

The Misunderstanding of Multi-Level Marketing

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A Senior Thesis submitted in partial fulfillment  
of the requirements for graduation  
in the Honors Program  
Liberty University  
Spring 2014

Acceptance of Senior Honors Thesis

This Senior Honors Thesis is accepted in partial fulfillment of the requirements for graduation from the Honors Program of Liberty University.

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### Abstract

The structure of multi-level marketing has been mistaken for a pyramid scheme with the introduction of companies, such as Amway, Avon and Mary Kay Cosmetics. The concept of multi-level marketing includes a system of selling a company's product that involves a pyramid of sales persons. Even though a pyramid structure is present within multi-level marketing, it does not influence the entirety of the business. Because multi-level marketing is a successful manner in which individuals can achieve financial freedom, multi-level marketing companies have migrated to various parts of the world, especially China. However, recent controversies have occurred in China because the government does not want individuals to be independently successful thorough multi-level marketing companies such as Amway, Avon and Mary Kay Cosmetics. The outcome of the comparison between multi-level marketing and pyramid schemes provide proper information to determine the legitimacy of Amway, Avon and Mary Kay Cosmetics.

## The Misunderstanding of Multi-level Marketing

### Introduction

Amway, Avon and Mary Kay Cosmetics are popular companies that individuals encounter on a regular basis. The majority of individuals become aware of these companies either through knowing a representative or being a customer to one of these companies. Amway, Avon and Mary Kay Cosmetics are considered to promote multi-level marketing when promoting the career opportunity. For example, if a Mary Kay consultant told her experience with the company to one of her girlfriends, she explains the structure of the business and how the company pays its consultants. The consultant would explain that consultants recruit their friends, family and other ladies to be consultants, which reveals a pyramid structure when recruiting. According to *Collins Dictionary of Business*, multi-level marketing is “a system of selling a firm’s product which involves a ‘pyramid’ of sales persons. Persons sell the product to friends, acquaintances, etc. but are also offered a financial inducement to recruit other people as sales persons, who in return, recruit yet more sales persons” (2006, para. 1). The structure of this type of business is called multi-level marketing. Although each company does practice multi-level marketing, each company is not intertwined within a pyramid scheme. There are many rules within the structure of the business that allow financial freedom to all consultants rather than those individuals who are “directors” or “on top” of the pyramid. Certain qualifications occur in order for one to benefit from an individual’s recruit. It is of utmost importance to understand that although multi-level marketing appears to represent a pyramid structure, it is solely that. Multi-level marketing, like most companies, presents a recruiting structure that appears to be in the shape of a pyramid;

however, the manner in which the company pays its consultants is not dependent upon the position in which one resides on the pyramid. One must understand the structure of multi-level marketing and the various structures it has from business to business in order to recognize the successful opportunity available to individuals.

### **History**

#### **Avon**

Avon was founded by David H. McConnell in 1886. During the 19<sup>th</sup> century, his goal was to give women a chance at financial independence (Avon, 2014, para.1). Before 1886, “it was practically unheard of for a woman to run her own business. Only about five million women in the United States were working outside the home, let alone climbing the ranks of any corporate ladder” (Avon, 2014, para. 1).

During this time period, the Industrial Revolution influenced women who were usually kept to certain occupations of monetary limitations, specifically in the United States. Women were mainly “confined to jobs in agriculture, domestic service and manufacturing, not exactly glamorous lines of work; the manufacturing sector, in particular, was notorious for its dangerous working conditions” (Avon, para. 1). In addition to the hazardous working conditions, women’s wages were quite lower than the men’s. Women were doing the same amount of work as men but were not being rewarded likewise. This perspective made McConnell determined to change this situation in the workplace. He desired to see women given permission to move up in power, both in society and in the business world.

As a result, McConnell had a vision to alter scenarios like such in which women were involved. McConnell, the man behind Avon, was the son of Irish immigrants and

grew up on a farm. Yet, it was this young man from rural New York, a visionary leader decades ahead of his time, who would become a pioneer in empowering women (Avon, 2014, para. 2). Who would have ever thought that a man would want to empower the lives of so many women? McConnell, who initially began his business as a perfume salesman, would provide an opportunity for women to create and manage their own business through direct selling (Avon, para. 2).

