to the top, and achieve financial freedom (Zimmerman & Zipper, 2017; Sole-Smith, 2016; Sutherland 2018).

Second, MLMs advertise that one can achieve lots of autonomy within their work and personal lives. Kiaw and Cyril de Run's (2007) study found that Malaysians join and stay in MLMs for six main reasons: business development, financial independence, personal freedom, product benefits, product credibility, and incentives. Within these main categories, there were several other related reasons, including being one's own boss, obtaining financial freedom, having pass time, having time for family, the ability to self-finance, and to build a business. These are all forms of autonomy.

Lastly, MLMs appeal to relatedness in both ways—having a sense of connection to others and a higher sense of purpose. Reasons for joining and staying in MLMs in Kiaw and Cyril de Run's (2007) study pertaining to relatedness included building networks, having time for family, the ability to socialize, build rapport, make friends, work towards self-development, and to succeed in business. Members feel they can build strong connections to others and complete a higher sense of purpose by building their own business and ideal lifestyle through participating in MLMs according to Kiaw & Cyril de Run's (2007) study. Some MLMs like Nu Skin even purport to have a “higher calling” by serving others with their revolutionary and life-changing products (Elkind, Burke, & Dan, 2012). Using SDT, one can see that even when promised income opportunities or appeals to wealth fail, MLMs can still retain members and continue to grow through intrinsic motivation and fulfillment of SDT. Aside from SDT, MLMs can use expectancy theory to motivate members.

### *Expectancy Theory*

Expectancy theory is a theory of motivation focusing on how and why people become motivated based on the effort they exert and the rewards that will follow. Tolman, an American psychologist, suggested that human behavior is directly affected more by expectation than by any other direct stimuli. Expectancy theory consists of three basic components. First, the employee's expectancy that working hard will lead to his or her desired level of performance. Second, the employee's expectancy that working hard will thus ensure that rewards will follow. Third, whether or not the employee's perception that the outcome of working hard is worth the effort or value associated with hard work (Hoffman-Miller, 2019).

The effort exerted by an employee is directly influenced by the expectation that by trying hard, the task can be successfully performed. If, however, the employee believes that trying hard will not generate successful performance, the effort exerted by the employee will decrease due to a lack of anticipated rewards (Hoffman-Miller, 2019).

Employees consistently leverage the results of their efforts with the expectation that hard work will lead to intrinsic or extrinsic rewards. They ask themselves 'is my effort worth the reward expected?' So, expectancy is directly associated with the innate belief that successful performance will lead to rewards. In an organizational context, when employees perceive that rewards are not equal to their performance, the value of their effort decreases due to the perception that the efforts gained as a result of hard work are not worth the effort expended (Hoffman-Miller, 2019).

MLMs promise potential members great business opportunities, control over one's life, and large amounts of material wealth if they choose to join the company (Kiaw & Cyril de Run, 2007; Fogg, 1998). When promised things like mansions, sports cars, and more like Vemma did (Hannan, 2014), prospective members are given the expectation that all of their hard work will

pay off. They are shown success stories of those who have attained this extreme material wealth through participating in MLMs, so new members are convinced that they can achieve this wealth too if they work hard. The members are willing to work long hours, take initial investment losses, and even be pushy to others when necessary in pursuit of the promised and expected outcomes of financial success (Krige, 2012). However, when or if these expectations aren't met, distributors can become less motivated to work as hard.

This would be where the fulfillment of self-determination theory would take over to intrinsically motivate distributors (instead of extrinsically) to retain distributors, keep them motivated to work hard, and continue earning the company profits. For example, if a member began to feel that their efforts weren't producing the expected benefits, they would lose motivation to continue exerting the effort they were previously. However, if all three components of SDT are still being fulfilled—competence, autonomy, and relatedness—they could still feel motivated enough to desire to stay in the MLM.

### *Equity Theory*

Equity theory is a theory of motivation defined by the researcher J. Stacey Adams in 1963. Adams was a behavioral psychologist with a research focus on job motivation. With equity theory, Adams asserted that workers strive to ensure that the rewards of their efforts are equitable in comparison with the inputs of other workers (Hoffman-Miller, 2019). The focus on efforts in this theory is strictly based on the perceived treatment of others, not the efforts of oneself like expectancy theory.

Equity refers to a psychological state where workers might experience a gap in the perceived fairness in an organization. The theory states that the behavior that workers exhibit

when they perceive that compensation (output) received for a job is inconsistent with the benefits that may be offered to another individual for the same inputs (Hoffman-Miller, 2019). While employers may think raising wages will help them compete for talent, research shows workers care more about how much a colleague is making than someone at another company (Pettypiece, 2015). This was demonstrated in Pettypiece's (2015) report of Walmart's pay raise incident that year. Walmart raised the minimum pay for newly hired workers in an attempt to attract better talent but did not raise wages for existing employees. So, new workers were making almost the same as experienced workers. This pitted employees against each other, made them hostile to one another, sparked controversy, created unhealthy competition in the workplace, and a toxic work environment for workers. Many experienced workers commented on how they felt disenfranchised and as if they had been taken advantage of. This caused many to either quit or drastically lowered their motivation to work as hard (Pettypiece, 2015). This incident is a portrayal of equity theory, and how employee motivation can be severely impacted by perceived fairness compared to other employees.

Interestingly, MLMs avoid equity theory within their members. Each member is thought to be an entrepreneur or small business owner and defined by their own success. They often advertise success stories of how wealthy some of the top distributors are. The most dangerous part of the success stories strategy is their implication that if one fails, it's their own fault. Basically, "you get out what you put in," is a popular mantra often used in motivational speeches at MLMs (Sole-Smith, 2016, p. 107). This motivation strategy bypasses equity theory so that distributors can't compare their own success to others' success. Distributors are told that their success is based solely on their efforts to prevent toxic work environments and the loss of motivation.

Instead of pitting their employees against each other as Walmart did in 2015, MLMs pit their members against him or herself. This is done so that they won't perceive their treatment or success as unfair compared to other members. It also ensures that members will not lose motivation and stay with the MLM when the promised success stories don't come true. "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," (Sutherland, 2018, p. 44). Equity theory can help to understand how MLMs avoid toxic competition between members which helps to motivate and retain members despite not receiving the promised financial rewards.

Self-determination theory, expectancy theory, and equity theory explain how and why MLM distributors are motivated to stay with an MLM, even if they aren't experiencing financial success. With SDT, members feel fulfilled, that they have control over their life, and have a sense of higher purpose and connection to others. Equity theory shows how MLM members can't compare their successes or failures to other members. If they feel as though they're not successful in the MLM, they may feel that it is due to their own lack of effort and not the fault of the MLM structure. Therefore, they may be motivated to work harder to chase after success instead of blaming the MLM and leaving. Expectancy theory shows how MLM members can compare the effort they input to the outputs—benefits or success. If they feel as if their efforts are worth the benefits, they will be motivated more. If they feel the benefits don't equal or outweigh their efforts, equity theory comes into play—they blame themselves and not the MLM structure. So, after a considerable amount of time invested in the MLM they may not be motivated to leave, but rather motivated to put in more effort.

Chapter four will discuss the flow of communication between the levels of MLM members. Due to the high attrition rate of new members, MLMs can and sometimes must resort to other, non-conventional methods of motivating and retaining members because MLMs do require substantial recruitment in addition to substantial product sales. The next chapter will describe how MLMs can colonize members' lives, can use organizational communication that functions similar to propaganda, and in some cases use cult-like tactics.



#### **CHAPTER 4: INTERNAL COMMUNICATION IN MLM COMPANIES: COLONIZATION OF LIVES, ORGANIZATIONAL COMMUNICATION, & CULT- LIKE BEHAVIOR**

In MLM companies, there is a flow of information between upline and downline members regarding information such as training, sales, policies, procedures, relationship-building, and more. However, the internal communications in MLMs can become deceptive and unethical (Sutherland, 2018; Sole-Smith, 2016; Koehn, 2001). I argue that this is due to the high drop-out rate of new members in MLM companies (Sutherland, 2018; Sole-Smith, 2016). MLM companies can resort to unethical means of recruiting and motivating new members to sustain the company because MLMs rely on both product sales and recruiting new members (Koehn, 2001). I will describe how MLMs ‘colonize’ members’ lives through constant/controlling communication tactics, how organizational communication can function as propaganda in the context of MLMs, and how MLMs engage in cult-like behavior to recruit and retain members. Lastly, I will compare how these concepts discussed in the literature match and/or differ from the responses of my interview participants.

As discussed in chapter three, there are four main constituents of MLM companies: the customers, members, the headquarters, and the Distributor Network (DN). After the Amway 1979 case, MLM headquarters became further regulated and watched over by the DSA and FTC (Babener, 2017). However, the DN is not regulated as it consists of high-performing members – members that are separate and not a part of the headquarters. So, the training of new members, including how members are communicated with and taught to communicate with others, is not regulated by law. This lack of regulation among training and internal communication between members can allow unethical tactics of communication between both new and experienced members.

The methods of communication of MLM members are different from traditional corporations because the members can work anywhere from their smartphones, including private locations such as their homes and vacation destinations. I argue that this allows the MLM company to disrupt and violate private settings to 'colonize' members' lives through constant communication. This constant communication can fade the line between the work/life balance and cause some members to feel that they are always working, according to some of my participants that were former members.

The communication between members is generally frequent and can vary from weekly meetings to daily phone calls or messaging (Fogg, 1998).

“Typical activities between upline and downline members are regular (daily) phone calls, informal meetings, and upline members accompanying their new downline to recruitment interviews or product sales. Thus, training, motivation, education—or, to put it more generally: the socialization and indoctrination of distributors—is handled by independent training organizations as well as by upline members.” (Groß & Vriens, 2019).

Uplines and downlines are frequently communicating about sales, recruiting, training, and growth. Former Arbonne President Rita Davenport was asked in an interview by Success Magazine about what it is like to run a company from her home. She commented that with computers, teleconferencing, and phones, that it is fairly easy. She claimed to get more done if she was at home rather than an office and said, "yesterday, I talked to 27 of my key people individually," (Fogg, 1998). She mentions several times throughout her interview that this frequency of communication is regular and that she talks to her team every day. Technology allowed her to constantly contact her team wherever they are at virtually every time of the day. So, this would suggest that her team doesn't have designated work hours or a designated work location – it is suggested that it is usually at their homes. Therefore, MLM companies and the DN – who train and communicate with other members – can overstep the boundaries of a work/life balance and 'colonize' members' lives.

Constant and frequent communication is a method used by MLM companies and the DN to retain members by giving confirmation to the members and offering them support. According to Groß & Vriens (2019),

“Studies have shown how a strong belief in a company is supported by constant mutual confirmation among members. Mechanisms are frequent, sometimes daily, phone calls between upline and downline members, and regular local, regional, and (inter-) national meetings and extravaganzas. In some MLMs, distributors are not only taught how to recruit others, but also what a fair and just society is, and how to feel superior to critics of the company. Lan (2002) concludes that exactly because MLMs and their members are often confronted with criticism by non-members, distributors need each other to constantly confirm their belief in the moral values of direct selling and its promise of future success” (p. 339).

Since MLMs are often considered to be pyramid schemes (Guo & Chan, 2015), members are constantly critiqued by their peers that they have been involved in a scam and are being taken advantage of. Members don’t want to feel ashamed or feel they have made a mistake, so they will seek confirmation from other members. I argue that the DN trains members to communicate extremely frequently with each other to give confirmation and to support each other to retain them – reduce the turnover rate. They want members to avoid feelings of shame for joining a company that their family and friends believe is a scam. This goes back to what Sole-Smith (2016) discussed when talking about the motivational speeches given at MLM companies’ events. Members are encouraged to “remove negative people (as in family or friends who question the business’s viability) from their life,” (p. 107).

The socialization/colonization of members’ lives involves extreme frequent communication between members to control what they see, do, and think – this is very similar to how propaganda functions. Their constant communication and family-like ties with each other create ‘total institutions’ where members can lose their sense of moral autonomy and can engage in ethically problematic behavior (as discussed in chapter three) without fully understanding that it is problematic behavior (Groß & Vriens, 2019). The DN’s training essentially takes over the

lives of members through organizational communication which functions similarly to propaganda, where the socialization of members controls how they perceive the world, what they think, and how they behave.

*MLM Organizational Communication – How It Can Function as Propaganda*

Atouba et al.'s (2016) study explores how dialogue – or lack of it – between employees' opinions and organization-wide communications relates to employees' identification in the organization. They explored how employee voice – how much input employees can have, the perceived adequacy or organization-wide downward communication, and job satisfaction related to employees' organizational identification. Organizational identification is how strongly an employee identifies themselves as part of a company, its objectives, purpose, and goals (Atouba et al., 2016) Their analysis found that higher levels of employee voice were associated with higher levels of organizational identification. Similarly, higher levels of organization-wide communication adequacy were associated with higher levels of organizational identification. Their findings suggest that inclusive and participative organizational communication practices are most likely to foster organizational identification when they are viewed favorably by employees and positively impact their job experiences.

Previous management research cited by Atouba et al. (2016) provides suggestions to retain and motivate knowledge workers. These suggestions include ensuring adequate resources, offering career development opportunities, providing challenging and meaningful work, creating a supportive environment, and fostering a sense of connection or identification among workers. MLM companies use all of these suggestions. In general, MLM companies promise the opportunity to own one's own business, unlimited income opportunity and career development, a sense of meaningful work, supportive environments, and a sense of identification among

members (Koehn, 2001; Hannan, 2014; Kiaw & Cyril de Run, 2007; Fogg, 1998; Sutherland, 2018; Sole-Smith, 2016; Franco & Gonzalez-Perez, 2016).

Some MLMs appeal to the recruits' emotions rather than their reason to offer them a sense of organizational identification. They do this to combat the high turnover rate and to instill members with a sense of loyalty to the company. Informational and motivational meetings are one of the most common methods for introducing potential recruits to an MLM program and to retain existing members (Walsh, 1999). MLM companies in some cases have leveraged evangelism to do so. The meetings often use the same motivation techniques that religious revival meetings use. These meetings can often include songs and testimonials, stressing dedication to the business. Some MLMs have gone further by encouraging their members to follow an approved way of life (Walsh, 1999).

