

No-product Pyramid Schemes vs. Gambling vs. Sample Multi-level Marketing (MLM) Programs

WHICH DOES THE GREATER HARM?

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PYRAMID SCHEME, GAMBLING or MLM options to be compared	Reference title	% who profit (small, light pyramids on chart)	% who lose money (tall, dark pyramids on chart)
NO-PRODUCT PYRAMID SCHEME - one-time investment* (4 generations)	Pyramid - one time	11.81	88.19
NO-PRODUCT PYRAMID SCHEME, in which each participant REINVESTS* in a new pyramid after former one completed. (4 generations)	Pyramid - reinvest	6.67	93.33
CRAPS - a single bet on snake eyes**	Craps	3.23	96.77
ROULETTE - single bet on one number**	Roulette	2.86	97.14
MELALEUCA distributorship***	Melaleuca	0.13	99.87
NU SKIN distributorship***	Nu Skin	0.06	99.94
AMWAY distributorship***	Amway	0.01	99.99

*Two examples were used: "The Original Dinner Party", (ABC News - Prime Time, 2/22/01) and "The Airplane Game (*False Profits*, by Robert Fitzpatrick, 1997). When reinvested, a few at the top who initiated the pyramids get multiple returns. Whether reinvested or not, when the pyramid collapses, those remaining at the bottom levels lose their investment. **Such no-product pyramid schemes are considered illegal in the U.S.**

**Odds are for a single bet on these games of chance at Caesars Palace in Las Vegas (4/26/01)

***Melaleuca & Nu Skin figures are based on analysis of 1998 reports of "average incomes" of its "active distributors." It appears that at least 95% of their recruits have quit or become inactive over a 10-year period. To be valid, total distributors who have achieved each "pin level" over time should be compared with total recruits over a comparable long-term period. Amway figures are based on Amway's publication *The Business Owner* (July/Aug, 2000). It should be noted that a substantial portion of income for high level Amway distributors may be derived from sales of "motivational tools" for dealers' "success." Amway's 10-year retention rate would be about 9%, based on company claims of 50% turnover per year.

These are very generous estimates of MLM "success." Based on experience and interviews, actual odds of "success" for these MLM companies are likely to be even lower, especially after ALL costs are subtracted before figuring NET profit or loss. Other MLM companies that have revealed valid data show similarly bleak odds of "success." **Not only are the odds much greater, but the payout for no-product pyramid schemes and for a single bet on craps or roulette are many times that of the average profit for these MLM's.**

CHART NOTE: For MLM's such as the 3 examples here, repeated product purchases enrich a few distributors at the top of the hierarchy, at the expense of a multitude of unwitting downline distributors, over 99.5% of whom lose money. **The reason no profitable MLM pyramids appear on the chart is that the percentages of those MLM participants who gain a net profit (after subtracting all operating expenses and product purchases from the company) are so infinitesimally small that they do not register on the chart.**