**The Beginning of Avon.** McConnell made two crucial discoveries in his travels as a book salesman. The first discovery included his female customers' being more interested in his perfume samples than the books he was selling. Perfume samples were created solely to attract females to his book selling business. Perfume became his initial selling point to women, which created a way for him to share both the products and career opportunity of his company. Secondly, McConnell sought after women who were struggling to pay their bills. A majority of these females had relatable qualities that made them approachable. These apparent characteristics allowed McConnell to foresee future Avon consultants' selling perfumes (Avon, 2014, para. 2-4).

#### **McConnell's First Sales Representative.**

McConnell encountered many obstacles to begin his business in the beginning; however, once the word began to spread about his business, women flocked to him for a job opportunity.

The foundation of the company's representatives began with McConnell's first recruit, Mrs. P. F. E. Albee. Not only did he provide Mrs. Albee and other early representatives with earnings opportunity when employment options for

women were extremely limited, he fostered a supportive environment with a familial feel. (Avon, 2014, para. 5)

In just thirteen short years, McConnell developed his representative size to 5,000 (Avon, 2014, para. 5). Such growth comes from proper treatment and appreciation toward employees. For example, when representatives met a specific goal or moved up the career path quickly, he would reward them with gifts (Avon, 2014, para. 5). When employees were rewarded for doing their job with excellence, they were inspired to work harder for the company. When hard work and effort took place, the individual not only prospered, but the company did too. In return, the individual informed others of how the company treats its representatives. This treatment acted as an incentive for others to join. So, proper treatment not only helped increase the size of Avon's representatives, but increased Avon's reputation as a company.

It is important to note that the structure of Avon consists of multi-level marketing. When a representative of the company recruits another individual to sell Avon on his/her team, a pyramid-like structure is created concerning the manner in which the recruiting occurred; however, the position in which one sits on the pyramid is not essential. Although a pyramid-like structure is present in the midst of recruiting, a pyramid scheme is not present because the money one makes is not affected by one's position on the pyramid.

**Power of the Product and the People.** To McConnell, the products and the people of the company were the center of success. He dedicated his life to ensuring that both the business and employees would be successful. Also, he devoted himself to a life of "inspiring the Representatives [of Avon]. McConnell also wanted to encourage the

company's employees, [who were the developers of the product], with the same positive spirit" (Avon, 2014, para. 7). Mc Connell, being the motivational leader he was, created a set of guiding principles to ensure that all Avon employees were happy, motivated and productive. The following are the guidelines:

- Providing an earnings opportunity so individuals can achieve financial independence and enjoy all that comes with such an accomplishment.
- Recognizing everyone's unique contributions.
- Giving back to the communities Avon serves.
- Offering the highest-quality products with a guarantee of satisfaction.
- Maintaining and cherishing the 'friendly spirit of Avon' (Avon, para. 8).

McConnell believed that each person had the potential to be prosperous with this company. Creating the possibility for one to pursue prosperity was the gift McConnell gave to underappreciated women during the Industrial Revolution era.

**Now.** Historically, Avon has "been one of the most admired companies in the world, with a legacy for strong corporate social responsibility programmes, empowering women by creating their own income streams and building their sense of self-worth" (Bartholomeusz, 2005, para. 1). The message Avon proclaims is that women can do anything to which they set their minds. However, Avon is experiencing difficulties reaching out to teenagers and the "emerging male market" (Bartholomeusz, para. 6). The company is in dire need of teens and males in order to appeal to additional audiences because some groups of people are difficult to attract. For example, Avon needs teen representatives to promote younger products, such as bright eyeshadows and stylish clothing. Men are essential to the business in order to attract male customers because men



may be scared to talk to a female representative about personal skincare issues. Avon needs male customers in order to sell its men products, which include skin care, colognes, clothing, etc. Avon is also looking into expanding globally. If this were to occur, the company would be able to introduce American influenced products, such as cosmetics and clothing, to foreign lands. As a result, the foreign culture would be positively affected by the company and the products it introduced to the people of the land. Currently, Avon is reaching out to individuals considered in these categories, [who include teens, males, and foreign individuals] because they represent an unreached area (Bartholomeusz, para. 6-8). When these avenues of opportunity are approached, the company is able to appeal to individuals of all kinds. As a result, more products will be sold and revenue will increase.

### **Amway**

**The beginning.** Jay Van Andel and Rich DeVos founded Amway in 1959 (Jones, 2011, p. 1). Amway was “founded as a French-Canadian trading post and [is now] home to the sprawling world headquarters of Alticor Inc., parent company of Amway” (Jones, p.1). Van Andel and DeVos started the company with knowledge of contemporary companies selling directly to buyers, but they wanted products sold in an “American way-” hence the name Amway. There were competitors, such as Avon products, Tupperware, and Stanley Home Products; however, Amway desired to take multi-level marketing to a whole new level (Jones, p. 1).