Pratt and Rosa as cited in Franco & Gonzalez-Perez (2016) found in their analysis of three MLM companies, including Amway, that these companies placed high importance in the non-work lives of its members. Also, these companies encouraged members to bring their family and friends into the business. In addition to their outside family and friends, the companies build a system of family by developing family-like bonds between current and new members. When companies like Amway reach markets, one of their methods of expansion is their effective recruiting and retention techniques. Pratt cited in Gonzalez-Perez (2016) conducted an ethnographic interview of Amway distributors and he found that members were instilled an identification with the company through "sensebraking" and "sensegiving" practices. Members first went through a face where the organization changed their perspective of them, and then created an identity within the company (Gonzalez-Perez, 2016). Thus, MLM companies can create a sense of organizational identification using constant and/or controlling methods of

communication to instill members with loyalty to the company and provide members an altered sense of themselves and reality.

This practice is very similar to how propaganda functions, which is when there is mass influence that occurs when a group has total control over the transmission of information (Perloff, 2017). MLM companies can have total control over members' work and personal lives and the transmission of information between members. As stated by Groß & Vriens (2019), MLM companies can be "total institutions" that control members' lives and limit their moral autonomy. Normally when talking about propaganda, we think of it on a mass scale that affects the majority of society. In the context of MLMs, I argue that it is propaganda on a smaller scale conducted through organizational communication and creating a sense of organizational identification for members in the company.

Propaganda is not a negative term by definition – it just refers to the fact that one organization has control over communication. However, “propaganda becomes vicious and reprehensive only when it’s authors consciously and deliberately disseminate what they know to be lies, or when they aim at effects which they know to be prejudicial to the common good” (Bernays, 1928, p. 50). Thus, intention of the control of information is key when talking about ethics in communication. Propaganda also does “change our mental pictures of the world” (Bernays, 1928, p.53).

Numerous MLMs have been caught using deception and tactics of constant/controlling communication in their recruiting, socializing, and motivational tactics (Hannan, 2014; Koehn, 2001; Pharaonic Creations, 2015). This was especially depicted in *Betting on Zero* about Herbalife using deception to recruit and socialize members. Other reports such as Groß & Vriens’s (2019) study have also mentioned that many MLMs prohibit members from reading

certain texts, permit them only to read the company's own written materials, have frequent meetings, conferences, and trips. This limits members' free time outside the company, changes their perceptions of the world outside the company, and can change their thoughts and behavior. Therefore, some MLM companies utilize organizational communication as propaganda by completely controlling the communication within the company between members and limiting their outside exposure.

### *Cult-like Behavior in MLM Companies*

While cults are often thought of as being religious, several sources such as A Multi-Level Scourge (2018) call MLM companies "business cults" where "millions of people are ensnared in these pyramid schemes that use cult-like techniques to brainwash their targets and bilk them out of their money." As seen with how companies like Amway control members, limit their free time outside the company, and change their perceptions about themselves and the outside world, MLMs can operate very similarly to cults – some can even be considered cults. I argue that MLM companies' headquarters and the DNs view the use of cult-like tactics of communication to be necessary to recruit enough members to keep the business growing at a sustainable rate. "People generally don't join cults; cults actively recruit them. MLMs 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" (Sutherland, 2018, p. 46; Sole-Smith, 2016, p. 106).

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" (Sutherland, 2018, p. 45). According to García (2018), sociologists, psychologists, and psychiatrists identify certain characteristics that are common among cults. These characteristics include a highly charismatic, authoritarian leader, a religious dogma that is distinct from

mainstream religions, an intense indoctrination process (usually referred to as brainwashing or strong socialization into the group's ideology), expectations or demands of obedience to the group, isolation from mainstream culture or fear of the outside, and exploitation (physical, psychological, financial, etc.). Leaving is often forbidden or shamed and nonconformity or criticism is not tolerated by the group (García, 2018).

Almost all of these characteristics of cults can be found in numerous MLM companies, including Amway and many of the now non-existent MLM companies in China. Most MLMs don't have just one leader, but numerous leaders that are usually a part of the DN. These leaders are usually charismatic and promote the benefits of joining an MLM through their own success and happy attitude, such as Alex Morton, the "Royal Ambassador" of Vemma (Hannan, 2014). Morton preached how the college life wasn't for him and that college is a waste of time and money. He used his charisma and display of wealth, such as his sports car, Rolex watch, and Louis Vuitton accessories to recruit new members (Hannan, 2014).

Second, while MLMs don't necessarily have a 'religious dogma,' they do have a unique business model that contrasts the traditional American corporate business structure. MLM companies pride themselves for offering members the chance to be an entrepreneur, earn an uncapped salary, and work whenever one wants free from traditional bureaucracy (Mackay, 2019). During the corporate downsizing practices in the 1990s, many laid-off Americans became furious with traditional corporate structures and felt oppressed and betrayed by them. This fueled them with the determination to not join a traditional corporate structure again and to join a non-traditional type of business that promised them more autonomy over their lives (Mackay, 2019). So, many MLM companies now and in the past have leveraged their unique business model to



recruit new members. This is done in hopes of making them loyal to the company since they had felt betrayed by the mainstream/culturally accepted corporate business model.

Third, MLM companies do use intense indoctrination and socialization processes when recruiting and motivating members. As covered previously, MLMs are well-known for their ability to create enthusiastic, family-like atmospheres where members are encouraged to believe in themselves and support each other. In these environments, members support each other with mutual confirmation about the company and they are not only taught how to recruit others but also what a fair and just society is (Groß & Vriens, 2019, p. 339). Remember also, Pratt's study of Amway where workers were instilled with organizational identification through sensebraking and sense giving practices, which changed their perceptions about themselves and the world (Franco & Gonzalez-Perez, 2016). These examples show that some MLMs do use intense indoctrination practices to instill members with a sense of identity in the organization and provide them a sense of loyalty to the organization. So, MLMs use similar tactics of indoctrination and socialization as cults to assimilate members in the groups' (or the company's) ideology.

Fourth, MLMs isolate members from mainstream culture outside the company through the use of constant communication tactics described earlier. Strong corporate socialization tactics can increase the time spent within the company, interactions with other members, limit the types of information that members can consume, and distance members from the world outside of the company. According to García (2018), cults use the same tactics to distance people from the outside world and family/friends to make them more loyal to the cult and retain them. When MLMs offer members a 'family' to have confirmation about their life choices and limit their contact with 'outsiders,' it is more difficult for outsiders to persuade or influence members.

Mutual confirmation will strengthen the bond between members and loosen them with outsiders. Some MLMs like the ones in China take isolation to extremes. A Multi-Level Scourge (2018) describes how family or friends persuade a recruit to go to an unfamiliar, often isolated place for a week of "introductions and training." These interactions are usually small groups of people in a small room, and sometimes victims reported having their mobile phones taken from them (A Multi-Level Scourge, 2018). These practices are examples of how some MLMs in China both physically and digitally isolate members during the indoctrination/socialization process because isolation causes people to be more susceptible to persuasion (Perloff, 2017). So, MLMs can operate similarly to cults by distancing their members from the outside world – physically, psychologically, and digitally.

Fifth, MLMs can exploit their members as discussed in chapters three and four by promising financial independence, personal power, a life of luxury, and fulfillment of the American Dream (Kiaw & Cyril de Run, 2007; Walsh, 1999). MLM critics see this as a myth because the vast majority of members never realize these dreams (Sutherland, 2018; Sole-Smith, 2016; Koehn, 2001; Kiaw & Cyril de Run, 2007; Silverstein, Kosciulek, & Lee, 2019). Kiaw and Cyril de Run (2007) criticize the MLM structure for being a system that requires some people to fail for others to be successful.

“A major criticism is that it [the MLM structure] is a system in which people below you must fail, for the scheme to survive. Others liken MLMs to a cult, where distributors edify their up lines and seek their advice on matters like the vehicle they should drive and even the clothes they should wear. The most significant downside of an MLM is its deliberate strategy to tell only what it wishes to tell its distributors and the extraordinary hype associated with the majority of achievers as well as the promise of great financial material gain... the cruelest aspect of MLM lies in its persistence to sell hope and dreams that have little chance of being realized for the majority of his millions of distributors” (p. 39-40).

So, MLMs can exploit members financially through unfulfilled promises of wealth and success. The exploitation can also be psychological due to leveraging personal relationships, leveraging the illusion of invulnerability, and more (covered in chapter three).

Lastly, in some cases leaving an MLM is forbidden, or members are shamed if they consider leaving. China's "business cults" combine their motivational tactics with violence (A Multi-Level Scourge, 2018). In *The Economist's* article "A Multi-Level Scourge" (2018), two murder incidents were reported in the city of Tianjin. Both victims were attempting to leave MLM companies but were found dead. The MLM members responsible for the murders were arrested. Not all MLMs use these extreme measures, but often members wishing to leave are encouraged not to leave or shamed for attempting to do so (Hannan, 2014; Sutherland, 2018). So, once an individual joins an MLM company, it becomes difficult, shameful, or even dangerous to leave – much like a cult.

Furthermore, Sutherland (2018) provides her argument about MLM operations. She states that MLMs use mind control to operate which she defines as "thought control, brainwashing, and undue influence" where people are controlled through persuasion and subtle influence techniques. There are several mind control models, but she cites cult specialist Steve Hassan's BITE model (Behavior, Information, Thought, and Emotions).

Behavior control is the control of a person's environment – clothing, rituals, activities, etc. Information control effectively functions as propaganda, or intense/controlled organizational communication. People are easier to control if they don't have accurate information (Sutherland, 2018). There are many occasions where MLMs are caught lying, withholding information from members, or controlling what information members can or cannot consume (Sutherland, 2014; Hannan, 2014; Zimmerman & Zipper, 2017). More concerning, members are not allowed to

criticize the leaders, products, or organization. They are specifically told not to share doubts or criticisms to their downlines (Sutherland, 2018).

Thought control is the use of thought-stopping practices. MLMs block out negative information from the group and disbelieve criticisms. Members are also instructed to avoid contact with ex-members and critics – those who are often called "haters" who are angry that they "didn't try hard enough and failed." (Sutherland, 2018, p. 47). Hassan, cited in Sutherland (2018), says that when presented with facts about MLMs they cannot hear it "because of thought control, factual information that challenges the cult worldview does not register properly." Lastly, there is emotional control, which is when deceptive groups can take advantage of identity guilt or overwhelm recruits with emotions. Sutherland (2018) gives the example of love bombing. MLM members will be extremely kind to recruits and perform acts that show care to raise recruits' confidence and make them feel a part of the 'family.' Hassan's BITE model directly supports the six characteristics of cults described by García (2018): charismatic/authoritarian leaders, distinct beliefs from the mainstream, intense indoctrination processes, expectations of obedience, isolation from the outside world, and exploitation of any kind. Therefore, MLMs function similarly to cults through constant, controlling, and deceptive communication tactics to recruit and retain enough members to combat the high drop-out rate.

I compared these findings in the literature to those of my interview participants, who are or were members of Arbonne or Mary Kay. My goal was to find if the members of these MLMs also experienced constant/overbearing communication, were exposed to organizational communication that functioned as propaganda, or if it seemed they were treated (unknowingly) as cult members.

### **Members of Mary Kay and Arbonne's Responses**

My interview questions (see Appendix A) did not overtly ask about some of the topics discussed above because I predicted that when confronted with these unethical issues, they would deny them – even if they were true or if the member might not be aware of the situation. I believe that my prediction was correct because all eight of my participants (even the former members) responded that their company was an all-around ethical one. Every current member (6 participants) responded that there were no cons or negatives to their respective MLM. There were “absolutely no cons to the company, only pros.” So, determining if these ethical issues exist in Arbonne or Mary Kay was left up to my interpretations of their responses and to uncover any underlying themes.

The interviews did confirm that the members do experience frequent communication at home and that they enjoy working in home settings. The most reported methods of communication are seen in Figure 20.

<b>Methods of Communication (All Participants)</b>	<b>Frequency</b>
Text	8
Phone Calls	8
Zoom	6
Facebook Groups & Messenger	4
Email	4
Weekly In-Person Meetings	4
Voxer	3
Monthly In-Person Meetings	2

Figure 20: Interview Participants Methods of Communication; Own Source

However, even with frequent communication in home settings, the majority of participants felt that their personal relationships were either unaffected or affected in a positive way, such as making new friends or reconnecting with people. Emily said that her relationships were always impacted positively and said that “I get to spend more time with loved ones.”

Only one participant, John, a former member of Arbonne, felt that his relationships were affected negatively. Like the literature, some participants feel their relationships are affected

positively and others feel the opposite. John said that many of his friends "couldn't believe that he got sucked into a scam." He felt that his friends viewed him negatively after joining, and his relationships were further disturbed when he attempted to sell them products or asked them to join. John says there are friends that he does not speak to much anymore due to working with Arbonne and said it was one of the main reasons he decided to leave, along with the fact that he experienced financial loss. This was not the case for the other seven participants, who felt that their MLM introduced them to many wonderful people and that they were able to reconnect with old friends or family members. Susan said "it [Mary Kay] was presented to me at a time when I was searching for something... the Lord put in my path my recruiter and that's how I joined Mary Kay...the company helped me achieve my goals and change career paths."

With mixed responses about MLMs' effects on personal relationships, I wanted to see if Arbonne or Mary Kay colonized their members' lives or caused members to lose moral autonomy. The literature had suggested that members' lives are essentially taken over by the constant or overbearing communication tactics of MLMs and that strong identification within the MLM could cause members to engage in unethical behavior without realizing it. However, there was not much evidence to support this in my interviews. Though there was evidence to suggest the companies cause members to instrumentalize relationships. All of the current members tried to recruit me and or sell me products at the end of the interviews. Emily even gave me a sample product and a brochure about joining Mary Kay after the interview. At the end of Jane's interview, she asked me "so when are you starting your Arbonne business?" Every interview with the current members felt a bit different than the interviews with the former members. It seemed as though recruiting me was always in the back of their minds and they did not hesitate to ask me about the companies' products or joining the company at the end of each interview.

