

THE ANTI-MLM MANIFESTO

PREPARED BY:



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ABOUT US

Prosperis Passive Income Strategies (PPIS) seeks to educate and connect people and businesses to opportunities in the passive income generating sector.

When identifying passive income opportunities, we engage in due diligence and allocate our resources to verify and vet the product/service offered. Once we are satisfied that a product/service has merit for our clients we include it in a publication called *The Passive Income Handbook*, which is available at www.ppis.ca. The *Passive Income Handbook* is intended to communicate a summary of the product/service. To find out more information on any product/service in this publication, please [contact us](#).

PPIS was born out of the realization that disruption innovation is reshaping the way capital is being raised and the way financial products/services are structured, provisioned and consumed (See the June 2015 World Economic Forum report [here](#)). In the context of today's sharing economy, disruption innovation – a term first coined in 1997 by Harvard Business School Professor Clayton Christensen in *The innovator's dilemma* – enables the benefits of innovation to not only be enjoyed by the organizations doing the innovation, but also individuals and businesses partnering and investing with these innovative organizations. It is our guiding philosophy that whether it be the contribution of capital (eg. being a bondholder in a payday loan company) or the contribution of effort (eg. driving for Uber), the individual or business that identifies and leverages this innovativeness can obtain sustainable passive income. At PPIS, we strive to continuously make our clients aware of such opportunities in the hopes that the informed decisions they make will lead them to their financial freedom.

We also aspire to start a dialogue in the investment community on these passive income opportunities. Apart from attending our [free strategy sessions](#) (in person or requesting one over Skype), we call upon you to contribute your own passive income journey, ideas and experiences and your thoughts on this publication by engaging with us on the follow social media platforms:



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WHAT IS PASSIVE INCOME?

Passive income is a very simple concept. It is an income received on a regular basis, with little effort required to maintain it. Typically, this is the profit that is realized from investments. Those investments can be stock market activity, purchase of bonds, private investment in small businesses, real estate etc. However, it can also be achieved by educating yourself with skills and making initial effort in some form by “investing in yourself”. Once the work is complete, you reap the benefits of the effort you have taken in the form of passive income in the future. Examples of this could be writing an e-book or developing a talent such as graphic designing or public speaking. It is important to select the right type of investment for the source of your passive income.

Financial trading can be a very lucrative source of passive income if the focus is on developing a system that can be easily replicated or if you are able to leverage information provided from external sources. Real estate can also be another source of passive income if you utilize the services of a rental management group or use an investment vehicle like a Real Estate Investment Trust or investment bond issued by a development company. For more passive income ideas like these, download the Passive Income Handbook from www.ppis.ca.

When it comes to passive income, we believe that you are the best judge to determine what will fit best with your lifestyle, and investment preferences.

This publication specifically addresses the feasibility of a Multi-Level-Marketing (MLM) offer to be a source of passive income. It does not outright refute this possibility. The fact that some people have succeeded and are financially free as a result of joining as an associate for an MLM is irrefutable. However, it will highlight that regardless of which specific MLM offer you accept, the chances of you being one of those who are financially free is very rare.

PROLOGUE

WHAT IS A MANIFESTO?

“A Manifesto is a published verbal declaration of the intentions, motives, or views of the issuer, be it an individual, group, political party or government. A manifesto usually accepts a previously published opinion or public consensus and/or promotes a new idea with prescriptive notions for carrying out changes the author believes should be made.”

- Wikipedia (<https://en.wikipedia.org/wiki/Manifesto>)

WHAT IS THE VIEW OF THE ISSUER?

MLM (Multi-Level Marketing) offers are not adequate income opportunities for the vast majority of those recruited.

WHAT IS THE IDEA BEING PROMOTED?

MLM recruiters encourage individuals to join their organization stating that it is an income generating business opportunity. Many associates make the decision to join without conducting due diligence, understanding key facts and undertaking a complete analysis of all the risks involved. This publication is meant to serve as tool for such an individual to scrutinize all MLM offers prior to accepting them. It will contain facts surrounding MLM offers and prescribe a critical analysis template for determining if a proposed MLM income opportunity is worthy of your time and money. Think of this publication as the “other side” to the influential and charismatic speaker on the stage at the MLM event that you need to listen to in order to get a balanced perspective of the MLM offer you were presented.

