

Multilevel Marketing: “The Research, Risks and Rewards”

An Executive Summary
Presented by AARP Foundation



Background

At AARP Foundation (AARPF), our mission is to serve vulnerable older adults by creating and advancing effective solutions that help them secure the essentials. Every day, we work to tackle senior poverty by sparking bold, innovative solutions that help vulnerable older adults build economic opportunity and social connectedness.

After the Great Recession, we noticed a number of our constituents joining multilevel (MLM) companies in an effort to generate additional, or primary, income. More often than not, most did not achieve what these companies had promoted as income or benefits. Following our mission, we decided to conduct a study about multilevel marketing to gain a better understanding about the mindsets, experiences and expectations of Americans that participate in multilevel programs. The information would better inform us on how to educate consumers about the potential advantages and pitfalls of MLM participation.

What we learned is nearly eight percent (7.7%) of American adults and older have participated in at least one MLM during their lifetime. A majority (91%) joined to make money; however, nearly half (47%) reported they lost money. Our findings indicate there's a disconnect between what MLM companies promise and what people actually make. The following executive summary shares key findings from the report. Visit aarp.org/MLMaware for tools and tips to identify whether multilevel marketing is right for you.

Research Methodology

AARPF commissioned GfK to conduct qualitative and quantitative research to understand the demographics, psychographics and behaviors of adult Americans who have participated in at least one multilevel marketing organization during their lifetime. The study used both qualitative and quantitative methods. Four focus groups were conducted, including men and women who worked as MLM direct sellers either presently or within the past 7 years. Analysis of focus groups transcripts informed the development of an online survey that was administered to more than 1000 participants. The survey included 1,016 respondents, encompassing 601 Americans who were direct sellers for an MLM organization sometime in the past and 415 who never participated in an MLM before. Here at AARPF, we want Americans to have a better understanding of all aspects of MLM. Before joining any MLM's we want you to do your research, find your why and get comfortable selling products.



Who Participates in Multilevel Marketing?



MLM – is a business structure or practice in which an individual seller earns commissions both from direct sales and from the sales of the seller's recruits

Nearly

21 million
Americans

 **60%**
are women

 **72%**
are married or living with
a partner

 **55%**
worked as a paid
employee while participating
in MLMs

76% 
had no experience in
commission-based sales

MLM participants had busier social lives compared to respondents who never participated in MLM

 **40%**
attended religious
services once a week

 **Nearly half used social media more frequently (Twitter, Facebook, Instagram and Snapchat)**

 **23%**
attended community events
or meetings once a week

Why People Join Multilevel Marketing Companies?



63%

joined to make money
by selling the product
or service to others

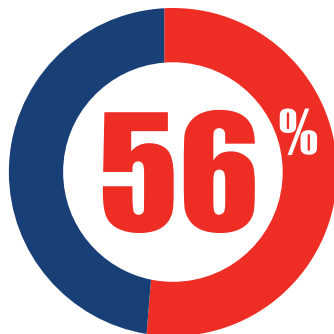


23%

wanted to make money by
recruiting others to sell

43%

wanted to purchase the company's
products/services at a discount for
personal use



were making less than

\$35,000/yr

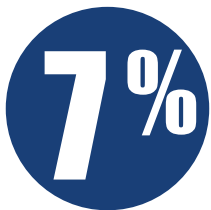
at the time

Is Multilevel Marketing Profitable?



reported they either lost money or made no money as a result of their participation with MLM

On average,
approximately



of MLM participants
made over
10,000



However, among
those who made a
profit, more than half
53%
made less than
\$5,000

Less than



reported profits of
100k
or more



made between
10-24.9k

Why People Leave Multilevel Marketing Companies?



39%

stopped participating because
it felt awkward to pitch to
friends and family

36%

left because they didn't
make what they expected

35%

Said they didn't like
selling all the time



During an average week, participants reported
that they work an average of 13.3 hours

Would MLMers Do It Again?



54%



respondents reported that the company misled them in describing their chances of achieving financial success

Around two-thirds
65%

of participants said they would not join the same MLM again

More than a quarter

27%



stated the MLM compensation plan was somewhat or very unfair



AARP Foundation[®]

For a future without senior poverty.

www.aarp.org/MLMaware