This constant effort to recruit me causes me to believe that instead of seeing the interview as a way to help a college student with her research, they saw it as a business opportunity. They seemed to view me as a prospective customer. Many of the participants interviewed were family, friends, or were each other's' uplines/downlines. These members were not shy in taking the opportunity to share the business with their close relationships. Perhaps they did feel they were helping their friends/family start a good opportunity, though we must remember that they do have a financial incentive to do so. In my interviews, I noticed that they could be persistent with this effort. Jane said that she would "circle back with them [prospective members and family] three to four times before they told me to go away." Susan said she spoke with her upline for five months before joining and said that every month her upline would contact her asking "so how are you feeling about Mary Kay?" After five months of this, Susan joined the company. So, this evidence suggests that MLMs can cause members to see other people (even family and friends) as a business opportunity rather than human interpersonal relationships. This is a major ethical issue, but it is one that the members are completely unaware of, except John – a former member. He stated that he felt his upline cared about him. "Though looking back now, I'm not sure if it was genuine or if she just wanted to recruit me... we haven't really been in contact since I left the company." When reflecting upon his experience, John felt that he could have been emotionally manipulated by his upline to persuade him to join and stay.

John's experience is not unique as the literature recounted similar experiences. Those who had positive responses about this issue may not have realized the effects that the MLM could have on them or their relationships. Several participants loved that "the business allowed them to reach out and reconnect with others." Several participants stated that they reached out to "share the life-changing opportunity." Though we must remember that they do financially benefit from

doing this. The evidence suggests that the financial benefits of the business could be the reason why they reconnected with others since they said that the business “allowed them to,” suggesting that they would not have done it unless they could gain from it. These are examples of ways in which MLMs can cause members to instrumentalize personal relationships even if the member is not aware that it’s happening. The fact that they are unaware of this phenomenon is more problematic than the fact that it is occurring. This finding in all of the current members’ interviews supports the literature in that members’ moral autonomy can be blinded without their knowledge. Members are unaware that they could potentially damage their relationships if the person they are reconnecting with views the reconnection as a way for that member to profit from them, as discussed earlier by Bloch (1996).

There is also evidence to support that the members seemed isolated from life outside of their MLM. Several participants said they mostly only talk to their co-workers. Some participants' co-workers are their family, and some were not. Almost every participant said they participate in weekly meetings via Zoom or in-person. Others commented on how they feel like they are constantly texting their co-workers through phone messaging or Voxer. Since almost all participants are working from home, they do not have much interaction with people outside their home or other MLM members. So, most of them were effectively isolated from the world outside their homes and/or MLM. Fortunately, I did not get the impression that these two MLMs were isolating members to the extent of cults. Several members stated that members are free to go if they feel the company is not right for them and that they still keep in touch with some former members.

When examining the organizational communication of Arbonne and Mary Kay, it did not match the research in the literature. The training practices of these companies did not seem to



function as propaganda, and there seemed to be almost no form of motivation tactics. The training for both MLMs is online through videos and not done through only upline members. That aspect did differ from the literature. Since the training in these two MLMs is done by the members online, there is an absence of the Distributor Network. Emily said that at Mary Kay new members can ask their uplines for advice, but the majority of training is provided online for the member to do independently and that there are some optional trainings too.

Uplines are very hands-off in Mary Kay, and this was true for Arbonne too. The corporation creates these trainings, so in these two MLMs, the training is done by the Headquarters and not the Distributor Network. Therefore, their training methods can be observed and regulated by the DSA and FTC. I argue that since Mary Kay and Arbonne do not have a Distributor Network, the organizational communication and training do not function as propaganda. New members train independently. Kira said Arbonne members can ask different uplines and sidelines (those not in a member's up or downline chain) for advice and complete as much or as little of the additional online trainings as they want. New members are not limited to one source of information in these two MLMs and the training they receive can be observed or regulated. Therefore, my interviews have suggested that the absence of the Distributor Network in Mary Kay and Arbonne helps to minimize some (not all) unethical behavior in MLMs. While the interviews with current members seemed to show that MLM members could potentially instrumentalize personal relationships, the absence of a Distributor Network allows members to have some autonomy over the socialization process, to not be subject to propaganda or cult-like behavior, and for their lives to not be completely 'colonized' as the literature suggested.

Chapter five will discuss how MLM companies can leverage the American Dream to recruit, socialize, and motivate members by appealing to materialist, individualistic, and

consumerist values in American culture. MLMs can appeal to material wealth and push both internal and external consumption of products. The exploitation of consumerism, materialism, individualism, and the American Dream can cause unethical actions that harm members. After discussing how the exploitation of these concepts can cause unethical actions in MLMs, I will discuss the interview participant's definitions and perceptions of the American Dream.

## **CHAPTER 5: THE INFLUENCE OF THE AMERICAN DREAM ON THE MLM INDUSTRY**

Multi-level marketing companies leverage the American Dream to recruit, socialize, and motivate members by playing into the materialist, individualistic, and consumerist values embedded in American culture. The American Dream is defined as having the opportunity to obtain prosperity, success, and upward social mobility through hard work (Eliassen, 2018). As covered in chapter three, MLMs can appeal to greed, material wealth, and push internal and external consumption of products. While some members of MLM companies can experience high monetary success, the exploitation of consumerism, materialism, individualism, and the American Dream more often causes harm to MLM members and consumers, fostering unethical or negative actions taken by MLM members. In this chapter, I will define consumerism, individualism, and how these concepts come together in defining the American Dream. Then, I will analyze the responses from my interview participants to determine how they define the American Dream, if they feel they have or will achieve the American Dream, and how the exploitation of consumerism, individualism, and the American Dream can cause the unethical actions of MLM companies/members.

### **Consumerism**

The first distinction to make when defining consumerism is that the term is not synonymous with consumption. The Oxford Dictionary defines consumption as the purchase and use of goods (Miles, 1998). Similarly, Campbell, as cited in Miles (1998), defines consumption as the selection, purchase, use, maintenance, repair, and disposal of any product or service. These definitions cover the basic concept of consumption but do not acknowledge the significance this concept has in societies, especially Western societies. Lee, cited in Miles (1998) notes that

during the 1980s, the object of consumption, the commodity or product, came to take a form of “magical quality” to the extent where consumption is both an economic and cultural touchstone.

McCracken describes consumption as a thoroughly cultural phenomenon and argues that in developed Western societies where culture is strongly connected and dependent upon the consumption of consumer goods (Miles, 1998). Without consumer goods, modern Western societies would lose key tools for the reproduction, representation, and manipulation of their culture. Consumer goods, therefore, are an important part of creating our current reality. Without consumer goods, certain acts of self-definition and collective definition in Western culture would be impossible. McCracken also argues that the study of consumption should take into account how consumer goods are created, bought, and used. (Miles, 1998).

Miles (1998) asserts that consumption is more than an economic phenomenon. He says that consumption as a set of social, cultural, and economic practices along with the associated ideology of consumerism has served to legitimize capitalism for millions of people. Knowing this, the notion of consumerism can be considered a more sociological interest than consumption. So, according to Miles (1998), the study of consumerism is broader than the straightforward process of just buying and consuming goods or services – the study of consumerism should attempt to explore what lies behind the act of consumption. Consumption is an act whereas consumerism is a way of life.

Taxe & Taxe (2012) define consumerism as “a way of life rooted in mass production and the marketing industry,” which supports the notion that consumerism is a way of life, especially in modern Western societies like America. It is a practice where social identity and prestige are constructed, experienced, and shown through the purchase and possession of consumer goods and services (Taxe & Taxe, 2012). Lee in Miles (1998) says that in the 1980s,

consumerism transformed from just an economic phenomenon into a cultural one, where people displayed their status through their material possessions. Similarly, Cohen (2016) argues that collectively, citizens in the U.S. are said to equate the acquisition of consumer goods with well-being, personal fulfillment, or moral rectitude. So, for Americans, acquiring consumer goods can be used to create and/or define their identities, display these identities to other members of society, and create feelings of fulfillment by displaying their self-created status to others. Laughey (2007) discusses how media texts and products are considered to empower people and exert power over consumers; with products and capitalist production, goods are both creations and creators of the constituted world. In other words, people produce goods, but those goods also can exert power over people such as defining social class, granting or stripping away feelings of attractiveness, success, or more. "Consumerism is fueled by easy credit and by advertising designed to create desire for commodities by associating their acquisition with valued states such as happiness, peace of mind, attractiveness, gratification, affluence, and success," (Tauxe & Tauxe, 2012).

In a consumer society, where the base of the economy is how people are defined by material consumption, the amount of goods acquired greatly exceed actual need – a process known as materialism. Antonio (2001) defines materialism as the epistemological primacy of matter over ideas, mind, and spirit. A materialistic society places the importance of producing and consuming products above all other things such as ideas, the mind, or anything that is not a physical commodity. Producers of material commodities in industrialized societies profit by the continuous expansion of consumption, but this growing demand has been using up natural resources at an unsustainable rate (Tauxe & Tauxe, 2012). This vast over-expansion of consumption can cause some ethical issues in companies that produce and sell commodities,

such as using natural resources at greater rates to produce an excess of goods or pushing these excess goods onto consumers via mass marketing whether they need the goods or not.

### *Origins of Consumerism*

The first scholar to formally address the idea and theory of consumerism was Thorstein Veblen in his book, *The Theory of The Leisure Class* (1899). Veblen (1899) examined the widespread values and economic institutions emerging along with the widespread "leisure time" at the beginning of the 20th century. He views the spending habits of the leisure class in terms of "conspicuous and vicarious consumption and waste." Both of these terms refer to the display of status, not functionality or usefulness.

Similarly, Tauxe & Tauxe (2012) attribute the origins of modern consumerism to the invention of factory assembly lines near the beginning of the 20th century and gathered momentum with the expanding middle classes in Europe and North America after World War II (Baker, 2001). Mass production increased worker productivity which caused prices of consumer goods to become affordable to most workers in industrially developed societies. During this time, industrial wages rose which boosted many into the new middle-class lifestyle of consumerism (Tauxe & Tauxe, 2012). So, many middle-class workers started to experience increased buying power in which they could purchase products they could not have purchased before. Veblen (1899) identified that the middle class, with their new buying power, desired to establish their social status through consumptive behaviors by displaying their new wealth to other members of society. This behavior was motivated by the notion that they wanted to celebrate and show off their new successes and wealth. They accomplished this through acquiring material wealth, as non-material wealth is not visible to others. The expanded assortment of goods available in the industrialized world made this behavior possible.

Early in the mass consumption era, business models changed in which they began to design products in a way that caused the need for consumers to replace them periodically, either because they are used up or have become obsolete before wearing out. Consumer culture promoted demand as a growth strategy in the 1950s, especially in the United States. There, the members of a growing middle class viewed their upward mobility in material terms, such as owning many household appliances, a single-family home, and an automobile. Items such as “store-bought” clothing, processed foods, and manufactured chemical products acquired the glamour of modernity and high status (Tauxe & Tauxe, 2012). So, the ownership, consumption, and display of such commodities defined one’s social status and signified it to others.

The novel luxury of buying such items off the shelf instilled the middle class with special significance in the 1950s and early 1960s:

This was a time when admiration for the scientifically up-to-date was a cultural norm, along with a rationale in which ‘second hand,’ ‘home grown,’ and ‘homemade’ came to signify either the lingering frugality of Depression-era poverty or nostalgia for a romanticized pre-industrial past (Tauxe & Tauxe, 2012).

The essentially competitive character of consumerist social status display was captured in the imperative of ‘keeping up with the Joneses.’ This is the ideology that people in consumer societies must compete with and keep pace with their peers’ successes, or their peer’s outwardly displayed wealth/material possessions intended to convey success to others. Keeping up with others’ materially displayed successes was desired by those seeking upward mobility, those who wanted to avoid feelings of shame, and those who did not want to be viewed as poor or struggling by their peers (Kasser & Kanner, 2005).

### *Consumerism in America, Media Texts, and Multi-Level Marketing*

Keeping pace with others, changing fashions, and sharing media-based experiences have come to replace socially integrating rituals and community engagement in less-consumerist

societies (Tauxe & Tauxe 2012). So, individuals in consumerist societies aspire more to obtain commodities that display their identity and social affluence to others rather than attending community or social events. However, trends of what is considered to represent high affluence are created by advertisers and constantly changing due to consumerist ideals – to keep consumption ongoing and therefore companies can continue to profit.

This notion that advertisers and the high class create what is considered to be popular or represent high affluence contrasts John Fiske's theory of consumer resistance when consuming media or marketing texts (Laughey, 2007). Fiske is widely known for his theory of consumer resistance in which he asserts that consumers have power and create popular culture because people decide what is popular. When referring to people he doesn't mean a mass of passive individuals, but productive consumers who embody "a shifting set of allegiances that cross social categories" (Laughey, 2007, p. 170). In short, Fiske argues that audiences are not passive and that they routinely resist and re-interpret the preferred meanings of media texts, such as marketing messages.

When referring back to Veblen's (1899) work, he describes that with the creation of mass production of factories in the 20<sup>th</sup> century people had increased leisure time and disposable income. The high class and rising middle classes spent their leisure time and money doing recreational activities and buying increased amounts of non-essential goods. People (the masses of society) then came to realize this behavior as the behavior of wealthy, affluent people. So, people wanting to portray their social status as being wealthier would mimic the behavior of the affluent high class – if people act like they are wealthy, other people may view them as being wealthy. Therefore, the high-class effectively did decide what constitutes as popular, "high class," or affluence (Veblen, 1899), not the masses of society like Fiske suggests. Businesses



then realized they could increase profits by adjusting their production and marketing messages to what the masses desired to acquire. The masses began to desire the commodities that the wealthy have already acquired to attempt to display their social status as wealthier. With mass production comes mass marketing. Businesses mass marketed these commodities that signified affluence (determined by the high class) to the masses. However, to continue increasing profit and sustain production over time, trends of what is considered to signify success is changed over time by advertisers (Tauxe & Tauxe, 2012) and the high class (Veblen, 1899).