The objective of this publication is not to slander any particular MLM organization or to expressly dismiss MLM as a method of distribution for a product/service. However, it does challenge the notion that a MLM organization can provide a reasonable and livable passive income opportunity to all but very few of its associates.

NOTES FROM *WHAT ABOUT THIS ONE?*

What about this one? is an educational report published by the non-profit consumer advocacy organization Pyramid Scheme Alert. Below are notes from that publication. You can obtain this publication in its entirety and listen to the accompanying audio for free at <http://pyramidschemealert.org>

HOW MLMs ENROLL ASSOCIATES

A Multi-Level Marketing (MLM) company (also known as a direct selling, a network marketing or a home-based business) recruits associates by presenting the product/service as a passive income generating business opportunity.

THE REASONS WHY PEOPLE ARE DRAWN TO JOINING MLM COMPANIES

- The promise of passive income, a secondary source of income – particularly in times of economic uncertainty and for individuals experiencing high levels of debt.
- They are invited to join / invest (and sometimes pressured to do so) by someone they know – maybe a family member or someone they trust. This often makes it hard to do due diligence and make an informed, unbiased decision.
- Product/service being sold is presented as something sensational, groundbreaking, that everyone needs to have, revolutionary, “on the cutting edge” technology-wise, miraculous with its healing powers, and/or something that will essentially sell itself.
- The servanthood appeal. By joining the MLM, they would be succeeded while helping and serving others with the MLM’s product/service. Essentially this is the “rising tide raises all ships” model that is extremely alluring when presented with passion and charisma by an MLM recruiter.
- Many are not aware that the MLM offers are not passive income opportunities and the fact that almost everyone who joins lose money no matter how much they invest, how hard they work, how much they believe in their product/service and no matter how much they try to develop personally
(The “effort you put in is the results you will receive” counter-argument will be discussed in the sub-section after the next).

- Many people are presented information by the MLM recruiters that leaves out the facts mentioned in the bullet point above as well as the loss rates, drop-out rates and complete cost of the undertaking in terms of money and time. Consequentially due diligence, exploration of the legitimacy of the information that is presented and critical evaluation of the business opportunity with all relevant facts is not done. What is often presented by recruiters is:
 - that their MLM income opportunity is a “new business model”,
 - the reputation of the MLM company, its values and its involvement in the community,
 - the benefits and personal freedom that comes from entrepreneurship and personal business ownership (eg. Time with family, the tax benefits of owning your own business),
 - how it could help you achieve your hopes and dreams by developing long-term permanent residual income for you and your family,
 - the ability for you to have access to a mentorship program where people who are financially free will teach you how to do what they've done, and
 - the ability to achieve the highest levels of personal development.
- At the product/service information and training presentations there is excitement generated about the product/service using [Large-group awareness training \(LGAT\)](#) and [Neuro-Linguistic Programming](#) techniques.

WHY A MAJORITY OF MLM ASSOCIATES FAIL

- A lack of experience in sales and in the management of teams.
- They are at the bottom of a compensation structure and were unable to advance at the rate expected / promised.
- Unable to sell at the rate expected / promised – Low demand for the product or product/service too expensive.
- Unable to recruit others at the rate expected / promised – Received skepticism from those they had approached which they were unable to overcome.

WHY A MAJORITY OF FAILING MLM ASSOCIATES ARE IN DENIAL OF THE FACT THAT THEY ARE FAILING

- The belief that “the systems works” is enforced subliminally and overtly leading associates to believe that the reason they are not achieving the passive income they expected is due to their own shortcomings. Many attribute their failure to not putting in enough effort because their recruiter convinced them (and continue to convince them) that the “effort you put in is the results you will receive”. Unfortunately this will not be the case for the large majority of associates because the odds of succeeding are stacked against them by the MLM marketing system. Below are some of the reasons why this is the case:
 - The decision to start a business ought to be made with a lot of consideration to many internal and external factors. Independent legal, accounting and financial advice ought to be sought and a realistic business plan devised. These steps are rarely done as very often the decision is made at the end of a single MLM offer presentation.
 - Not everyone is capable of being a business owner or being successful at sales. No evaluation is done prior to making the decision to join as an MLM associate. In fact, what is promoted by the MLM marketing model is that “anyone can do it”. Facts show that this is simply not the case.
 - High competition. The chances of success are dramatically reduced due to the number of existing associates at the same level as you.
 - The remuneration plan. The associate begins at the lowest level of the remuneration plan and ascension to levels that makes it a reasonable and livable passive income opportunity are unattainable.
 - Cost structure. Marketing costs required to generate sales are often not determined at the outset and these costs will create losses for the associate at the earliest stages of their business.
- A sincere connection and loyalty to the product/service of the MLM or the MLM organization itself prevents associates from acknowledging that their business venture is not providing them the passive income they expected.
- The notion that their big break is around the corner and they have to be patient. Success is a result of perseverance and the system will only benefit them if they withstand the negativity associated with their current reality.

