

# Untold millions, untold story

## We help Amway and the Grand Rapids Press clarify the issues

In March, in response to an interview with two Amway ex-employees that we printed in the Winter, 1998 FUN, the Amway spin control manager sent us a letter expressing concern about our "one sided, negative view of Amway Corporation". The letter claimed that Amway's 14,000+ employees "share the values of our founders and believe in Amway's vision 'To be the best business opportunity in the world'." It also objected to the implication that Amway is a cult, while acknowledging and defending the company's "strong culture". It ended by noting the considerable "background" information it sent us, and thanking us "for this opportunity to clarify these issues".

The following month the Grand Rapids Press did an extensive, front-page series on the "generosity" of Amway's two founders, Rich DeVos and Jay Van Andel. The two, over their lifetimes, have given away almost three percent of the fortune they have accumulated. That's according to estimates; like most people with lots of money, the two refuse to say



just how much of the world's wealth they have managed to accumulate.

Of course, the Press did not give us the three percent figure, though one can calculate it from the info they provided. Nor did they mention that the average charitable donations in the USA are about two percent of income - this from people who typically would not even think about second and third mansions, personal aircraft, full-time private guards, etc., much less how they might shape the city or even the world with the wealth they control. Nor were there comparisons with others in our community or elsewhere who have accumulated far less wealth yet have given away a far greater percentage of that wealth. Nor was there any investigation of how Amway avoids taxes

in part thanks to its founders' "giving". Nor was there reportage of how many even some of the most "liberal" people, who in some cases hate what Amway stands for are willing to kiss the you-know-whats of high Amway mucky-mucks when they believe there is a chance of getting some of Amway's money.

And of course there are the "untold millions" of people who have wasted some portion of their lives working for the Amway dream which they have found to be a nightmare; the Press has yet to tell that crucial part of the story, as far as we are aware. In fact, the accumulation of Van Andel's and DeVos's wealth is based upon a structure that egregiously exploits people who have little opportunity for productive, rewarding work. It is one of the worst of many examples of welfare takeaways that are simply transfers of wealth from producers to corporate manipulators. And, of course, the Press did not even hint that anyone else might have any legitimate claim to the wealth those two Amway dons control.

The closest the Press came to any of this was to quote Calvin Economics

Professor George Monsma: "As I read the Bible, individuals are called to establish economic justice in society. Materialism and individualism are false gods." This was the only criticism of DeVos and Van Andel that the Press included (which they did, we suppose, so they can say they have presented "both sides"). However, they attempt to undermine even that very general statement not by critiquing it on its merits, but by describing Monsma's appearance (the only person in the series whose appearance is described), including "Bushy beard, wide-wale corduroys, and suede hippie shoes", and by saying he "was a flannel-shirted foot soldier in the anti-war movement". A similar description of DeVos, had it been included, might have read, "a practically hairless, standard business-suited, self-appointed general of the dog-eat-dog capitalist fight for material wealth and power".

What are the values of Amway's founders? We have their statements in the Press series, as well as the analysis of the

**see Amway pg. 7**

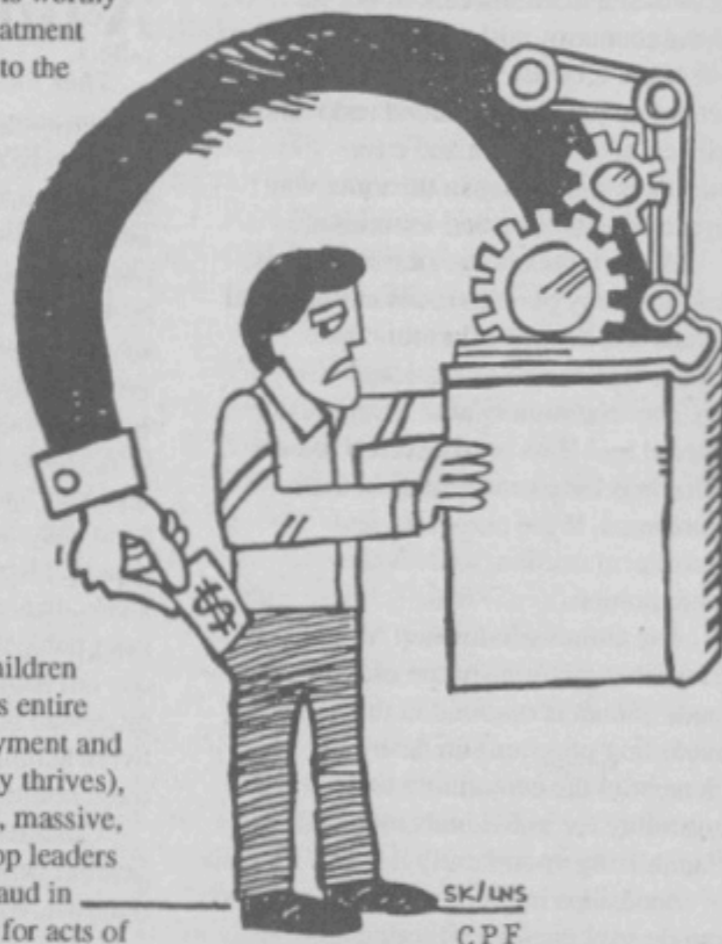
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supposedly "conservative" and "Christian" causes they mostly give money to. We also have statements in the slick materials Amway provided us. Those stated values include integrity ("We do what is right, not just whatever 'works'."), personal worth ("Every person is worthy of respect, and deserves fair treatment and the opportunity to succeed to the fullest extent of his or her potential"), achievement ("We strive for excellence in all we do."), and, of course, Hitler's term for capitalism: "free enterprise". We will weigh those and Press statements against the actions we can observe.

