

[A View of the MLM Industry: Past, Present and Future – Interview with Jeff Babener](#)

By Jeffrey Babener © 2013 / 2014

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This article is the companion article to the video: [A View of the Direct Selling Industry: Past, Present and Future](#), in which MLM Attorney, Jeffrey Babener, discusses the past, present and future of the direct selling industry.



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Interviewer: Jeff, let me ask you this question. The industry has come a long way in the last several decades. Can you share with me your experience on how the industry is viewed today versus how it was viewed decades ago?

Babener: Yes, if you’ll indulge me a little bit. I’m going to give you a mini history of what happened in the direct selling industry and where the industry

is going. From both a legal and industry standpoint, the origins of the MLM industry go all the way back to the 1800s to the days of the [Yankee Peddler](#). Yankee Peddlers were direct sellers because they sold directly to the public.

From a legal standpoint, there have been three points in time in our industry where issues have become complicated and differentiated. In the days of the Yankee Peddler there was an issue with the product; there was the perception that salesmen were selling snake oil off the back of a wagon and then skipping town.

During the first half of the 20th century, salespeople were going door-to-door selling vacuum sweepers or encyclopedias, like the famous [Fuller Brush](#) man. Whether they were selling high-ticket items, like vacuums, or encyclopedias, they would go in, make high pressure sales, and then disappear. So, during the first half of the twentieth century the direct selling industry had problems that related to the presentation to the consumer. The net result was that somewhere after the 1950s-1960s, the states adopted what was called the “Cooling-Off Rule.” This was intended to resolve the problem of high pressure consumer sales tactics in the home.

Interviewer: Buyer’s remorse, right?

Babener: Yes. The Federal Trade Commission (FTC)’s [“Cooling-Off Rule”](#) basically stated that if a salesperson comes to your home and sells you something, and you pay a significant amount of money in

the excitement of the moment, then you have three days to change your mind. It's called the Three Day Right of Rescission. You have three days to cancel the transaction.

The methodology of direct selling changed in the 1950s, allowing distributors/marketers to not just sell person-to-person, but also they became allowed to recruit other people into their sales team. This was a novel approach. And, it all started with Mary Kay, Shaklee, and others.

This did really well in the 1950s. They stumbled upon a great method of marketing. This is partially what makes up our 30 billion dollar U.S. industry today with 16 million direct sellers, and perhaps, more than 100 billion in sales and 60 million salespeople around the world today. It was very successful.

Now, with successful models often come the charlatans. In the 1960s, along came a program called Dare to be Great, by Glenn Turner. Companies like this one were parading around as if they were direct selling companies but really all they were doing is moving money.

In the [Dare to be Great](#) program, individuals were invited to a seminar where they paid \$5,000 where they were taught to recruit others to come to the seminar and pay another \$5,000. Lo and behold, this marketing system really tainted the direct sales model.

They tainted the MLM business model so much that pyramid laws were adopted all over the country. The business model was tainted so badly that in 1975, the FTC looked at [Amway](#) and questioned its validity, accusing it of being a pyramid scheme. Although the company was not a pyramid scheme it still spent four years in litigation with the FTC.

In 1979, a FTC administrative law judge looked carefully at Amway, and for various reasons, proclaimed it not to be a pyramid scheme. Some of the reasons included the reasonable buyback policy for those leaving the business, the adoption of the [70 Percent Rule](#) and the company's fair customer rules. The 70 Percent Rule basically stated that distributors shouldn't buy more products for resale unless they've sold or used at least 70% of what was previously purchased. After reviewing Amway, the FTC judge decided it was a legitimate company. *Had Amway not won that case in 1979, there would be no direct selling industry today.*

Ever since, there has been a constant ebb and flow – a tug and pull – between our FTC and attorney generals and the MLM industry.

I'd say that until the 1990s, the MLM industry still had a negative image. People would read nothing but bad press about the direct selling, network marketing, party plan industry. There remained bad images because there were some abuses in the system. Yet, all of sudden in the 1990s, people started to pay attention to the direct selling model. Then, MLM companies started to explode around the world. Companies like [Avon](#) today are doing 12, 13, 14,000,000,000 around the world in sales with 1,000,000's of distributors. Amway doing better than 10,000,000,000 around the world. All of a sudden we have companies like Herbalife being traded on the New York Stock Exchange.

[Shaklee](#) was bought by Wall Street investment houses. Warren Buffet stepped into the picture, spending hundreds of millions to buy [Pampered Chef](#).

All of a sudden the press began to turn positive, and we were known in the industry as entrepreneurs.

We were known as the industry that capitalized on the things that had become important. Everybody realized that all new jobs in America came from small businesses. Direct sales is a great micro business. Just when our industry began to come into its own we went into a major recession when our stock market collapsed in 2008. Many companies might have thrown in the towel but some of the largest direct sellers, like Avon and Amway, saw it as an opportunity for their time to shine.

If you saw the 2009 Super Bowl you would have noticed something interesting. The first commercial of the Super Bowl was an Avon commercial. And, it wasn't a commercial for the company's products, but for its *opportunity*. Avon was making a statement that they were credible and they were serious. They were telling viewers that they had an opportunity for you. They were the new Plan B.

This resonated with folks who lost their 401(k)'s, saw their retirements disappear, their bubbles burst, or had reach glass ceilings. The company was telling viewers that they had something real to offer; a good part time business with good products.

Avon, of course, stuck around. The national anthem was then sung by Jennifer Hudson, the spokesperson for Avon. This was not a mistake. Avon had realized that Amway had spent a fortune on promoting its brand. Whereas, Avon had been absent on its branding for some period of time. The company began taking great pride in its products and its successes.

While America was having problems around the world with all of our money going floating away, guess what has been one of America's most successful exports? *We have taught the world direct selling*. We have taken it everywhere. Direct selling is almost like basketball. It is indigenous to America, but it does well in Japan and China. Even in China, MLM isn't allowed, and the industry still does well.

Today, Amway does billions in sales. All of a sudden there was a message being heard on Wall Street. MLM companies were being traded on the NYSE. The industry came into its own.

When you have companies like Excel sign on four million customers, or Network 2000 that sign on two million customers for Sprint, or you see major companies, from Texas and other states selling deregulated energy, and having tremendous success then there is some pride to be taken there. Everybody is discovering that the principles behind direct selling, network marketing, MLM, and party plan. This method of marketing can be quite successful if done with integrity and done with ethics. And today, the industry is now very well accepted. And it's also well accepted around the world.

Interviewer: Awesome. Thank you for sharing that.

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Jeffrey Babener
On Assignment

On any given day you can catch [Jeffrey Babener](#) lecturing on Network Marketing at the University of Texas or the University of Illinois, addressing thousands of distributors in Los Angeles, Bangkok, Tokyo and Russia, or writing a new book on Network Marketing, an article for Entrepreneur Magazine or a chapter for a University textbook. Over two decades he has served as marketing and legal advisor to some of the world's largest direct selling companies, the likes of Avon, Nikken, Melaleuca, Discovery Toys, NuSkin, and he has provided counsel to the most successful telecom network marketing companies...Excel, ACN, World Connect, ITI, AOL Select and Network 2000. An active spokesperson for the industry, he has assisted in new legislation and served on the Lawyer's Council, Government Relations Committee and Internet Task Force of the Direct Selling Association (DSA) as well as serving as General Counsel for the Multilevel Marketing International Association. He is an MLM attorney supplier member of the DSA and has served as legal counsel and MLM consultant on MLM law issues for many DSA companies.

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