**Humble beginnings.** Van Andel and DeVos believed they should start a company that sold products that each family needed, such as soap and detergent. They did not have a production company of their own, so they had to figure out how to buy and sell

products for a profit (Jones, 2011, p. 45-46). At this particular time in history, there was no government regulation on products a company could buy and sell, so Van Andel and DeVos, “scouted around for a product they could distribute” (Jones, p. 46). In the midst of their search, “they found a liquid detergent called ‘Frisk,’ which was manufactured by Eckle Company, a small Detroit supplier, and one of the only biodegradable liquid detergents available, a feature they felt would distinguish it from other products” (Jones, p. 46). After purchasing this product, Van Andel and DeVos renamed the All-Purpose Cleaner, L. O. C., which stood for “liquid organic compound” (Jones, p.46).

Van Andel and DeVos thought this product was a successful start to their business because it would spark the interest of many customers all over the country. The new detergent’s best feature consisted of its ability to “break down and decompose into elements found in nature in a short time” (Jones, 2011, p. 46). This idea seemed appealing, especially during the hippy movement because it was something each family could take part in that would help the earth. This product launched an idea to “go green” with everyday products.

**The plan.** Van Andel and DeVos decided to launch both the product and a marketing plan several months after discovering their initial key product. They began taking applications to those who wanted to become Amway distributors. It is evident that “under the plan, distributors earn income several ways. One [is] through the ‘basic discount,’ meaning the difference between the price paid by the distributor for the product and the price charged by the distributor at retail” (Jones, 2011, p. 48). The majority of distributors make 30% of everything they sell, depending upon the prices they

choose to present to customers. Additional bonuses can be made but are not guaranteed, unless an individual meets a certain amount of production (Jones, p. 48).

The vision Van Andel and DeVoss created began to alter over the years. Although the foundational principles of the company stayed the same, some things about the company changed- such as products and the importance of spreading the career opportunity. They created a market full of products that every individual needed. The idea behind Amway seemed profitable and believable. Through selling products and building additional distributors, Amway created a career path for individuals to rise to the top of the company. Moving up the career path meant moving up in payroll. This idea molded the minds of individuals in society to think the American way, which was Amway's goal. In addition, Amway desired to create and develop locations internationally to provide "the opportunity to extend the principles of the American-style wealth creation into other countries worldwide" (Cross, 2001, p. 1).

### **Mary Kay Cosmetics**

**Mary Kay Ash.** Mary Kay Ash, originally known as Mary Kathlyn Wagner, a native of Hot Wells, Texas, took a job in direct sales with Stanley Home Products in 1938 to make enough money to enable herself and her husband to move out of her mother's house (Flynn, 2014, para. 1). At this particular time, Ash was attending the University of Houston and pursuing a degree in the medical field, when her husband abandoned her. After this, Ash began to pursue success at Stanley Home Products (Flynn, para. 1). She wanted more praise, recognition, and pay from the company she worked for. She knew she was destined for more than her job was allowing her to do. Ash knew that God

intended for her to live a legacy that would change the corporate world of American and international lands forever.

**Essentials of the company.** Mary Kay Ash “insisted that her new company operate on a few basic principles, the first being “the Golden Rule,” where people were to treat one another as they would themselves like to be treated” (Johansson, 1997, p. 3). The second principle Ash desired her company to follow and implement was the idea of “God first, family second, career third.” Last, Ash taught the principle of the “go-give spirit,” which meant “members of the organization should focus first on what they can give to other and the success would take care of itself” (Johansson, p. 4). These three major principles are still relevant and essential in Mary Kay Cosmetics. Consultants, directors, and national sales directors incorporate them in their daily routine. The manner in which they approach their customers, and people in general, reveals that the company they work for is unbelievable. The foundational principles of the company are responsible for its continual success in corporate America.