As we have previously reported, those actions include a federal conviction for price-fixing, a chain-letter-like operational structure, glorification of consumerist materialism in a world where children starve every day and the planet's entire ecology is threatened, unemployment and desperation (upon which Amway thrives), anti-labor activity, premeditated, massive, sophisticated fraud (Amway's top leaders were convicted of the biggest fraud in Canada's history), even support for acts of terrorism which included raping children and cutting the babies out of women in advanced states of pregnancy (in the 1980s Amway's two founders consistently supported terrorists who were renowned for such acts. Richa was threatened at the time for reporting this fact, which Amway falsely termed "libelous").

Not least of Amway's observable values, as we also reported, is its willingness to steal much of the wealth

from discussing any details of disputes they are involved in. This is said by some to mean giving up your constitutional right to take Amway or any distributor to court. If you do not sign the agreement you are not allowed to become or remain a distributor. Amway also restricts their distributors'



"freedom to advertise where and how they choose, sell product where and how they choose, and even to split a distributorship as they choose in the case of a divorce", according to someone whose internet web page was pulled after Amway made numerous threats.

But don't expect Amway to necessarily honor its part of this very one-sided agreement. In one case an Amway Vice President claimed co "has the

were fined for illegal misrepresentation of income in that case.

The engineer, using Amway materials, figures that only about 1 in 200 Distributors are Direct Distributors. New Directs make an estimated net of about \$1500 monthly at the high end, and more realistically probably about half that. The next higher level, called Emeralds, are (again liberally) estimated to make at least \$6000 per month, or \$70,000 per year, on average. One in 1000 distributors can make this level. The highest level, called Diamonds, are estimated (also using generous assumptions) to make a minimum average of \$10,000 per month. But only 1 in 25,000 distributors make that level. Co comments: "the same reasoning applies to conventional business as well—I might be the one to climb the corporate ladder to the top of a 25,000 employee company."

Another person's survey of typical earnings for those who operated home-based businesses showed that about 20 times as many people made equivalent to a Diamond's income as those in Amway who attained that status.

As for the vast majority of Distributors who never make Direct, they almost all suffer a net loss.

**"So I am talking about \$100,000 that you can make in your spare time without giving up what you do during the day."**

**—Amway distributor caught by hidden camera, American Journal, 2/14/94**

Numerous people indicate that those who make the most money in Amway do so largely on the basis not of product sales, but sales of tapes, seminar and rally tickets, and other "motivational tools".

better in recessions, when people cannot as easily obtain work that pays a wage - which people generally prefer. They do relatively poorly in countries with good worker protections, such as most of Europe.

Yet Biggart also notes that Amway and their ilk are set up "in order to better control workers." Amway gets itself a highly if not fanatically motivated workforce for which it legally has virtually no responsibility; an employer's dream, as Stephen Butterfield has pointed out in Amway: The Cult of Free Enterprise. The powerful MLM industry, largely led by Amway, has been able to keep things that way in the face of numerous challenges in the courts and by public bodies such as the Federal Trade Commission and the IRS.

Product sales in the Amway distribution scheme are, at least for some, a major part of the business, and distributors at least get to buy a variety of Amway products. So it is natural to ask what kind of value they are getting.

One web site gives a pretty good indication. Someone analyzed Amway products as reported in the independent magazine Consumer Reports. In quality they ranged widely, from among the very best to the very worst. But price was another story. About a third were priced comparably to most other products in the category, but the other two-thirds carried either the highest price or close to the highest price in the category. Usually other products of similar or much better quality could be had for anywhere from half to one-sixth the price of the Amway products. For instance, Amway's vacuum cleaner was rated slightly below the middle among 20, but the top-ranked vacuum cleaner could be purchased for a third the price of Amway's

values, as we also reported, is its willingness to steal much of the wealth that by all rights belongs to many of the planet's most needy people; wealth which if distributed as it should be could save the lives of literally millions of children. Given this reality, the Amway founders look far more like mass murderers than the benevolent philanthropists they are made out to be in the Press.

With publication of this article, a copy of which we will send to Amway, we challenge Amway to commission an independent polling agency, to be agreed on both by ourselves and Amway, to canvas a representative sample of its 14,000 employees in order to determine if they really support the above values - the values that Amway acts, as opposed to the values publicized by the Grand Rapids Press and the rest of its p.r. department.