The constant changing of trends and need for new commodities continues at an unsustainable rate which causes the constant need for extra income to buy these commodities. As discussed in the previous chapters, with MLM companies advertising to be sources of extra income and being the key to high amounts of material wealth, many people in a consumerist society may view joining an MLM company to be the solution to constantly changing societal norms, trends, and expectations.

This competitive display of social status through consumption can be exploited during the recruitment processes of MLM companies. The tactics mainly being referred to here are the appeal to wealth/greed, representations of income, and success stories as discussed in chapter three. Numerous MLM companies, such as Vemma, an MLM company selling sports-related dietary products, have used appeals to wealth and displays of material ‘success’ by using members with high incomes to recruit new members. Hannan’s (2014) report on Vemma discussed how top earning members would showcase their mansions and luxury cars in meetings with prospective members and explain how those new members could share the same lifestyle if they joined the company. Other recruitment tactics included representing a member’s earning potential to be unlimited, to be able to move up in social class, and to be able to obtain whatever

one wants whenever one wants it. So, MLM companies can exploit the concept of competitive display of status by informing members that they can earn high or unlimited income to be able to obtain whatever material wealth they desire. This ability to obtain any material wealth allows members to feel belonging to a higher social status and convey this high status to others.

Cohen (2016) also discusses this desire to convey high status to others. He examines the relationship between this desire of many Americans to exactly why consumption has boomed over the past few decades in America, even as wages have stagnated and debts have risen. “Compared to other highly developed countries, U.S. savings are low, while debts and consumption levels are high,” (Cohen, 2016, p. 532). He states that market analysts believe these problems are attributable to excess spending on products that fulfill hedonistic needs or involve attempts to gain social status. Cohen differentiates nonessential/hedonistic products from essential products, which are defined as “goods and services whose acquisition substantially affects a family’s health, safety, basic economic security, and well-being” (p. 546). He lists products like food, emergency medical care, clothing, and indoor shelter as indisputably essential. In consumerism literature, there is typically a focus on nonessential products which can be

“sacrificed without a probable large effect on people’s health and economic variability: premium apparel, household appliances, specialty food, or new automobiles. Many of these products are acquired in the pursuit of higher social status, self-esteem, personal entertainment, or some other motive that is not integral to ensuring one’s health, safety, basic economic security, and general well-being” (Cohen, 2016, p. 546).

He is stating there that U.S. families tend to over-spend on both essential and nonessential products, even if it damages their long-term financial well-being.

He argues that overspending is often explained as the product of a cultural mindset that "hyper-valorizes" the acquisition of consumer goods and that "we [Americans] are said to forge our personal identity through products we acquire. We shop recreationally and sometimes

knowingly bury ourselves in unmanageable debt” (Cohen, 2016, p. 535). He attributes this behavior to the fact that our daily lives are ‘bombarded’ by advertising, the public space has become saturated with opportunities to consume, and technological innovations such as credit cards, online shopping, or social media have made it easier to buy on impulse without considering the negative implications of spending. He particularly describes a very prevalent issue of household overspending that stresses sets of values, habits, and views that lead Americans to attach importance to material possessions and to purchase products impulsively with small regard for negative financial consequences.

Cohen (2016) describes these cultural traits of consumerism citing Wright and Rogers as a "belief that personal well-being and happiness depends to a very large extent on the level of personal consumption, particularly on the purchase of material goods...that at the center of happiness is consumption and material possessions" (p. 535). These situations stress the ways that consumption is harmful to people's well-being. He describes it as having been raised "to serve the economic interests of businesses and to cement the political economy's conformity to capitalist ideals and propagated through the tools of modern marketing and media. This 'culture of consumerism' is linked to rising anxiety, poor health, distress, and other ailments or forms of malaise" (p. 535).

I argue that these feelings of anxiety and distress come from the pressure of desiring to be regarded as successful by peers through material wealth that many Americans can find difficult to afford. This desire often causes them to put themselves in financial distress to ‘keep up with the Joneses’ because failure to do so can cause people to feel embarrassed about their social status. It’s a vicious and repeating cycle. Again, MLM companies can exploit this desire by offering prospective members ‘unlimited incomes’ and the ability to obtain any material wealth

one desires. So, joining an MLM can be seen as a solution in a consumerist society to obtain wealth, create one's identity through material objects, and use these objects to display their status to others and ultimately avoid embarrassment.

This ethical issue discussed can be seen in MLM companies that become absorbed in consumption and materialist ideals. For a legitimate MLM to exist, it must sell large amounts of product (not just recruit) to sustain its growth and distinguish itself from an illegal pyramid scheme. A lack of substantial product sales is a defining factor of a pyramid scheme. In some cases, members can be pressured to meet sales quotas, push sales of the products to their downlines, consume the products themselves, or just fear not selling enough products to make a living. This practice has been observed by some researchers like Krige (2012) to become more aggressive and morally compromised methods of selling in which the companies can be referred to as "push-push schemes." Members of these types of MLMs, like the ones observed by Krige (2012) in South Africa, can sometimes aggressively 'push' products or recruitment onto people. Some members were so eager to sell product that they presented to school children and sold medicinal products (with questionable claims) to the sick. In that specific case, both the MLM member interviewed and Krige (2012) agreed that these types of practices are unethical. However, many MLM members continue to do acts like these to preserve a necessary level of consumption to ensure they make a living and contribute to the MLM company's growth. This type of act discussed here is an example of pushing excess or nonessential products onto people as mentioned earlier in the chapter. Pushing sales of excess, nonessential, or ethically problematic products onto people generates waste and creates the uncomfortable feeling of consumers feeling as though these products are being forced onto them.

At the other end of the product life cycle, consumerism includes the practice of discarding broken, out-of-fashion, and even slightly used products to allow for new acquisitions. This has resulted in a huge and rapidly moving waste stream that has become problematic (Tauxe & Tauxe, 2012). However, this practice is necessary for MLM companies to exist because they require the mobility of goods through the downlines and constant consumption of goods to make enough sales and sustain their rapidly expanding business model. To be considered legitimate, an MLM must do what most other companies do – constantly innovate or develop new products and market these products heavily, even if a consumer doesn't need these new products. Rather than using traditional forms of advertising such as TV commercials, social media, billboards, etc., MLM companies market their products exclusively through direct selling. This can cause their members to become even pushier than before. Instead of marketing products to solely people who need them, they may push products to people who don't actively need them.

MLM companies such as Mary Kay, Arbonne, Avon, or Amway sell cosmetics, jewelry, perfumes, etc. One would say that these products are nonessential and that their sales are only increasing unnecessary or wasteful consumption. This is not unique to MLM companies as many non-MLM companies like Walmart, Amazon, etc. do this as well. However, I argue that direct selling is more persuasive than traditional marketing because the product can be displayed/demoed immediately, and the salesperson is often a trusted family member or friend (Franco & Gonzalez-Perez, 2016). The growth of MLMs in many cases depend on family ties or friendships because the companies expand from human networking (Franco & Gonzalez-Perez, 2016; Koehn, 2001). Relatives may feel somewhat forced or pressured into buying MLM products from their friends/family members to prevent them from feeling ashamed, to show support, or avoid family fighting (Koehn, 2001). So, MLM companies can further increase

unnecessary or wasteful consumption of products more than most non-MLM companies to earn a living and to continue to expand the company.

### *Critiques of Consumerism*

Economic efficiencies like mass production have made mass consumption possible, but according to Tauxe & Tauxe (2012), their real purpose is generating profits rather than social good. Consumerism has been widely critiqued as having adverse effects on personal autonomy, family and community values, psychological health, household finances, social capital investment, and the environment. These impacts are among the hidden costs of consumerism, along with waste. “According to its critics, the consumer culture that began with providing basic conveniences and well-paying jobs has grown into an oppressive hegemony that degrades human well-being as well as the planet's ecosystems,” (Tauxe & Tauxe, 2012).

Critics assert that consumerism transforms the natural motivation to acquire a sufficient supply of necessities into an insatiable quest for commodities and the money to buy them and that this transformation distorts healthy social relationships. This occurs, for example, when people judge their own and others' value in terms of their buying power and material wealth – a calculation that renders the poor worthless (Tauxe & Tauxe, 2012). As a result of this type of calculation, many people are extremely motivated to earn high incomes which allows them to obtain vast material wealth so that they are not perceived as being worthless. According to this thought, many people could be successfully persuaded into joining an MLM company when told they can have high/unlimited income and are shown vast material wealth by high-performing members. MLM members' aspiration for wealth, as discussed in chapter three, is a desire that most people have, which is to not be perceived as worthless or poor by other people.

Apparent consumption has become central to claiming a respectable level of social worth. “This presents the marginally middle class with the difficult choice of either working extra hours in order to buy more and more esteemed goods, going into crippling debt, or doing without the status-conferring goods and suffering the consequent social inferiority,” (Tauxe & Tauxe, 2012). In a consumerist culture, even close social relations are often mediated through spending money on non-necessities as a way of demonstrating love and acknowledging connection (Tauxe & Tauxe, 2012), such as the social expectations of buying gifts for loved ones on their birthdays, anniversaries, Valentine’s Day, and Christmas. Failure to meet these expectations (in America) may cause loved ones to assume an individual is lazy, poor, or inconsiderate and this individual will feel shame. To avoid this shame, people are pressured into always having enough extra money to satisfy these social expectations driven by consumerist culture. As seen before, MLM companies advertise themselves as solutions for earning extra income with flexible hours, so many people can view them as a way to ensure they have enough extra money to meet the expectations of consumerist culture.

Another aspect of consumerism is the role it plays in shaping an individual’s identity, outside of just their social class. Consumers identify with their possessions and perceive them as representing who they are and who they aspire to be. “Such displays communicate identity through richly nuanced symbolic associations of style and brand, so that consumers may quickly assess the socioeconomic and cultural status of others,” (Tauxe & Tauxe, 2012). The construction of an individual’s persona through shopping choices can be thought of as a creative process. “Thus, people may actively ‘consume’ products in the sense of assimilating them to their own uses and reworking their advertised meanings into new and personally significant ones,” (Tauxe & Tauxe, 2012). This sort of consumption is limited by the available choices

(usually the ones that producers consider most profitable) and the social pressure to conform to the norms of popular culture created and shaped by advertisers (Tauxe & Tauxe, 2012).

People consume products and assimilate them into their own uses or meanings that are significant to them to shape their own identity. Therefore, consumerism in America is not a collective action. Consumerism in America is an individual process that Americans use to pursue the American Dream and attempt to create a better future for themselves through the acquisition of class-defining goods.

### **Individualism**

Individualism is a key aspect of American culture and the American Dream. As Dwivedi notes

“Individualism, a term often used in contrast with collectivism and totalitarianism, prioritizes the needs of the individual—morally, politically, socially and ideologically—to the extent that the total worth of each individual increases and each begins to practice and value their personal aims, goals, dreams and desires more than the collective good of the state” (2018).

The concept asserts that the individual is primary, and the state is secondary. Self-reliance and individual freedom take precedence over the interests of the institution, society, or the state.

Individualism tends to promote unconventional lifestyles and develop an appreciation of artistic endeavors while expanding tendencies toward experimentation and self-creation (Dwivedi, 2018), such as entrepreneurship. However, the term attracted negative connotations by socialists and conservative intellectuals during the 19<sup>th</sup> century.

Before the 17<sup>th</sup> century, there were no connotations associated with the term individual, which was used only as a reference to a person. It was first used for collective tendencies and division of minds by Joseph de Maistre in 1820 (Dwivedi, 2018). The term became more popular in the 19<sup>th</sup> century but was only used in a negative sense. Individualism was a term closely related to concepts like egoism, hedonism, self-absorption, and vanity. In the 1830s, Alexis de Tocqueville in his *Democracy America* referred to individualism as a newly coined term. He



made a distinction between the term individualism and selfishness. Maistre stated that selfishness is guided by the blind instinct whereas individualism is a mature, pleasant feeling. His thesis found a paradox with the term – though individualism’s origin is democratic, it also may work against democracy in its extreme form when people stop identifying commonness with each other (Dwivedi, 2018). This paradox meaning caused many to have common views about the term and equate it with alienation, egoism, self-interest, and selfish behavior. In this sense, self-fulfillment becomes the main goal in life by using self-interest to achieve it (Dwivedi, 2018).

S. M. Lipset, an American sociologist, argued that the U.S. has been a unique society and that it was the unprecedented events of the American Revolution that established its special place among nations. According to Lipset, the U.S. emerged as the first "new nation" of the modern world because it was "the first major colony successfully to revolt against colonial rule" (Lipset, 1963, p.2). Potentially the most telling evidence of the importance Lipset attaches to the Revolution is that he sees its 'indelible marks' on American society even today (Grabb, Baer, & Curtis, 1999). Lipset acknowledges that the U.S. now shares similarities with other western democracies like Canada, but maintains that because of its revolutionary origins, the U.S. is still “exceptional” in the world, and “qualitatively different from all other countries,” (Lipset, 1996, p.18).

He identifies a special set of American values: Americanism, or the American Creed. Lipset claims American values have always been distinct in fundamental ways from other countries. He sees the Revolutionary era as the time in which the distinctive values and institutions of the U.S. were firmly established with no major changes in their composition or emphasis since that time. Researchers Grabb, Baer, & Curtis (1999, p. 513) argue that, “At least in the present day, there is little or no evidence, based on attitude and opinion surveys in

particular, that distinguishes American values from those of the populations of other industrialized societies, most notably Canada.” However, Lipset argues that “Americans, from the time of the Revolution, have placed an overriding emphasis on the importance of individualism, especially individual freedom of thought and action,” (Grabb, Baer, & Curtis, 1999, p. 513). The researchers argue more for ‘liberal individualism,’ or the idea that each person should have the right to think and act in a way that is largely free from communitarian or collectivist restrictions. They suggest that “the essence of Lipset’s thesis is that this [his] form of individualism is what really distinguishes American values from those espoused by other peoples of the world,” (Grabb, Baer, & Curtis, 1999, p. 513). Lipset’s thesis asserts that the American belief system can be described using five key terms: liberty, egalitarianism, individualism, populism, and laissez-faire (Grabb, Baer, & Curtis, 1999, p. 516). The core of these five ideas is a predominant belief in the notion that all people should be allowed to pursue their own desired goals and interests in a society that encourages open competition and is mostly free of collective constraints on individual citizens (Grabb, Baer, & Curtis, 1999, p. 516). This notion of individualism, along with consumption and materialism are some of the main foundations of the American Dream.