**Launch of Mary Kay Cosmetics.** Even though Ash displayed several excellent qualities of an employee at Stanley Home Products, Ash “was denied the title of unit manager she felt she deserved” (Flynn, 2014, para. 2). In 1952, Ash left Stanley Home Products and began working for World Gift Company, a home accessories firm located in Dallas. There, she was successful in expanding the business in forty-three different states in eleven years and eventually was placed on the company’s board of directors (Flynn, para. 2). Upon noticing that her position with the company was not going to reward her, regardless of her achievements, Ash “[decided to resign from World Gift Company] in 1963” (Flynn, 2014). That same year, with her entire life savings of \$5,000, she started a

company called Beauty by Mary Kay, later known as Mary Kay Cosmetics. Her “most important innovation [was] to utilize independent businesswomen by recruiting a sales force independent of her company. The firm sells its products at wholesale prices to a world-wide network of as many as 250,000 independent Mary Kay consultants, each of whom receives” (Flynn, para. 2) a 50% profit on all products sold. Additional bonuses of 4, 9, 13 or 26% commissions can be made on one’s team when recruiting other consultants to the business. Both consultants and directors can receive the use of free Mary Kay cars, which currently are the Chevy Cruise, Chevy Equinox, new BMW, and the prestigious pink Cadillac. Additional rewards such as all-expense paid vacations, diamond rings and diamond bumble bee pins. Because of Ash’s experience in the corporate world, she wanted to create a company where women could work for themselves and be rewarded and acknowledged for their hard work. Before she even became a huge cosmetic icon, Ash desired for women to be perceived equal to men in corporate America. Ash’s legacy to change lives continues to live on through consultants, directors, and national sales directors of the Mary Kay Cosmetics.

**Heart of giving.** In the past, Ash was active in several diverse organizations “dealing with health care issues both locally and nationally” (Flynn, 2014, para. 5). After marrying Mel Ash, her second husband, who was an executive for the vitamin industry and a wholesale manufacturer representative, Ash became a leader in the initiative to find a cure for cancer. Ash became passionate about this project because her husband died from the disease in 1980 (Flynn, para. 5).

She twice served as the honorary chairman of the Texas Breast Screening Project; lobbied for Texas legislation to require insurance companies to cover mammograms;

participate[d] in projects of the American Cancer Society, the Komen Foundation for the Advancement of Breast Cancer Research, the St. Paul Research Center, and the Dallas YWCA; and [was] a frequent speaker to women’s organizations and others (Flynn, para. 4, 2014).

It is apparent that Ash and Mary Kay Cosmetics are passionate in helping others with their profits. After Ash’s death, the Mary Kay Foundation was created to fund research for finding a cure for cancer and domestic violence against women. Her desire to help others has lived on through Mary Kay Cosmetics. Therefore, many women and men are able to impact the lives of others through the organizations the company supports each year.

### **Structure**

#### **Avon**

There are three different ways an Avon representative can earn income: selling Avon products face-to-face, selling Avon online, and recruiting representatives for the company (Seagren, 2013, para. 1). The first way to make money is to sell products and earn commission from direct sales. For an Avon representative’s “first campaign, she will receive a guaranteed 40% earnings on core products and 20% on fixed earnings products when [one] submits the order online and pays for it on time” (Seagren, para. 2). In other words, consultants earn 20 to 40% on all processed orders.

Figure one shows Avons earnings chart, depending upon personal and unit ordering size.

Figure 1

Order Amount	Commissions earned
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\$0 - \$49.99	0%
\$50 - \$144.99	20%
\$145 - \$284.99	30%
\$285 - \$424.99	35%
\$425 - \$899.99	40%
\$900 - \$1549.99	45%
\$1550+	50%

(Monoson, 2014)

In other words, Avon consultants solely make commission off of what they sell, which is previously discussed above and given in Figure 1. An additional 5% bonus will be provided to top sales consultants each month.

Although Avon is a successful company with several prosperous employees, its method of payroll is inconvenient. For example, the amount of commission one makes is based upon personal production, nothing else. This can be beneficial but can also harm an individual and negatively affect one's paycheck if a bad month in sales happens. Months such as January or July are difficult because they occur when people are spending money on Christmas or vacation.

Second, a representative should consider techniques and benefits of recruiting in Avon. Consultants and representatives receive a bonus for recruiting other individuals; however, it is not continual commission on that person. Commission is given if the recruit continues to place orders and remain at an active status in the company.

Consistency in moving up the career path is the key to a higher paycheck. Commissions are important because they provide additional paychecks to representatives. Avon sales

leaders earn anywhere from 2-12% commission from their teams’ total production. The position of the representative determines how much additional percentages one can earn on one’s team. Because there are four different levels one can reside on, a representative’s total commissions varies upon which level that individual is a part of and if all qualifications are met in order to receive maximum percentages (Seagren, 2013, para. 2-4).

Below is Figure 2, which reveals the current structure of commissions for Avon sales leaders. The first generation is the initial representative and the second generation is the initial representative’s recruit. The third generation is the recruit of the second generation.

