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 are participating in MLM.

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
- 56% were making less than $35,000/yr at the time

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Is Multilevel Marketing Profitable?

74% reported they either lost money or made no money as a result of their participation with MLM.

On average, approximately 7% of MLM participants made over 10,000.

Less than 1% reported profits of 100k or more.

Around 3% made between 10-24.9k.

47% lost money.

27% made no money.

The remaining 26% reported that they made a profit.

However, among those who made a profit, more than half made less than $5,000.
Why People Leave Multilevel Marketing Companies?

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

- 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.
Around two-thirds (65%) of participants said they would not join the same MLM again.

54% of respondents reported that the company misled them in describing their chances of achieving financial success.

More than a quarter (27%) stated the MLM compensation plan was somewhat or very unfair.