### **The American Dream**

The American Dream is a set of ideals stating that in the U.S. freedom includes opportunities to obtain prosperity, success, and upward social mobility through hard work no matter what an individual’s race, religion, or economic background (Eliassen, 2018). An important element of the American Dream to gain upward social mobility is sweat equity. This is a person’s contribution to a purpose such as education, business, community, etc. and often came from labor instead of money (Eliassen, 2018). In other words, sweat equity is the work one puts

in (individually) to reap rewards for that labor – no one else but that individual is responsible for that success. The American Dream is described by every generation within the context of boom and bust cycles. Some people, like Benjamin Franklin, defined the American Dream within societal constructs and wrote of virtue as an expression of life values or created rags-to-riches stories. However, after numerous economic crises, there are new conversations about new ways to keep the American Dream alive (Eliassen, 2018).

Historically, the American Dream started during the American Revolution with the Declaration of Independence stating that all men are created equal with certain unalienable rights including life, liberty, and pursuit of happiness (Eliassen, 2018). During the American Revolution was also when Lipset claimed for America to have established its unique individualistic culture as discussed earlier. The Dream has been challenged by every economic crisis in the United States. James Truslow Adams in his book *The Epic of America* during the Great Depression described the vision of building a good life based on one's own merits without being limited by unjust caste or custom (Eliassen, 2018) – a belief that parallels individualist thought. In the context of the Great Depression, the American Dream became a beacon of enduring optimism that despite hardships, Americans individually and collectively could still overcome these challenges and prosper. (Eliassen, 2018). Alexis de Tocqueville in his *Democracy in America* observed how even with the negative impact of slavery, the American standard of living still seemed to improve with the Industrial Revolution, Westward expansion, and Jacksonian Democracy. He observed that Americans have a habit of being independent stand-alone citizens who believed they held their individual destiny in their own hands – another belief paralleling individualism.

Frederick Jackson Turner, an American historian during the early 20<sup>th</sup> century, in his *Frontier Thesis* argued that American democracy (and effectively the American Dream) was formed by the American frontier (Turner, 1893). He emphasized the process, the moving frontier line, and the impact it had on pioneers going through the process. He also emphasized the results of this, especially that American democracy was the primary result along with egalitarianism (a staple of the American Dream), a lack of interest in high culture, and violence. In Turner's thesis, the American frontier established freedom by releasing Americans from European culture and customs. The frontier was vast, unexplored, unsettled land with nothing previously established there. There was no control, landlords, etc. – the land was free to take.

The frontier line, “the meeting point between savagery and civilization,” was considered by Turner (1893) to be the most rapid and effective Americanization on the continent – it took Europe from across the ocean and shaped it into something new. American expansion to the west was not entirely driven by government incentives, but rather by an ‘expansive power’ that seeks to dominate nature. The most important aspect in Turner's (1893) thesis was the frontier's effect on democracy – it transformed Jeffersonian democracy into Jacksonian democracy. The individualism created by the frontier's wilderness – to go out west, conquer land, create one's own life, and prosper from one's own hard work – created a national spirit integral to democracy as the wilderness defies control (Turner, 1893). So, the historic frontier line of westward expansion has impeded individualistic, materialist, and competitive consumerist values into American culture to create what we now know as the American Dream. Many Americans still attempt to achieve this today – to own certain material items, obtain wealth, showcase our wealth/social status to other people, and to prosper from our own hard work.

Owning a home and land has been a major part of the Dream for a great part of America's history. In a 1986 survey, 78 percent of Americans said they considered home ownership to be a major factor of the American Dream (Eliassen, 2018). However, the financial housing crisis in 2007 changed perceptions dramatically. The part of the American Dream related to home ownership became the subject of governmental hearings for maintaining homeland security. After the recession, the percentage of people who considered home ownership a part of the Dream declined according to a poll by the University of Virginia (Eliassen, 2018). Many of those who experienced foreclosure were not eager to reenter the housing market and said they would prefer to rent in the future. According to a 2014 survey by the MacArthur Foundation, nearly half of all Americans no longer believe that buying a home was a good investment, and the majority also believed that renters were just as likely to be financially successful as homeowners (Eliassen, 2018). This example of a value/belief shift shows that the public conception of what the American Dream is may change over time and that the American Dream is questioned after every economic crisis.

### **The Participants' Opinions of The American Dream**

The literature above showed some statistics about how Americans would define the American Dream and the characteristics they associate with it. I wanted to see how my participants defined the American Dream, if they feel they can or will achieve the American Dream, and if consumerism, individualism, and the American Dream are exploited in their cases.

Five of the eight participants claimed that the American Dream was the primary reason they joined Mary Kay or Arbonne and all of the current members (six) believed that their company was the best place to achieve the American Dream. Three of the eight participants said they felt they have already achieved the American Dream. The other five said they will achieve it

in the future. When defining the American Dream, many of the participants used the same or synonymous terms to define it. Seven of the eight participants agreed that hard work seemed to be the most important defining factor, as seen in Figure 21.

<b>Defining the American Dream (All Participants)</b>	<b>Frequency</b>
Hard Work – Ambition/Grit	7
Financial Freedom	5
Entrepreneurship	5
Personal Freedom – Autonomy	5
Owning a Home	4
Happiness/Fun	2

Figure 21: Interview Participants Defining the American Dream; Own Source

These results were a little surprising as I did not expect happiness or fun to be a repeated answer. Though it does show a parallel of the American Dream and the famous American human rights of life, liberty (autonomy, financial freedom), and the pursuit of happiness. The literature defined the American Dream as working hard to achieve upward mobility regardless of background. When expanding upon their definitions, my participants defined it very similarly. Kira, Lilly, John, Susan, Emily, and Alice all had similar definitions that included the main characteristic of working hard to achieve one's goals. Lilly said the American Dream is working hard to obtain what one wants in their life, such as a house or car. Similarly, Emily said the American Dream is working hard to be stable, own property, and to have the desire and drive for success.

Another common theme in their definitions was autonomy in all forms. Some defined it more specifically in terms of financial freedom, time freedom, or entrepreneurship – the freedom to own one's business. Autonomy can be broken down into these smaller categories though they are all forms of having control over one's life. Kelly defined the American Dream as owning a home, having no debt, and living without help from others, or independence. Jane defined the American Dream as having time freedom, living on her terms, building a business, not working for others,

and working with who she chooses. Susan defined it as working to earn a living, living a good life, and living the way she wants to. All of these responses convey themes of having autonomy over one's life in several ways and brings in themes of individualism.

As discussed earlier in the chapter, Americans believe they can be successful individually by their own actions and efforts. In America, one's actions, not the actions of others, determines their fates. This was shown in my participants' responses when defining the American Dream. Thus, we can see that an important aspect of the dream is individualism. Several participants remarked above that the dream is working hard to achieve their own goals and to live how they want. These efforts for autonomy are attempts to live individually (or by their individual success) and to define their individuality. An example of this is entrepreneurship; to start one's own business and prosper off of their individual efforts of starting their business.

In examining the literature, the American Dream, individualism, and consumerism can be exploited by MLMs when recruiting, socializing, or motivating members. This was partly discussed in chapters three and four. MLMs can make appeals that starting their business with the company is easy, that anyone can do it, and that they will prosper from their efforts if they work hard enough (Fogg, 1998; Lenahan, 2014). My participants differed from the literature slightly. Several of them, such as Alice and Emily said that they recognized that the business opportunity is not as easy as some make it seem and that it does require a lot of effort to start a business. My participants seemed to have reasonable expectations set for them when they first decided to join. All of the current members said that income expectations were set from the beginning, that they are outlined on the companies' websites, and that the income expectations listed seemed reasonable. Five of the eight said the American Dream was the primary reason they joined their companies, though the dream does not show to be the single most important

factor for every MLM member. The participants did discuss wanting to be successful and to have control over their lives, but the expectations set for them by their uplines did not seem exaggerated or unreasonable like the literature suggested. Therefore, in the cases of my participants, the American Dream did not appear to be exploited – they understood the risks and effort required to succeed in Mary Kay or Arbonne.

Individualism, a major component of the American Dream, also appeared to not be exploited by these companies. My participants voiced their desires to have several types of autonomy in their lives, and for the majority of them, these autonomies were realized. Susan said that she had been a nurse for most of her life and that she did not have control over her life. She said that Mary Kay enabled her to make a career change, to start her business, be successful, achieve her goals, and ultimately be independent. Kelly and Jane also felt that Arbonne allowed them to have control over their lives, to be independent, and to succeed from their hard work. Mary Kay and Arbonne do advertise that joining their company allows people to gain autonomy, and for the majority of my participants this was true. In the cases of the participants, Mary Kay and Arbonne do not exploit or make false appeals to individualism or autonomy.

When discussing consumerism, we must look at the consumption or sale of products and the desires of the MLM members. None of my participants said that they felt they pushed products onto people. All of them said that they agreed with their companies' methods of selling products and that the companies' general practices were ethical. So, Mary Kay and Arbonne do not appear to be "push-push schemes" like Krige (2012) had found. However, when looking at the participants' desires/motives for working with their companies, they did voice their desires to achieve certain amounts of material wealth. Owning a home and car were repeated by several members. Emily said that her primary reason for joining Mary Kay was for their car program.



When Mary Kay members reach the Grand Achiever title with a certain amount of sales per month, members receive a pink Cadillac car.

Desiring financial freedom, living how they want, and owning possessions like homes, property, and cars are examples of wanting to display a certain amount of material wealth. Owning a home rather than renting and having a nice car like a Cadillac portray status and success to others. I would not say that Mary Kay or Arbonne appear to exploit the American Dream, individualism, or consumerism, but there is an appeal being made. Mary Kay's pink Cadillac is the company's way of rewarding a successful member. Though this reward is not something like appreciation or a pay raise, a physical commodity that can be seen and displayed for others to see. The company is giving its members a way to showcase their success, status, and identity to other members and prospective members. In some cases, like Emily's, this physical portrayal of success persuades members to join. The companies can in some cases appeal to wealth and material success to recruit and motivate members. Therefore, as seen in both the literature and the interviews, MLMs in some cases can appeal to wealth, materialistic, and consumerist values imbedded in American culture to operate and sustain themselves.

## CHAPTER 6: CONCLUSION AND RECOMMENDATIONS

Given the MLM industry's history, ethical issues, positive testimonies by current members, and the unique business structure, the MLM industry is difficult to analyze. The literature review and the interviews have highlighted the many positives and negatives of MLM companies. MLMs can have low amounts of entrepreneurial risk, are excellent for building long-lasting customer relationships, have had positive influences on women's lives historically, and can provide business opportunities to anyone regardless of demographics or background. However, after analyzing the literature and the results of the interviews, the risks and persistent ethical issues within the industry may outweigh the positives.

### *The First Research Question*

The first research question was addressed in chapter three where I examined the recruiting, socialization, and motivational processes of MLMs in the literature. Throughout the literature, I have found that MLMs can exploit marginalized populations, such as how Herbalife targeted Hispanic immigrants and how Vemma targeted college students of low incomes. Historically, MLMs like Avon have exploited the labor of women with cheaper pay than traditional salesmen (Marie, 2018). To recruit, MLMs can and often do use success stories, product miracle stories, high representations of income or business opportunity, and leverage personal relationships. These themes reoccurred in the majority of my literature sources and some were observed in the interviews. The interviews found that members in some cases can leverage personal relationships to recruit new members.

To socialize members, new members are trained by the Distributor Network, which are high performing members that are not part of the MLM headquarters. It was found in both the literature and interviews that the Distributor Network plays a crucial role in the socialization

processes of MLMs and seems to be a major cause of the unethical behavior that persists in MLMs despite current regulations. In terms of motivating members, it was found in both the literature and interviews that self-determination theory and expectancy theory are powerful motivators for MLM members. In the interviews, Mary Kay and Arbonne fulfilled the three components of self-determination theory – competence, autonomy, and relatedness – by offering members the feeling that they can succeed in business through entrepreneurship, forms of autonomy such as financial or time freedom, and the feeling of being connected to and helping others. Expectancy theory also seemed to be effective because the majority of participants said they felt that their income expectations were met – meaning that they feel their efforts are being rewarded fairly.

### *The Second Research Question*

The second research question was addressed in chapter five to examine if consumerism, individualism, and/or the American Dream are exploited by MLM companies. The literature showed that materialist values can be appealed to or exploited by MLMs when recruiting, socializing, and motivating members. This was also shown in the interviews, but to a lesser extent than the literature suggested. Mary Kay and Arbonne did make appeals to material wealth and consumerist values, but these values and appeals were not as exploitative as in the literature.

The literature demonstrated that appeals to individualism can be exploited too, by promising members financial freedom, their own successful business, and more. Generally, these appeals to individualism are appeals to autonomy since Americans value being successful from one's own actions without the efforts of others. The interviews demonstrated this belief as well, but again, these appeals are not as exploitative as the literature suggested. The Mary Kay and Arbonne participants said the companies did make these types of appeals claiming that they

could be independent and take control over their lives. Though for the majority of the participants these appeals came true, unlike the literature. The majority of participants reported feelings of independence and success. So, these two MLMs make appeals to individualism and autonomy but do not exploit them.

Appealing to the American Dream was reported to be extremely exploitative in the literature when MLM companies promise every prospective member the ability to achieve unlimited success. However, the data and figures say the opposite, showing that the vast majority of MLM members do not make any money or lose money. The American Dream also claims that anyone can be successful no matter their race, religion, gender, or background. In the literature, however, MLMs seemed to target, capitalize, and exploit people in marginalized populations such as the Herbalife or Vemma cases – making it more difficult or even impossible for these populations to be successful in an MLM. The interviews showed different results though. Three of the eight participants felt they have already achieved the American Dream and the remaining five said they would achieve it in the future. All of the current members said they believed Mary Kay or Arbonne were the best companies to achieve the American Dream and felt that they were making significant progress towards achieving it with their companies. The American Dream seemed to be attainable for the participants and felt that their companies were helping them achieve their goals. Thus, Mary Kay and Arbonne do not appear to exploit the American Dream when recruiting, socializing, or motivating their members.