Figure 2

Level	Personal Sales Qualifier	Total Group Sales	Generation Paid	Minimum Order Size to Earn	Commission
Sales Leader	\$148	\$888	1 <sup>st</sup> generation	\$30	2%
			2 <sup>nd</sup> generation	\$148	4%
Advanced Sales Leader	\$220	\$3,920	1 <sup>st</sup> generation	\$350	5%
			2 <sup>nd</sup> generation	\$78	2%
			3 <sup>rd</sup> generation	\$78	2%
Executive Sales Leader	\$220	\$10,580	1 <sup>st</sup> generation	\$30	3%
			2 <sup>nd</sup> generation	\$148	6%
			3 <sup>rd</sup> generation	\$350	7%
			4 <sup>th</sup> generation	\$78	2%
Senior Executive			1 <sup>st</sup> generation	\$78	2%
			2 <sup>nd</sup> generation	\$148	3%
			3 <sup>rd</sup> generation	\$350	4%
			4 <sup>th</sup> generation	\$78	2%



Sales Leader	\$220	\$19,460	2 <sup>nd</sup> generation	\$350	12%
				\$78	3%
				\$148	4%
				\$350	5%
				\$78	2%
				3 <sup>rd</sup> generation	

(Kirkbride, 2012)

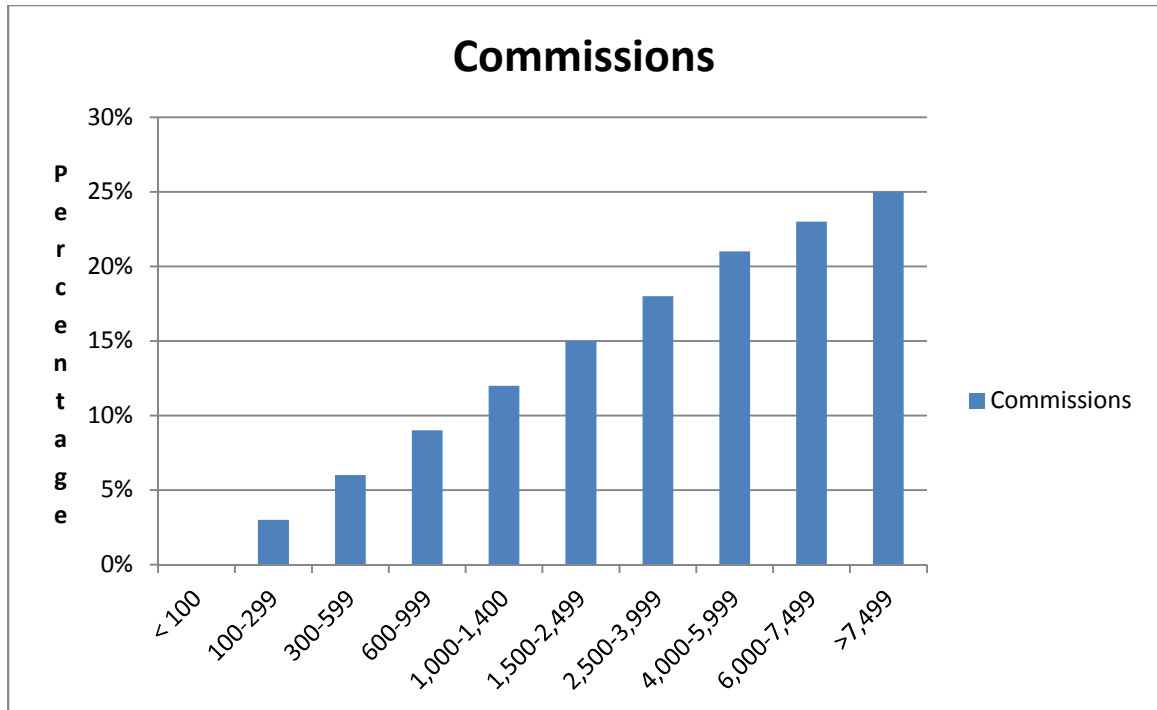
### Amway

Like most multi-level marketing companies, Amway has two aspects in which its distributors make money selling the product for retail price and recruiting other distributors. Selling the products is quite simple. The distributor “has a product list of [approximately] three hundred items to offer the customer” (Conn, 1982, p. 29). The products the distributor presents are made by Amway and are usually household items for home or personal use, such as detergent, soap, perfume, etc. When selling the product “the distributor makes an immediate income on all the products sold, usually about 30 percent of the retail price” (Conn, p. 29).