We will focus here more on Amway as a "business opportunity"; an aspect of the company we have barely touched on previously.

Our interview with two ex-employees gave some sense of the cult-type atmosphere that prevails for employees. But what about the estimated 3 million "independent" distributors, often referred to by Amway as "entrepreneurs"? We can now say much more about them, largely thanks to the internet. Amway has tried to censor this material, and has flooded the 'net with pro-Amway material, which can make it hard to find anything seriously critical (for those interested in exploring, we suggest starting with this site: <http://www.r-d-s.com/amway/> or type in the search term (including quote marks): "amway: the untold story").

As of Fall, 1997, all distributors must sign an agreement to, among other things, resolve any dispute internally according to procedures set by Amway.

If that doesn't produce satisfaction they must submit claims to binding arbitration. They are prohibited

from making any such agreement. In one case an Amway Vice President claimed co "has the authority to waive Contract Rules and would do it again" (this Vice President apparently does not believe in the USA Constitution). In that case the distributor sued and was awarded over \$1 million in a unanimous jury verdict.

There have apparently been a lot of unhappy Amway campers, as there have been literally thousands of suits against the company in the last ten years. That may well be the major reason for the new arbitration requirements.

Distributors are largely dependent on their "uplines" (the people who "sponsored" them - and are making money off them), who typically tell them they should buy numerous books and tapes, attend various rallies, and otherwise take considerable time and expense to "get motivated". One engineer recently calculated average minimum monthly expenses at about \$500 following the "traditional approach", meaning buying the tapes, attending the various functions, etc. And numerous distributors say - despite it probably being against the law - that they are discouraged, in some cases cut off entirely, by their uplines if they don't follow this approach.

Another ex-distributor who analyzed these costs came up with a very similar figure; about a third higher if very conservative costs (minimum wage at only 10 hours per week) for one's personal time are figured in. Childcare costs, which also may be considerable, are not included in either estimate.

When Amway distributor income was examined in a court case some years ago in Wisconsin, the average annual net income (after the deduction of business expenses) for all Wisconsin Direct Distributorships was actually a net loss of \$918. Direct distributors have long been those who have supposedly "made it" in Amway. They constituted less than 1% of all Wisconsin Amway distributors at the

sales, but sales of tapes, seminars and rally tickets, and other "motivational tools". This would account for part of the reason that so many people in Amway end up losing money, and having nothing substantial to show for it.

Consultant Robert L. Fitzpatrick, co-author of *False Profits: Seeking Financial and Spiritual*

*Deliverance in Multi-Level Marketing and Pyramid Schemes*, sums up the "independence" of those who, like Amway distributors, buy into most "multi-level marketing" (MLM) schemes: "MLM distributors are not entrepreneurs but joiners in a complex hierarchical system over which they have little control."

A federal ruling allowing Amway's scheme set forth legal guidelines that are "routinely ignored", according to Fitzpatrick. Lack of enforcement further allows Amway and similar MLMs to continue ripping people off.

The very structure of MLM's, according to a Ph.D. thesis by Carol Juth-Gavasso, contributes in numerous ways to their "organizational deviance". This means illegal and unethical behavior beyond that already generally accepted within capitalist business. Juth-Gavasso's study was based in large part on a case study of such "deviance" in Amway, which itself has substantially pushed back the boundaries of what is considered illegal and unethical.

In fact, as noted in associate professor of management and sociology Nicole Woolsey Biggart's book *Charismatic Capitalism*, Amway and similar direct selling organizations have good reason to push those boundaries: their economic health largely depends on poor working conditions elsewhere, which makes those schemes seem

third the price of Amway's.

In taking a representative sample of various Amway products and equivalent products available in stores, one person calculated that Amway products, on average, cost 90% more. This ex-distributor commented: "Now you know why I was spending \$263 a month on products."

Thus the Amway cult is strong enough to seduce people into paying far more for products than they would otherwise pay, not to mention the fact that they would probably not buy many of the products in the first place if not for the pressures exerted on them.

One consultant calls Amway's marketing scheme a "free market hoax. It is analogous to calling the purchase of a lottery ticket a 'business venture' and winning the lottery a 'viable income opportunity for everyone'." For the lottery to work, many have to spend, and most of them have to lose, for some to win, and for a very few

to win big. As numerous people have pointed out, the "success" of a much smaller few in Amway is absolutely dependent upon the willingness of many to slave for a dream - a hollow dream, at that - that almost none will or can ever achieve.

Most conventional businesses produce a far, far better profit rate, and survival rate. And most allow considerably more freedom for those who run the businesses.

This perhaps is "the best business opportunity in the world" for the Amway founders, their eight gold-plated children, and a few others who have taken advantage of the exploitation Amway has helped to pioneer. For everyone else, you are far, far better off throwing your money at lottery tickets.