### *The Third Research Question*

The third research question is addressed in chapter four. It examines the internal communication within MLM companies and if these communication practices benefited or harmed MLM members. The literature suggested that strong organizational identification and

frequent communication among members could colonize members' lives. These phenomena can cause members to engage in unethical behavior by limiting their moral autonomy and/or changing their perceptions about the world and themselves. This was not shown in the interviews. While members did have strong organizational identification and frequent communication with each other, it was not to the extent described in the literature where members' perceptions of reality or ethics could be extremely clouded.

A major ethical issue highlighted in the majority of the literature was MLM companies' ability to cause members to leverage the trust of their close relationships with family and friends. MLMs have been reported on many accounts to cause members to instrumentalize their relationships in which they begin to view people as potential income or business opportunity instead of friends or family. This finding was confirmed in the interviews. Every current member attempted to sell me products or recruit me at the end of the interviews. Many of the participants' friends or family members were in the business too, meaning that they pitched the MLM opportunity to them. Some participants even reported being persistent with their recruiting efforts of family and friends. So, it was demonstrated that in both the literature and the interviews that MLM members can instrumentalize their close relationships, and sometimes ruin their relationships such as in John's case.

Propaganda and cult-like behavior were also some ethical issues mentioned frequently throughout the literature. Distancing members from the world outside the MLM can cause the colonization of members' lives, propaganda through an MLMs' training processes, and cult-like behavior since they have limited exposure to reality outside the company. These ethical issues are predominantly caused by the presence and control of the Distributor Network because the actions (socialization processes) of this entity are not/cannot be observed or regulated. I found in

the interviews that none of these ethical issues occurred and I argue that it is due to the absence of Distributor Networks in Mary Kay and Arbonne. While these companies were accused of some of these issues in the past in the literature, their practices have changed recently with the presence of the internet. These two companies now train members exclusively through online trainings that the new members complete independently. The participants said they can still ask others for advice, but that most of the training is done independently – in other words, not by the Distributor Network. The absence of a Distributor Network seems to be effective at eliminating many of the ethical issues discussed in the literature. This finding was surprising as I was not aware of what the Distributor Network was before my research. Though my findings from the literature and interviews seem to have supported Groß and Vriens's study about the role of the Distributor Network and how it can be one of the root causes of unethical behavior in MLMs.

### *Recommendations*

While MLMs like Mary Kay and Arbonne have seemed to improve their practices, many MLMs still appear to have many ethical issues occurring frequently. The current regulations defined by the FTC now, the 1979 Amway Safeguard Rule, is not enough as ethical issues still occur in the MLM industry. There needs to be regulation about the structure of MLM companies, which does not currently exist, the compensation structure, and regulation of the training/socialization methods when new members join an MLM company.

In terms of organizational structure, I would argue for a binomial structure where each member can have only two members under themselves, and each member should only earn commissions from three downline levels under them, not from the entire downline. Having income flow from the tenth level all the way to the top member is essentially a money transfer scheme where most of the middle levels aren't compensated fairly for their efforts and top-level

members are compensated too much for their smaller effort. A member only earning from the three levels below them would help to prevent a money transfer scheme from occurring.

Allowing each member to only have two direct downlines prevents the MLM from growing too rapidly at an unsustainable rate, in which MLMs will eventually reach market saturation and fail.

There should also be no up-front recruitment bonuses whatsoever, like Arbonne's policy.

Rewarding recruitment with bonuses will only incentivize recruiting to be more valuable than selling products – also known as being a pyramid scheme. Earning small commissions should be enough of an incentive and reward for the work of recruiting new members. Anything more will cause members more to focus on recruiting rather than product sales.

Training in MLM companies needs to be more closely regulated. It is assumed that the MLM headquarters trains new members, but in many cases, the Distributor Network is doing all of the training and socialization. This entity is not regulated at all because it is very difficult to regulate individual top-performing members. One solution could be for the FTC to require MLM headquarters to officially announce and register their top-performing members as part of the headquarters if the MLM would like to keep their current Distributor Network training process. Doing so would ensure that their training methods with new members can be monitored to prevent the 'colonization' of members' lives, and the other ethical issues discussed previously. The second and more favorable solution would be what Mary Kay and Arbonne are doing currently, which would be to have new members complete the trainings online and independently. Eliminating the Distributor Network proved to be effective for Mary Kay and Arbonne. While still not perfect, these companies were able to reduce some of the ethical issues that still occur very frequently in numerous MLMs. If the MLM industry follows the footsteps of these two companies, there could be a brighter future for the industry as a whole.

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## APPENDIX A

### Interview Questions Used to Answer Participants' Perceptions About the American Dream and Provide Insight on the Internal Communications of Mary Kay and Arbonne

#### **Category 1:** General demographic data and work history/experience.

1. What is your race?
2. What is your gender?
3. What is your age?
4. How long did you/have you worked with this company?
5. Did you work at another MLM company before? If yes, for how long?

#### **Category 2:** Perceptions of the American Dream and if participants think they can or will achieve it.

1. Do you believe in the American Dream?
2. How would you define it?
  - a. What characteristics do you use to define it?
  - b. Do you think there are criteria that must be met to achieve the dream?
3. Is the American Dream the primary reason you joined the company?
4. Do think you have or will achieve the American Dream? Why or why not?
5. Do you think this company is the best place to achieve the American Dream?
6. (If a former employee) Why do you no longer work for an MLM? For what reasons specifically?
7. Do you feel you've achieved success while working in an MLM?
  - a. Do you know your net gain or loss since starting?



- b. Is this amount what you expected? Were your income expectations met based on what others told you? Why or why not?

**Category 3:** Opinions of the company's operational practices (ethics) and their general feelings or attitudes about their companies.

1. For what reasons did you join the company?
2. Do you agree with the company's methods of recruiting and training new members? Why or why not?
3. Do you agree with the methods of selling product? Why or why not?
4. Do you feel that all of these practices are ethical? Why or why not?
5. Do you think your company in general is an ethical one? Why or why not?
6. In training and training materials, is some sort of moral/ethical code mentioned and/or enforced?
7. Does working for this company affect your personal or close relationships? Why or why not, how?
8. What are the major pros of working for this company?
9. What are the major cons of working for this company?
10. Do you feel you are treated fairly and ethically? And you coworkers of all levels as well?

**Category 4:** The different levels/ranks in the company and communication functions between them.

1. What is your current job title/rank?
2. Do you manage or oversee other people? How many?

3. What is the primary method of communication you use to communicate with your coworkers?
  - a. What are some other methods of communication you use?
  - b. Do you notice other distributors using the same or different methods of communication?
4. Do you think that the type or amount of information shared is different between certain uplines and downlines within the company?
  - a. Is it different between new distributors and distributors several levels higher?
  - b. Distributors and executives?
5. Do you think information has been/is withheld from new members? Why or why not?

## APPENDIX B: PARTICIPANT 1 RESPONSES

*\*Responses altered for participant protection*

### Participant 1 – Current Arbonne Member – Executive District Manager

**Category 1:** General demographic data and work history/experience.

**1. What is your race?**

White

**2. What is your gender?**

Female

**3. What is your age?**

\*45-54

**4. How long did you/have you worked with this company?**

\*10-15 years – “I don’t work *for* Arbonne, I work *with* them,” – strong sense of entrepreneurship, didn’t like being referred to as an employee.

**5. Did you work at another MLM company before? If yes, for how long?**

No

**Category 2:** Perceptions of the American Dream and if participants think they can or will achieve it.

**1. Do you believe in the American Dream?**

Yes

**2. How would you define it?**

Finding independence and personal/financial freedom

**a. What characteristics do you use to define it?**

See above

**b. Do you think there are criteria that must be met to achieve the dream?**

Owning Home, no credit debt, live without help from others

**3. Is the American Dream the primary reason you joined the company?**

Yes

**4. Do think you have or will achieve the American Dream? Why or why not?**

Not yet, but will

**5. Do you think this company is the best place to achieve the American Dream?**

Yes, most jobs have a “feeling” only go so far, never be the owner – Arbonne no ceiling

- 6. (If a former employee) Why do you no longer work for an MLM? For what reasons specifically?**

N/A

- 7. Do you feel you've achieved success while working in an MLM?**

Yes, make extra money on the side

- a. Do you know your net gain or loss since starting?**

N/A

- b. Is this amount what you expected? Were your income expectations met based on what others told you? Why or why not?**

N/A

**Category 3:** Opinions of the company's operational practices (ethics) and their general feelings or attitudes about their companies.

- 1. For what reasons did you join the company?**

Believe in products, organic environmentally friendly

- 2. Do you agree with the company's methods of recruiting and training new members? Why or why not?**

Yes, no pressure – doesn't like the word recruiting – she feels no pressure to recruit – no minimums or quotas

- 3. Do you agree with the methods of selling product? Why or why not?**

Connections – 40 faces each month to build your business – all forms (social, f2f) mostly social media

- 4. Do you feel that all of these practices are ethical? Why or why not?**

Yes, like environmental side, high standards for recycling, no animal testing

- 5. Do you think your company in general is an ethical one? Why or why not?**

Yes

- 6. In training and training materials, is some sort of moral/ethical code mentioned and/or enforced?**

Yes, more implied

- 7. Does working for this company affect your personal or close relationships? Why or why not, how?**

Yes, connect with others and reconnect

- 8. What are the major pros of working for this company?**

Financial (like free money, extra paycheck)

**9. What are the major cons of working for this company?**

No cons

**10. Do you feel you are treated fairly and ethically? And you coworkers of all levels as well?**

Yes,

**Category 4:** The different levels/ranks in the company and communication functions between them.

**1. What is your current job title/rank?**

Executive District Manager

**2. Do you manage or oversee other people? How many?**

Yes, 6 on her team

**3. What is the primary method of communication you use to communicate with your coworkers?**

Text, meet once a month – depends on month – get together and do activities, training, talk about goals, different each month

**a. What are some other methods of communication you use?**

Occasional phone or zoom

**b. Do you notice other distributors using the same or different methods of communication?**

Most the same

**4. Do you think that the type or amount of information shared is different between certain uplines and downlines within the company?**

National VP find out about new products, new launches,  
At her level, she communicates immediately – can see team's volume

**a. Is it different between new distributors and distributors several levels higher?**

Yes, higher up=bigger team, higher ups do zoom calls, reach more people

**b. Distributors and executives?**

N/A

**5. Do you think information has been/is withheld from new members? Why or why not?**

New products, launch dates, everything else communicating 100%

Seemed hesitant to answer some questions or would pause. After the questions she asked about my relation to another Arbonne distributor and if I use Arbonne products. She stuck to her code of ethics and didn't try to recruit me but told me to ask this distributor about Arbonne products.

## **APPENDIX C: PARTICIPANT 2 RESPONSE**

### **Participant 2 – Current Arbonne Member – Regional Vice President**

**Category 1:** General demographic data and work history/experience.

**1. What is your race?**

White

**2. What is your gender?**

Female

**3. What is your age?**

\*65-74

**4. How long did you/have you worked with this company?**

\*15-20 years

**5. Did you work at another MLM company before? If yes, for how long?**

No

**Category 2:** Perceptions of the American Dream and if participants think they can or will achieve it.

**1. Do you believe in the American Dream?**

Yes

**2. How would you define it?**

Time freedom, live on my terms, build business, not work for others, residual income, work with who we choose, pass dream onto

**a. What characteristics do you use to define it?**

Financial freedom, time freedom, fun

**b. Do you think there are criteria that must be met to achieve the dream?**

Most people financial freedom is worked for- they'll never reach the time. Many feel they'll never have enough money

**3. Is the American Dream the primary reason you joined the company?**

Felt comfortable achieving because people she trusted were achieving success

**4. Do think you have or will achieve the American Dream? Why or why not?**

It's a journey – helping others achieve the dream – wants it for others too – always more she wants to help – you don't "arrive" – always pursuing things that are better and trying to give back

**5. Do you think this company is the best place to achieve the American Dream?**

Yes, but not all companies. Companies concerned her in the past. - Soap powder (maybe Amway?) wanted to stay at home with son, presentation was shady, was told not to tell others what the meeting was about – had many past experiences of shady behavior of Amway distributors – said not for her – likes Arbonne transparency

**6. (If a former employee) Why do you no longer work for an MLM? For what reasons specifically?**

N/A

**7. Do you feel you've achieved success while working in an MLM?**

Yes

**a. Do you know your net gain or loss since starting?**

Net gain for sure and with health too

**b. Is this amount what you expected? Were your income expectations met based on what others told you? Why or why not?**

Don't remember having financial expectations, wanted to work from home, saw friend's skin results. Accountant friend saw sister's checkbook and knew she was doing well – if I can do it, you can do it – sister left corporate job and became successful with Arbonne

**Category 3:** Opinions of the company's operational practices (ethics) and their general feelings or attitudes about their companies.