Distributors can make money through the activity of recruiting other individuals to become Amway distributors, which is called “sponsoring” (Conn, 1982, p. 30). Under specific qualifications, “the distributor may receive a bonus on the sales volume of anyone he brings into the business” (Conn, p. 30). There is really no money made from sponsoring until that individual distributor, which is a recruit, goes to work and continually generates sales. If this occurs, Amway will supply the sponsoring distributor with a bonus “for supplying [the new distributor] with products and training them in sales techniques” (Conn, p. 30). It is evident that an individual can make an immense amount of money if there are several people working hard under him; however, the majority of a distributor’s profits comes from directly selling Amway’s products.

Below is Figure 3, which details the commissions one makes in Amway based on unit business volume. Percentages for recruits and personal sales are combined in this amount of commission because it represents the total each distributor receives on pay day.

Figure 3



**Mary Kay**

The structure in Mary Kay Cosmetics consists of the multi-level marketing concept. Individuals “begin as consultants and push to become recruiters because it is by bringing in other consultants that they earn bonuses” (Ward, 1987, para. 21). This is somewhat like Amway in a sense that bonuses are given for each recruit, but additional bonuses are given to Mary Kay consultants and directors when their recruits join the company and purchase inventory. This specific approach sounds like a pyramid scheme, but it is not. In a pyramid scheme, “a recruiter gets a slice of a recruit’s commission,

thereby forcing the recruit to bring in recruits of her own” in order to maintain minimum production (Ward, para. 22). Mary Kay Cosmetics sends the commission check straight from the company’s personal account to the woman who earned the bonus. Neither consultant is punished for joining or recruiting in Mary Kay Cosmetics. For example, a consultant with three recruits receives a check in the mail of four percent commissions, off of the ladies under her each month just for being their recruiter. When she has five or more recruits, she can earn up to nine to thirteen in commissions. If she decides to move into directorship, she can earn a total of twenty-six percent commission on her team. National Sales Directors, which are the top 1% of the company, earn up to a total of 36% on their personal team and several additional bonuses, depending upon their personal business and offspring activity. This approach of commissions motivates consultants to recruit.

The other manner in which Mary Kay consultants make their money is through personal sales. Mary Kay consultants make fifty percent of everything they sell. Consultants buy the company’s products at wholesale price and sell them for twice as much. In reality, “Mary Kay is a 50-50 proposition. To clear \$500, a consultant must sell \$1,000 worth of skin-care, fragrance, hair and body cosmetics” (Ward, 1987, para. 23). In other words, if a consultant sells a \$200 Timewise Repair Set, which is the skincare set for ladies forty years old or older, she pays Mary Kay \$100 for the set after the purchase and profits \$100 immediately. Sometimes consultants keep products on hand and have personal inventory in the space of their home or shop. If consultants do not have inventory, they are able to order products as they are sold. Although these products are said to be sold at a specific retail price, consultants can choose to promote specific

discounts and promotions to their clients. Freedom to sell products at any desired amount, as long as it is not more than the standard retail price, and still make a decent profit is an advantage Mary Kay consultants have as self-employees.

### **Pyramid Schemes v. Multi-level Marketing**

The concept one must understand is the difference between multi-level marketing and a pyramid scheme, specifically concerning Amway, Avon and Mary Kay Cosmetics. This concept includes studying the anatomy of a pyramid scheme. In a pyramid scheme, “profits are made by recruiting more participants, rather than by selling a legitimate product to consumers” (M.C. 2000, para. 1). Contrasting pyramid schemes, “multi-level marketing is used to sell legitimate product to consumers. Participants primarily earn money by selling products rather than by recruiting more participants, but do earn commissions on sales made by people they recruit” (M.C., para. 1). In other words, multi-level marketing presents a career path for individuals to make money selling the product and recruiting others to the company. Although multi-level marketing is made up of a pyramid structure, it does not consist of a pyramid scheme because it rewards its consultants and directors equally by providing a manner for all to receive recruiting bonuses. Pyramid schemes are detrimental to companies because such schemes solely creates a mindset of recruiting for its consultants, rather than both selling the product and recruiting. Because a pyramid scheme is “an illegal business that superficially resembles legitimate direct selling or multilevel marketing, it generates income solely by recruiting new members and charging them fees” (Cross, 2001, p. 205). Avon, Amway and Mary Kay Cosmetics are not considered pyramid schemes because the general idea behind these companies is to directly sell products to customers for a profit.