WARNING SIGNS - DIFFERENCES BETWEEN THE MLM OFFER AND OTHER BUSINESS OPPORTUNITIES

- **A Rush to Action** – There is often either a limited window of opportunity to join at a promotional rate or an upcoming opportunity that only new associates who sign up immediately can participate at that is offered at the informational seminar as an incentive to make the decision to join that very evening. This is a distinct contrast to other business opportunities where there is no rush to join and due diligence in the form of independent legal, accounting and financial advice is promoted.
- **Network Outreach Focus** – A Fast-Track or a Quick-Start program is often promoted for new associates to reach out to their existing networks to begin to see the benefits of joining as an associate immediately. This is actually for the benefit of the up-line (although it is not promoted that way) and is surprising given that your exposure to the product/service is often quite limited at this stage. If you are promoting the business opportunity at this stage to your network, the fact that should be apparent is that you have not proven it to be a viable business opportunity yet (you are still at a loss after paying the MLM associate registration fees and future commitment costs) and yet you are introducing it as an income generating opportunity to others.
- **Future commitment costs** – As an associate, you are contractually bound to an ongoing commitment to receive the MLM product/service yourself and pay the monthly associate/registration fee for access to resources such as a customizable website. While this is communicated upfront and attributed to being a “cost of doing business”, it is curious that you are the MLM’s ongoing and committed customer BEFORE you are their selling company which has been authorized to sell on their behalf. This is also well before you have determined if you would be successful as their sales agent. This is deliberate as with any MLM marketing model, the associate is seen as their customer first and then as a potential sales agent for more customers.
- **Selling anything is not easy** and yet the MLM does not screen its associate applications to ensure that they are recruiting associates with the abilities to succeed. Instead they accept all applications and promote that actively promote that “anyone can do it”. This is deliberate because – as mentioned above on the point above – the associate is a customer in the MLM’s business model.
- **Remuneration Plan Design** – Compensation Plans are often designed to reward recruitment over retailing of the specific product/service.

- Bundling – This is very often the case with a service offering. Along with the main service being sold, there are several supporting services or “bonuses” which give the perception of value but are often unnecessary for a customer or a duplicate service already existing in another service package the customer has (eg. an insurance product included in one’s employment package or fraud protection included in a credit card service agreement).
- Their success is not tied to yours – Although they may state that it is, the MLM’s business model has succeeded when you take the step to join as an associate. Any additional business you bring in to them is – of course – appreciated and compensation will be provided to you to reflect this. However, with the registration fees and the ongoing commitment costs, the MLM organization has succeeded in obtaining a customer once you have joined as their associate and it is through this contract – and many like it – that the MLM succeeds, regardless of how much you may succeed in your recruiting efforts. The success of the business is therefore not a reflection of the success of associates within it and accolades the business receives as a company (eg. growth rate, stock exchange listing and share price performance) will not necessarily translate into your success as a result of being associated with them as their sales agent.

DIFFERENCES BETWEEN PARTICIPATING IN AN MLM AND WORKING IN SALES FOR A COMPANY

Supporters of MLM companies and MLM companies themselves often make this comparison and cite the liberation from the employment contract as a reason for accepting the MLM offer. However, when scrutinized, this claim has more adverse consequences to the MLM associate than benefits.

- The formal hierarchy at a company is one of accountability. For the corporate organization to succeed the goals of each level are aligned with the levels below them and congruent with that of the organization’s mission. As discussed in the last point of the previous section, the MLM model does not have an accountability structure as each participant is only looking after their own interests and the definition of success is not the same across the organization.
- There is no screening, interviewing or evaluations of applications to ensure that associates at the lower levels have the abilities to succeed at MLM organizations. This is because lower levels associates are customers and their acquisition represents revenues and not a resource that needs such evaluation. In the corporate structure, this is imperative for the organization to succeed and be competitive.