**1. For what reasons did you join the company?**

Like the products and the people – didn't know much about the company – felt they were people of integrity – not the American "corporate" dream

**2. Do you agree with the company's methods of recruiting and training new members? Why or why not?**

Yes, many pay for just recruiting people (scheme) – Arbonne doesn't pay for just recruiting, payed when product "moves"

**3. Do you agree with the methods of selling product? Why or why not?**

Yes, in the past mostly f2f, but social media has changed most of that. Everyone puts their own personality into it – Arbonne does all the work for distributors. They are trained on how to sell – lots of training materials -how to present

**4. Do you feel that all of these practices are ethical? Why or why not?**

Yes, she said 10+ for all

**5. Do you think your company in general is an ethical one? Why or why not?**

Yes

- 6. In training and training materials, is some sort of moral/ethical code mentioned and/or enforced?**

Business ethics standards – moral and ethical codes

- 7. Does working for this company affect your personal or close relationships? Why or why not, how?**

Always positively

- 8. What are the major pros of working for this company?**

Community, home office, giving them tools, giving them transparency

Work with sidelines a lot (not downline-no commissions from them). “I want Arbonne to not only be the best company in the world, but the best company for the world” –

environmentally friendly – becoming a B corporation (care more about the community than profit) Joining with Terracycle

- 9. What are the major cons of working for this company?**

None

- 10. Do you feel you are treated fairly and ethically? And you coworkers of all levels as well?**

Yes,

**Category 4:** The different levels/ranks in the company and communication functions between them.

- 1. What is your current job title/rank?**

Regional Vice President

- 2. Do you manage or oversee other people? How many?**

Doesn't know exact number – 8 direct to her, some are building teams

- 3. What is the primary method of communication you use to communicate with your coworkers?**

Zoom a lot, texting, phone calls

- a. What are some other methods of communication you use?**

Just those

- b. Do you notice other distributors using the same or different methods of communication?**

The same methods – some use texting more – she wants them to use Zoom or the phone more often – texting not engaging



**4. Do you think that the type or amount of information shared is different between certain uplines and downlines within the company?**

Sometimes – National VPs have more information than others about products, launches, etc.

**a. Is it different between new distributors and distributors several levels higher?**

No, she shares what she knows with her team – communicate as well as they can

**b. Distributors and executives?**

**5. Do you think information has been/is withheld from new members? Why or why not?**

Communicate the best they can, all information is on the website

Also seemed somewhat hesitant to answer questions at times but didn't skip any questions. After the questions she also asked about my relation to another distributor and if I had tried Arbonne products. Then she asked, "So when are you starting your Arbonne business?" So far two current Arbonne distributors seemed to have used my interviews as opportunities to network, sell product, or recruit.

## **APPENDIX D: PARTICIPANT 3 RESPONSE**

### **Participant 3 – Current Arbonne Member – District Manager**

**Category 1:** General demographic data and work history/experience.

**1. What is your race?**

White

**2. What is your gender?**

Female

**3. What is your age?**

\*18-24

**4. How long did you/have you worked with this company?**

\*Less than 1 year

**5. Did you work at another MLM company before? If yes, for how long?**

No

**Category 2:** Perceptions of the American Dream and if participants think they can or will achieve it.

**1. Do you believe in the American Dream?**

Yes

**2. How would you define it?**

Americans have the ability to work hard, equal opportunity, control, business owners

**a. What characteristics do you use to define it?**

Equal opportunity and freedom

**b. Do you think there are criteria that must be met to achieve the dream?**

No, just to be happiness and control

**3. Is the American Dream the primary reason you joined the company?**

Yes

**4. Do think you have or will achieve the American Dream? Why or why not?**

Yes, not yet

**5. Do you think this company is the best place to achieve the American Dream?**

Yes, your choice to work hard – some will some won't – witnessed others achieve

6. (If a former employee) Why do you no longer work for an MLM? For what reasons specifically?

N/A

7. Do you feel you've achieved success while working in an MLM?

Yes,

- a. Do you know your net gain or loss since starting?

Gain

- b. Is this amount what you expected? Were your income expectations met based on what others told you? Why or why not?

Compensation plan, average range.

**Category 3:** Opinions of the company's operational practices (ethics) and their general feelings or attitudes about their companies.

1. For what reasons did you join the company?

See others live life of their dreams, want to achieve, go on trips, serve others, needed flexibility

2. Do you agree with the company's methods of recruiting and training new members? Why or why not?

Word of mouth, talk about things you like, spread the word about stuff you like. Paid on placing orders, not just recruitment

3. Do you agree with the methods of selling product? Why or why not?

Social media show everyday life and post products. Word of mouth to help people and offer products. They give you a success plan, but each can have their own style.

4. Do you feel that all of these practices are ethical? Why or why not?

Yes

5. Do you think your company in general is an ethical one? Why or why not?

Yes (above)

6. In training and training materials, is some sort of moral/ethical code mentioned and/or enforced?

Compensation plan is not a guarantee

7. Does working for this company affect your personal or close relationships? Why or why not, how?

Not much affect, mostly positive. Spend time with others more.

8. What are the major pros of working for this company?

Good ingredients, trips, compensation plan, purpose to help others, time freedom

**9. What are the major cons of working for this company?**

No cons

**10. Do you feel you are treated fairly and ethically? And you coworkers of all levels as well?**

Yes

**Category 4:** The different levels/ranks in the company and communication functions between them.

**1. What is your current job title/rank?**

District manager, almost area manager

**2. Do you manage or oversee other people? How many?**

Yes, 8 on team, work with 3 or 4 more closely

**3. What is the primary method of communication you use to communicate with your coworkers?**

Text

**a. What are some other methods of communication you use?**

Zoom, phone

**b. Do you notice other distributors using the same or different methods of communication?**

Text

**4. Do you think that the type or amount of information shared is different between certain uplines and downlines within the company?**

National VPs get more info. Before everyone else

**a. Is it different between new distributors and distributors several levels higher?**

The same

**b. Distributors and executives?**

Same

**5. Do you think information has been/is withheld from new members? Why or why not?**

Receive what you need, sound clouds, podcasts on website – teamwork is super important

She did ask about my relation to another distributor but was the only current Arbonne distributor so far who hasn't asked me about Arbonne products or joining the company. She is fairly new though so maybe she didn't think to use the interview as a business opportunity.

## **APPENDIX E: PARTICIPANT 4 RESPONSE**

### **Participant 4 – Former Mary Kay Member – Former Independent Beauty Consultant**

#### **Category 1: General demographic data and work history/experience.**

**1. What is your race?**

\*Non-white

**2. What is your gender?**

Female

**3. What is your age?**

\*45-54

**4. How long did you/have you worked with this company?**

\*5-10 years off and on (become inactive for 6 months, must join again)

**5. Did you work at another MLM company before? If yes, for how long?**

Discovery Toys

#### **Category 2: Perceptions of the American Dream and if participants think they can or will achieve it.**

**1. Do you believe in the American Dream?**

Yes

**2. How would you define it?**

Going after things that you value, working hard to obtain that you want, house, career, taxes, good citizen, achieving your dream

**a. What characteristics do you use to define it?**

Grit, determination, ambition, being kind

**b. Do you think there are criteria that must be met to achieve the dream?**

Be persistent, determined, can't stop or get discouraged

**3. Is the American Dream the primary reason you joined the company?**

No – liked the product, believed in it, she uses it – thought it was a way to get the products and selling it to become a consultant

**4. Do think you have or will achieve the American Dream? Why or why not?**

The way the marketed it, it seemed the best of both worlds – thought she could get cheap product and make money

5. **Do you think this company is the best place to achieve the American Dream?**  
For some people yes, had to be at right place at right time – live in rural area – so many others were selling already-hard to build client base – close colleagues not buying product
6. **(If a former employee) Why do you no longer work for an MLM? For what reasons specifically?**  
Not getting the clientele – rural area is more difficult
7. **Do you feel you've achieved success while working in an MLM?**  
Almost definitely – lost drive a little bit – became a mother – became a lot of work doing shows/parties
  - a. **Do you know your net gain or loss since starting?**  
Probably even, had to spend money to build inventory and didn't sell all of it
  - b. **Is this amount what you expected? Were your income expectations met based on what others told you? Why or why not?**  
Different, also knew she had to build more clientele, they told her she could make thousands a month – thinks she didn't have the drive -didn't work for her

**Category 3:** Opinions of the company's operational practices (ethics) and their general feelings or attitudes about their companies.

1. **For what reasons did you join the company?**  
Love the product-still uses it, liked the marketing tools, liked her upline-said she felt energetic, no secrets, up front, everything they said panned-out, loved the energy of her upline
2. **Do you agree with the company's methods of recruiting and training new members? Why or why not?**  
Yes, very ethical
3. **Do you agree with the methods of selling product? Why or why not?**  
Yes, money from it, they weren't pushy
4. **Do you feel that all of these practices are ethical? Why or why not?**  
Yes
5. **Do you think your company in general is an ethical one? Why or why not?**  
Yes
6. **In training and training materials, is some sort of moral/ethical code mentioned and/or enforced?**  
Yes, brochures and a book/manual with policies and procedures – her upline had a training at her home monthly

**7. Does working for this company affect your personal or close relationships? Why or why not, how?**

Able to meet more people, product was good → trusted her – gained friends

**8. What are the major pros of working for this company?**

The people

**9. What are the major cons of working for this company?**

Every 3 months they had to sell at least \$400 of product to be able to get the 50% discount – why she sold as long as she did – quota system

**10. Do you feel you are treated fairly and ethically? And you coworkers of all levels as well?**

Yes,

**Category 4:** The different levels/ranks in the company and communication functions between them.

**1. What is your current job title/rank?**

Independent beauty consultant – entry level

**2. Do you manage or oversee other people? How many?**

No

**3. What is the primary method of communication you use to communicate with your coworkers?**

Phone calls

**a. What are some other methods of communication you use?**

In-person

**b. Do you notice other distributors using the same or different methods of communication?**

Same

**4. Do you think that the type or amount of information shared is different between certain uplines and downlines within the company?**

Yes, those with higher ranks knew more information (knew products, training, etc.) – invited to more events (those who made a ton of money)

**a. Is it different between new distributors and distributors several levels higher?**

N/A

**b. Distributors and executives?**

N/A

**5. Do you think information has been/is withheld from new members? Why or why not?**

Revealed to higher ups first, doesn't think it was purposeful – said she would understand if they did purposely withhold information

She was very helpful and gave lots of insightful information about her time at Mary Kay. She didn't seem hesitant to answer questions, her pauses seemed to be only her trying to recall events since it was a few years ago. However, the interview made me a bit sad as she frequently blamed herself for her lack of extreme success with the company. She never critiqued the business model and mostly critiqued herself.



## **APPENDIX F: PARTICIPANT 5 RESPONSE**

### **Participant 5 – Former Arbonne Member – Former Sales Associate**

#### **Category 1: General demographic data and work history/experience.**

- 1. What is your race?**  
\*Non-white
- 2. What is your gender?**  
Male
- 3. What is your age?**  
\*18-24
- 4. How long did you/have you worked with this company?**  
\*Less than 1 year
- 5. Did you work at another MLM company before? If yes, for how long?**  
No

#### **Category 2: Perceptions of the American Dream and if participants think they can or will achieve it.**

- 1. Do you believe in the American Dream?**  
Yes, hesitant
- 2. How would you define it?**  
Internationals coming to America, be a part of America, our culture, be successful, work hard
  - a. What characteristics do you use to define it?**  
Success, financial – Bill Gates, Zuckerberg
  - b. Do you think there are criteria that must be met to achieve the dream?**  
Yes, financial status, able to not worry about money
- 3. Is the American Dream the primary reason you joined the company?**  
Yes
- 4. Do think you have or will achieve the American Dream? Why or why not?**  
Hoping for a chance, didn't want to not try, didn't want to make a chance
- 5. Do you think this company is the best place to achieve the American Dream?**

No, must be good at convincing people that the business is successful, higher-ups were good at convincing people – a change in perception after joining, expectations weren't made clear but also thinks he was blind to what could happen

**6. (If a former employee) Why do you no longer work for an MLM? For what reasons specifically?**

Realized time and effort requirements were too much – others told him it was a scam and he didn't like that – wanted to be successful because of that – didn't feel he had the right personality – more into the opportunity than the company itself

**7. Do you feel you've achieved success while working in an MLM?**

No financial success, but good experience

**a. Do you know your net gain or loss since starting?**

Net loss

**b. Is this amount what you expected? Were your income expectations met based on what others told you? Why or why not?**

Expected to lose at first, but was hoping to make more later

**Category 3:** Opinions of the company's operational practices (ethics) and their general feelings or attitudes about their companies.

**1. For what reasons did you join the company?**

Nutritional products that he liked, fizz sticks, wanted to try products – only uses fizz sticks now for games -won't buy more in future

**2. Do you agree with the company's methods of recruiting and training new members? Why or why not?**

No, wanted to buy own products and then promote it, realized you made money by only recruiting others – not realistic approach – his upline made money, hosted product parties, made money from products too, but recruited a lot

**3. Do you agree with the methods of selling product? Why or why not?**

Yes, but unsure, maybe sketchy – products are expensive – some needed to buy a membership to get the products at a cheaper rate – kind of like a Costco idea

**4. Do you feel that all of these practices are ethical? Why or why not?**

Yes, ideas and training sessions were helpful – idea of helping others – had training videos, how to talk to people, how to handle people who decide to join – thought the trainings were helpful and adequate – though felt uncomfortable reaching out to people

**5. Do you think your company in general is an ethical one? Why or why not?**

(see above)

Thinks intentions are ethical, natural, good products – idea is good – the business can be unethical at times – people could be too competitive with moving up in ranks – learned that some products actually have ingredients that aren't what the company markets them as – a nutritional professor at his college pointed out that some products contain artificial sweeteners that aren't good for consumption

**6. In training and training materials, is some sort of moral/ethical code mentioned and/or enforced?**

Yes, they were very open and made him feel welcome, felt there were very nice – felt they were trying to help each other – thought the people were great, but business model was a little flawed

**7. Does working for this company affect your personal or close relationships? Why or why not, how?**

Yes, friends with make some jokes, could get into arguments-convince others about why the business could be beneficial – friends are a little different towards him now – now better understands MLM models and how to make money with them – now knows what they are and can make others aware of them

**8. What are the major pros of working for this company?**

Learned to be more critical and aware of what MLMs are/how much effort they take to be successful, got outside of comfort zone, learned more in general about business

**9. What are the major cons of working for this company?**

Listed cons first – relationships with friends, caused self-doubt for him, loss of money (thought products were a bit too expensive)

**10. Do you feel you are treated fairly and ethically? And you coworkers of all levels as well?**

Yes, liked the people, thought higher-ups were always willing to help him, - looking back, he's not sure if it was genuine or for their own success

**Category 4:** The different levels/ranks in the company and communication functions between them.

**1. What is your current job title/rank?**

Sales Associate

**2. Do you manage or oversee other people? How many?**

No

**3. What is the primary method of communication you use to communicate with your coworkers?**

Text, Facebook group chat, zoom chats

- a. **What are some other methods of communication you use?**  
No others
  - b. **Do you notice other distributors using the same or different methods of communication?**  
Same, text group chats
4. **Do you think that the type or amount of information shared is different between certain uplines and downlines within the company?**  
Not sure, maybe higher-ups didn't clearly explain all the struggles that could happen – doesn't want to accuse them of purposely withholding information – thought they wanted to remain positive
- a. **Is it different between new distributors and distributors several levels higher?**  
Not sure, thought his upline might have talked to others about how to help
  - b. **Distributors and executives?**  
Same
5. **Do you think information has been/is withheld from new members? Why or why not?**  
Not sure, they would explain everything, but maybe not in enough detail, or thinks he may have naïve

He has so far has been the most informative and willing participant of the Arbonne participants (he is the only former Arbonne distributor). He was the only one that didn't seem to be uncomfortable answering some of the questions or maybe withholding some answers from me – others seemed like they had something on their mind but wouldn't tell me. He wouldn't say just yes or no and always elaborated in great detail. The others answered yes or no and seemed to hope that I didn't ask for further detail.