According to *Collins Dictionary of Business*, multi-level-marketing is “a system of selling a firm’s product which involves a ‘pyramid’ of sales persons. Persons sell the product to friends, acquaintances etc. but are also offered a financial inducement to recruit other people as sales persons who, in turn, recruit yet more sales persons” (Multi-level marketing, 2006, para. 1) to the company. In other words, Amway, Avon and Mary Kay Cosmetics are businesses that promote the multi-level marketing plan because most profits come from directly selling the product; however, generous bonuses are rewarded from recruiting.

After knowing the definitions and distinctions between a pyramid scheme and multi-level marketing, one can determine the category to which Amway, Avon and Mary Kay Cosmetics belong. With Amway, “if [one’s] friend joins and buys something, identifying [her] as the reason for joining, [she] gets five percent of the sale in cash or credit” (Jones, 2011, p. 654). The five percent commission does not even compare to the profit in sales one makes when selling vitamins, soap, and several additional products of the company. Concerning Avon, one can earn up to forty percent of the product sold. An individual can increase one’s earnings by recruiting, instructing, and mentoring new Avon representatives. Last, Mary Kay consultants always earn fifty percent of all product sold and commission off of those individuals that particular person recruited. Amway, Avon and Mary Kay Cosmetics represent companies that value their employees and desire to provide financial freedom for them. Each business focuses primarily on selling the product of the company, whether it is make-up, lotion, clothing or vitamins, rather than recruiting.

Multi-level marketing is “a way of distributing products and services by which distributors earn income from their own sales and from the sales/purchase by those whom they directly or indirectly” recruit (Keep, W. & Vander Nat, P., 2014, p.7). This specific structure is somewhat pyramid-shaped but has limits to who and how an individual in that pyramid benefits from those underneath them. It is imperative to note that it is important for one to have both customers and recruits because it provides them with more experience in all fields of the company in which one works. When there is “no advertising budget or overhead costs for bricks and mortar, the person-to-person sales network is considered by many to be one of the most efficient methods of distributing goods” (MLM, 2004, para. 2). Amway, Avon and Mary Kay Cosmetics’s business structure is beneficial because they provide a manner for each company to remain financially stable or debt free. The structure of multi-level marketing is a popular business method, which establishes choices for the company because of its financial stability. Financial stability is important because it gives the consultant or distributor of the company confidence to be able to provide for one’s family. Money does not buy happiness at all; however, money does buy choices. When a company provides a path to make money, whether for a new consultant or a director of twenty years, it is evident that the company desires for the individual to be successful, no matter the position of an individual in the business. This proves that the company’s structure is beneficial to the company and the consultant.

### **Ethics in Multi-level Marketing**

Upon understanding the difference between a pyramid scheme and multi-level marketing, an individual must understand the essentials of ethics in the workplace. Ethics

are necessary in multi-level marketing companies because there are several manners in which evil can creep in. It is important for Amway, Avon and Mary Kay Cosmetics to exemplify ethics because all three were founded upon morals. The desires of each founder were to help others become successful in corporate America. Avon's purpose was to encourage women to start their own businesses during a time when women were supposed to be working in the home. Amway desired to build representatives of the right way of business, the American way. Mary Kay Cosmetics was created to provide women with the opportunity to advance in the work place and be rewarded for doing so. Since America was founded upon God, family and work, it is imperative to understand how they coordinate together to result in success.

Ethics is an important issue in Amway, Avon and Mary Kay Cosmetics, especially when considering selling the company's items and recruiting other sales consultants. First of all, the consultant must be honest about the maximum set retail price of the product. The price should not be sold for an additional profit. Also, one must consider customers when selling the product. A distributor should not take customers from other distributors or consultants. Boundaries must be set to ensure a customer is not stolen from one consultant by another. Last, one must understand that caution must be taken when recruiting individuals to the company. Because certain bonuses are awarded for recruiting, the recruiter must ensure that the individual signing up to sell the product was only interviewed by that representative and does not have an immediate family member selling the product. This is vital to follow so other consultants do not benefit from someone else's hard work. These basic ethical guidelines prohibit the abuse of the company, stealing customers and improper recruiting. When these guidelines are

followed and implemented, the foundational principles of the companies are upheld and honored for proper representation.