- There are minimum wage laws that a company has to adhere to which the MLM organization can circumvent due to their decentralized structure. This is how MLMs achieve a low customer acquisition cost and how many MLM associates lose money.

BUT ... WHAT ABOUT THIS ONE?

MLM organizations exist across many different industries and in both product and service sectors of the economy. However, the business, distribution, recruiting and compensation model is largely the same and therefore it is possible to apply the critical analysis methodology prescribed in this publication to determine if any MLM income opportunity is worthy of your time and money.

ADVICE FROM BRIAN TRACY

To bring a balance of perspectives to this publication, we decided to include this commentary below from a supporter of MLM Income Opportunities. Brian Tracy is a best-selling author, speaker and coach and the complete article can be found at his website: www.briantracy.com

If the previous pages have not convinced you that an MLM Income Opportunity is not passive, or if you are seeking an active business opportunity where you are willing to partake in non-salaried activities on behalf of an MLM product or service you believe in, it is our hope that this will be a useful guide in identifying if the MLM you admire is right for you from an objective business-analysis perspective.

Here are his eight key considerations to know before you accept an MLM offer:

- Excellent Quality
- Look For Competitive Prices - Prices must be comparable with the competition
- Demand A Money Back Guarantee - The product must be so good and the MLM business must stand behind it so strongly that they're willing to give a 100 percent refund guarantee on anything that they sell.
- Carry a Small Inventory - There should be a small or zero inventory requirement. You should be able to get into a multi-level marketing business with very little money. Not more than a hundred dollars.
- Keep Good Records
- Seek A Strong Support Organization - One that will offer you training, that will give you seminars on product knowledge that will give you motivation, and give you opportunities for personal and business development.
- Honesty – Make sure that the parent company has an impeccable reputation in the marketplace
- Product should be consumable – Thereby leading to reorders and repeat business so that you don't have to depend on finding new customers.

EPILOGUE: FURTHER QUESTIONS

The following questions should be asked when presented with an MLM offer:

How many are in the business right now and how many are in this region?

What percentage of recruits have actually remained with your company for more than: 1 year? 3 years? 5 years? What is the average duration of time in the business?

What has been the average annual drop-out rate for recruits?

What is the average income for a recruit?

Can you make money without recruiting others?

Can you make sustained income without recruiting?

What % of sales have been authentic external retail sales to members of the general public and not to other associates like yourself?

Is there a market for this product/service at this price level – outside of presenting this as an income opportunity to another person?

Apart from the \$____ enrollment cost and monthly service fee of \$____ what is the approximate amount of additional money that recruits have been required to find, to finance their first 12 months, non-salaried activities on behalf of the MLM. For example, are there ongoing training costs, supplies etc. and what are these fees?

What lawful, and/or ethical reason can you put forward to explain why the key-information contained in the answers to the above questions has been withheld by your company from prospective recruits?

[In the case of products] Is the Internet loaded with unused inventory from your company for sale? What does the MLM company do to prevent this from happening?

What are the alternatives to the MLM's product or service and what are their prices?

Hand on heart, would you personally recommend joining this MLM company as a viable and ethical means for ordinary people to earn extra income?

Again, hand on heart, what would be your personal reaction if a member of your own family announced that he/she had signed up with MLM?

Before you accepted the MLM's offer, had you actually seen any quantifiable evidence proving that more than 70% of sales have been authentic external retail sales to members of the general public (based on value and demand)?

ALTERNATIVES TO MLM OFFERS

Empowering yourself with knowledge, leveraging the competencies of others and participating in the growth experienced by disruptive organizations.

Would you like to know how?

Prosperis Passive Income Strategies (PPIS) has put forth a 4-point criteria for evaluating passive income opportunities referred to as the PPIS Criteria. This is contained in the Passive Income Handbook and can be obtained for free at www.ppis.ca.

Needless to say, no MLM income opportunity are contained within the strategies included in the Passive Income Handbook. The ideas offered in the Passive Income Handbook reflect genuine passive income opportunities.

As an education company, PPIS can help you put the ideas you select from the Handbook into action utilizing leverage, education and mentorship that will increase the likelihood of your success and achievement of your financial freedom. Contact us at www.ppis.ca/contact for more information on any of the strategies discussed on the Passive Income Handbook.

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