## **APPENDIX G: PARTICIPANT 6 RESPONSE**

### **Participant 6 – Current Mary Kay Member – Team Leader**

**Category 1:** General demographic data and work history/experience.

**1. What is your race?**

White

**2. What is your gender**

Female

**3. What is your age?**

\*55-64

**4. How long did you/have you worked with this company?**

\*1-5 years

**5. Did you work at another MLM company before? If yes, for how long?**

No

**Category 2:** Perceptions of the American Dream and if participants think they can or will achieve it.

**1. Do you believe in the American Dream?**

Yes

**2. How would you define it?**

Work and earn a living, live a good life

**a. What characteristics do you use to define it?**

Good work ethic, living the way you want to live, enjoying life

**b. Do you think there are criteria that must be met to achieve the dream?**

Up to each person, what they want, what they're willing to do

**3. Is the American Dream the primary reason you joined the company?**

No

**4. Do think you have or will achieve the American Dream? Why or why not?**

Have achieved it, worked at a hospital for 30 years, making more money with Mary Kay than being an ICU nurse – very grateful to leave the hospital

**5. Do you think this company is the best place to achieve the American Dream?**

Absolutely – agrees with policy

- 6. (If a former employee) Why do you no longer work for an MLM? For what reasons specifically?**

N/A

- 7. Do you feel you've achieved success while working in an MLM?**

Yes

- a. Do you know your net gain or loss since starting?**

Gain every year

- b. Is this amount what you expected? Were your income expectations met based on what others told you? Why or why not?**

They don't tell you what you can do, there's no limit

**Category 3:** Opinions of the company's operational practices (ethics) and their general feelings or attitudes about their companies.

- 1. For what reasons did you join the company?**

Get out of nursing job, wanted something different – Lord had her meet her upline. Timing was really important, helped her meet her goals and start her own business – income and growth into a business owner

- 2. Do you agree with the company's methods of recruiting and training new members? Why or why not?**

To enrich women's lives – both customers and members – likes her customers – different philosophy – integrity

- 3. Do you agree with the methods of selling product? Why or why not?**

Wish they would advertise more, but that's not what they do – mostly word of mouth and trying product

- 4. Do you feel that all of these practices are ethical? Why or why not?**

She does – MK stands behind products 100%- customers can always return product no matter the reason – MK will replace the returned product free of charge

- 5. Do you think your company in general is an ethical one? Why or why not?**

Yes

- 6. In training and training materials, is some sort of moral/ethical code mentioned and/or enforced?**

Live by the Golden Rule – thousands of hours of training on the website, training in weekly meetings, a few times a year there's big training and gifts

**7. Does working for this company affect your personal or close relationships? Why or why not, how?**

Not changed relationships that much – daughter asked for more time at one point – hours are very flexible

**8. What are the major pros of working for this company?**

Only pros – upline talked to her for 5 months before joining – feels she has nothing to lose – 90% rule enforced in lived practices – only requirement is to buy the starter kit (\$100 for \$500 of product) – income is unlimited, gets lots of prizes (diamonds) – likes the sisterhood aspect – some men but majority are women

**9. What are the major cons of working for this company?**

No cons – said this first

**10. Do you feel you are treated fairly and ethically? And you coworkers of all levels as well?**

Absolutely – men are still treated the same

**Category 4:** The different levels/ranks in the company and communication functions between them.

**1. What is your current job title/rank?**

Team Leader – people on her team who are active and ordering

**2. Do you manage or oversee other people? How many?**

8-12 people at a time – can come and go as you please

**3. What is the primary method of communication you use to communicate with your coworkers?**

Email, newsletter when she was a director, text, phone call – talk about general stuff in meetings (new members, sales, biggest place for communication), Voxer (like voice text)

**a. What are some other methods of communication you use?**

Same

**b. Do you notice other distributors using the same or different methods of communication?**

Probably the same, meetings usually in person once a week, conference calls – national director does a conference call the first Wednesday of every month with guest speakers (normally people in MK in another division, or others like life coaches)

**4. Do you think that the type or amount of information shared is different between certain uplines and downlines within the company?**

Yes, certain info. That directors are privy to – they get “sneak peek box” a month before the next catalogue (new product)

**a. Is it different between new distributors and distributors several levels higher?**

Same

**b. Distributors and executives?**

N/A

**5. Do you think information has been/is withheld from new members? Why or why not?**

No

She is a firm believer that Mary Kay is a miracle and said the company has greatly improved her life. She didn't seem reluctant to answer any questions and was very informative. She jokingly asked me to join her, and at the end offered her help to me if I want to try products. However, it seemed more genuine and that she didn't 'instrumentalize' the interview or see it as just a business opportunity – she seemed more than willing to help me with the project. She is the only participant so far who has said she feels like she has already achieved the American Dream.



## **APPENDIX H: PARTICIPANT 7 RESPONSE**

### **Participant 7 – Current Mary Kay Member – Independent Beauty Consultant**

**Category 1:** General demographic data and work history/experience.

**1. What is your race?**

White

**2. What is your gender?**

Female

**3. What is your age?**

\*35-44

**4. How long did you/have you worked with this company?**

\*1-5 years

**5. Did you work at another MLM company before? If yes, for how long?**

Premier Designs Jewelry

**Category 2:** Perceptions of the American Dream and if participants think they can or will achieve it.

**1. Do you believe in the American Dream?**

Yes!

**2. How would you define it?**

To be stable, own property, thrive in a community, god given rights not infringed on

**a. What characteristics do you use to define it?**

Need a desire for success and a yearning/drive

**b. Do you think there are criteria that must be met to achieve the dream?**

Individual basis – everyone's looks different – some what to do what they want when they want – some are content with little things and some want to rule the world – some don't have the drive and strength; some are afraid to work for themselves

**3. Is the American Dream the primary reason you joined the company?**

Kind of – wanted to earn a free car with MK – needed a new car – didn't have encouragement when growing up → MK gives constant encouragement and help – likes the community and sisterhood -gives hope for the future – feels she has grown a lot personally

4. **Do think you have or will achieve the American Dream? Why or why not?**  
Yes – has a home and family – feels free – finance is improving
5. **Do you think this company is the best place to achieve the American Dream?**  
One of the best, yes – MK is built on the golden rule – it's biblical – main principles fit her
6. **(If a former employee) Why do you no longer work for an MLM? For what reasons specifically?**  
No car programs (at previous MLM).
7. **Do you feel you've achieved success while working in an MLM?**  
Achieved success but feels she needs to achieve more
  - a. **Do you know your net gain or loss since starting?**  
Not sure
  - b. **Is this amount what you expected? Were your income expectations met based on what others told you? Why or why not?**  
Yes, very expected – make 50% on what you sell

**Category 3:** Opinions of the company's operational practices (ethics) and their general feelings or attitudes about their companies.

1. **For what reasons did you join the company?**  
Car programs – loves products!!!! Has made great changes for her
2. **Do you agree with the company's methods of recruiting and training new members? Why or why not?**  
Absolutely, it's her business, but she's not in it by herself – others are more than willing to help her – corporate HQ
3. **Do you agree with the methods of selling product? Why or why not?**  
Yes, asks people if they've used products and what they'd like to improve about their skin – share information – doesn't view herself as a salesperson
4. **Do you feel that all of these practices are ethical? Why or why not?**  
Yes, wouldn't ask her to do anything that goes against the bible
5. **Do you think your company in general is an ethical one? Why or why not?**  
Yes
6. **In training and training materials, is some sort of moral/ethical code mentioned and/or enforced?**  
Yes, online and printed, can choose to take courses

**7. Does working for this company affect your personal or close relationships? Why or why not, how?**

Positively, spend more time with loved ones

**8. What are the major pros of working for this company?**

“So many pros” – improved confidence, help to understand others – training to understand others and relate to them

**9. What are the major cons of working for this company?**

No

**10. Do you feel you are treated fairly and ethically? And you coworkers of all levels as well?**

Yes, no discrimination

**Category 4:** The different levels/ranks in the company and communication functions between them.

**1. What is your current job title/rank?**

Independent beauty consultant

**2. Do you manage or oversee other people? How many?**

Yes – 3

**3. What is the primary method of communication you use to communicate with your coworkers?**

Text, phone calls, emails, Voxer - Voxer the most

**a. What are some other methods of communication you use?**

Just those

**b. Do you notice other distributors using the same or different methods of communication?**

No

**4. Do you think that the type or amount of information shared is different between certain uplines and downlines within the company?**

No – new members could be overwhelmed so they inform them slower

**a. Is it different between new distributors and distributors several levels higher?**

N/A

**b. Distributors and executives?**

Info. at top (execs) is different than consultants – know about new products before everyone else

**5. Do you think information has been/is withheld from new members? Why or why not?**

Not sure, no – not in negative way

She was very informative and didn't seem to hesitate to answer any questions. She was dressed in her Mary Kay suit. At the end of the interview she gave me a hand cream and a few pamphlets about becoming a Mary Kay distributor. She didn't explicitly try to sell me product or recruit me but reassured me that she was there for me if I needed her.

## **APPENDIX I: PARTICIPANT 8 RESPONSE**

### **Participant 8 – Current Arbonne Distributor – Regional Vice President**

**Category 1:** General demographic data and work history/experience.

**1. What is your race?**

White

**2. What is your gender?**

Female

**3. What is your age?**

\*45-54

**4. How long did you/have you worked with this company?**

\*5-10 years

**5. Did you work at another MLM company before? If yes, for how long?**

Excel

**Category 2:** Perceptions of the American Dream and if participants think they can or will achieve it.

**1. Do you believe in the American Dream?**

Yes

**2. How would you define it?**

Working hard, life you desire, anything is possible with time and effort, work hard

**a. What characteristics do you use to define it?**

Work hard – get what you want, educate yourself

**b. Do you think there are criteria that must be met to achieve the dream?**

– get what you want, educate yourself, dedication, commitment, goal setting

**3. Is the American Dream the primary reason you joined the company?**

Wanted a better life, new job – didn't want to work for someone else

**4. Do think you have or will achieve the American Dream? Why or why not?**

Living it now – home, own boss, have money, vacations, family, friends

**5. Do you think this company is the best place to achieve the American Dream?**

Yes, match values and standards – people start businesses is to get something that they don't have – right for her, maybe not for everyone

**6. (If a former employee) Why do you no longer work for an MLM? For what reasons specifically?**

**7. Do you feel you've achieved success while working in an MLM?**

Yes

**a. Do you know your net gain or loss since starting?**

Gain

**b. Is this amount what you expected? Were your income expectations met based on what others told you? Why or why not?**

Matches with plan online – requires work and effort to make money

**Category 3:** Opinions of the company's operational practices (ethics) and their general feelings or attitudes about their companies.

**1. For what reasons did you join the company?**

Ingredient policy – products, family was unhealthy, safe products that she liked representing – wanted to leave job

**2. Do you agree with the company's methods of recruiting and training new members? Why or why not?**

Yes, conversations and get to know people – listens for when they talk about wanting something

**3. Do you agree with the methods of selling product? Why or why not?**

Conversations with people - training on website – present, share, ask questions, help them

**4. Do you feel that all of these practices are ethical? Why or why not?**

Yes, have an ethics policy, ethics team, part of the DSA, certified B corp. – balance purpose and profit – good to clients

**5. Do you think your company in general is an ethical one? Why or why not?**

(See above)

**6. In training and training materials, is some sort of moral/ethical code mentioned and/or enforced?**

Many trainings where they're included, discussed in conferences

**7. Does working for this company affect your personal or close relationships? Why or why not, how?**

Feels Arbonne has made her a better person, made many friendships, learn to respect people more, how to do what's right, feels she has better relationships because it's made her a stronger person

**8. What are the major pros of working for this company?**

Good community, personal growth, friendships, learn leadership, respect, opportunity to work hard and build business based on your time and effort – you decide income – no cap, best version of you, no set hours-choose hours, wanted time and flexibility

**9. What are the major cons of working for this company?**

No cons

**10. Do you feel you are treated fairly and ethically? And you coworkers of all levels as well?**

Yea, consider them family, more like a business partner

**Category 4:** The different levels/ranks in the company and communication functions between them.

**1. What is your current job title/rank?**

Regional VP

**2. Do you manage or oversee other people? How many?**

Mentor others – 15 members

**3. What is the primary method of communication you use to communicate with your coworkers?**

Phone, Zoom, text, email, in person meetings

**a. What are some other methods of communication you use?**

Once a month team meeting in person – usually business related but sometimes fun events for bonding – sometimes go to dinner or a concert

**b. Do you notice other distributors using the same or different methods of communication?**

\_\_\_\_\_

**4. Do you think that the type or amount of information shared is different between certain uplines and downlines within the company?**

No – most stuff is standard from the main company – training can differ because it's personalized

**a. Is it different between new distributors and distributors several levels higher?**

Training can be different because you don't want to "firehose" the new members

**b. Distributors and executives?**

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**5. Do you think information has been/is withheld from new members? Why or why not?**

See above

This participant did not want to record. She was very open to answering questions. Definitely implied at the end that one of her downline members would be in touch and that I could ask her questions.