In coordination with sales and recruiting, each distributor must remember that an individual, whether male or female, represents the face of the founder and company. If in an authoritative position, an individual must understand that the actions one takes in will affect the manner in which recruits behave. For example, if one is a sales director for a particular company and has personally recruited approximately fifty distributors, it is essential to lead by example of excellence and positivity. When one leads by example, the face of the company not only appears to be successful to other consultants but also to customers and prospective recruits as well. When proper representation is exhibited, others not only believe in the consultant and company but believe in the financial opportunity the company provides also. It is ethical to represent the company properly and the foundational principles it was founded upon in order to continue the legacy the founder established.

**Motivation.** Multi-level marketing is “a marketing approach that motivates its participants to promote a certain product among their friends” (Emek, 2011, para. 1). This approach has recently become more popular because of the “accessibility of modern social networks” (Emek, para. 1) that make it possible to attract the younger generation to the business. For example, social media sites, such as Facebook and Twitter, attract people to the company about the individual is speaking. Social media can be useful tools for advertising because they appeal mostly to the younger generation of today. When these tools are available, employees are motivated to market the company they work for via social media.



Motivation is “an inner force that drives individuals to accomplish personal and organizational goals” (Satterlee, 2012, p. 54). When focusing on the necessary elements to develop motivation, a leader in a multi-level marketing business must realize the needs of the future generation. Several “of your young and part-time employees-people who may be doing some of the most important work in your company- are making different choices for their lives. They are nothing at all like the workaholic generation who preceded them. They want flexibility, a feeling of purpose, recognition, and an earning potential” (Rigsbee, 1996, para. 3). Before applying and implementing the set guidelines for success through motivation, an individual must understand personal preference of an employee basis and what one wants from their occupation. Multi-level marketing companies are becoming more popular because the structure is appealing to the current generation. The upcoming generation wants freedom in the workplace. They do not want to work a 9-5 job that they hate every day. They want financial freedom, flexibility and the ability to work when they want while making an executive salary in corporate America.

### **Issues with Foreign Expansion**

The truth of successes in Avon, Amway and Mary Kay Cosmetics can be found within its recent flourishing in China. Suddenly, China “banned all direct selling on grounds that this technique of mass-marketing ‘damage[s] social stability’” (Albright, Kunstel, Dart & Mollison, 1998, para. 3). This statement reveals that the rulers of China, since it is a communist country, do not want its citizens to prosper in any way. China especially does not want its citizens to prosper financially because that may provide them with unintended power that the government cannot control. Being one’s own boss,

working one's own hours and making fast cash from direct sales would allow a person to survive independently from the government. The only reason China is against multi-level marketing concerns its desire to be ruler of everything, especially its people. In addition to its communist tenets, China does not want women of Asian culture to be prosperous. Asian countries are sexist because they do not want women of their culture to be effective in the business world. Men are supposed to be dominant individuals and run the financial aspects in the family. This makes it almost impossible for a woman to be successful in the corporate world; however, it also explains why multi-level marketing companies have such a passion for expansion. Companies such as Avon, Amway and Ash desire for individuals to be monetarily successful. The structure of multi-level marketing companies set each consultant up for potential financial success. Each company pushes to launch its business in diverse countries because they want others to enjoy the American lifestyle of success.

When looking deeper into multi-level marketing and its current attempts to expand into foreign countries, it is evident that there are both negative and positive perspectives of the movement. Therefore, one must understand that any negative comments toward Amway, Avon, and Mary Kay Cosmetics are not directly against the business, rather the opportunities the business provides to its consultants.

Even though the Chinese government has recently allowed multi-level marketing companies back into the country, it may take years for China to trust them wholeheartedly (Jones, 2011, p. 152). With hard work and a desire for expansion, these companies will be able to rally others in with the movement and provide proper

explanation how the movement will be beneficial to the citizens of the country and to the government.

### **Conclusion**

Although Amway, Avon and Mary Kay Cosmetics are initially considered to be pyramid schemes, each one must continually show unbelievers what each company represents. Representatives of each company must know the differences between a pyramid scheme and multi-level marketing so they can address the issue effectively. Each company has a pyramid structure of sorts but represents multi-level marketing in a sense that position on the pyramid does not affect one's pay. It is necessary for one to defend the truth and background of the company to those who know nothing about the structure of a multi-level marketing business. Amway, Avon, and Mary Kay Cosmetics are businesses that allow individuals to sell their products directly for money and team build to make commissions. The financial freedom one may obtain through each business is unbelievable. Each representative should share the truth about each opportunity with confidence. With this confidence, individuals of each company should join together in expressing the desire to expand each multi-level marketing company globally because it raises revenue of the companies and provides individuals with financial freedom, flexibility and family time that were never available for most people before the opportunity of working for companies of multi-level marketing.

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