

Pyramid Selling vs MLM — Part Two

How do the two systems compare?

By **John Counsel**

There are a number of key differences between Pyramid Selling and MLM (or network marketing). This chart compares them point by point. But remember... the *real* differences lie not in the technicalities like structure and methodology, but in the motives of those involved in each. You'll still find people in MLM who have the same selfish, greedy, lazy mentality as the old Pyramid Selling operators, just as you'll find them in *any* system where there's a great deal of money to be made.

Pyramid Selling	Multi-Level Marketing
1. Principal income from recruiting. Income from retailing is incidental or spurious.	1. All income earned from retailing of products. No income simply for recruiting.
2. Distributor locked into position in Pyramid. Can't pass sponsor.	2. Not locked into organisational structure. Can pass sponsor and upline distributors based on personal achievement.
3. People at top make the real money — until the Pyramid collapses. "Ground floor" opportunity really means "downhill" opportunity... everyone who joins has less opportunity than the person who recruited them.	3. Anyone can earn top money — based on personal achievement, not position in organisation. Business opportunity improves with time and exposure. Based on sharing an opportunity for genuine financial independence through co-operation.
4. Income from products based on discounting on a sliding scale.* In reality, means that prices get higher and higher until impossible to sell.	4. All income derived from product sales through commissions and bonuses according to personal effort. In the best MLM plans, all distributors buy at the same price. Performance bonuses reward higher achievement.
5. Product not important. May or may not work well. In reality, acts as 'bait' for recruiting 'hook'. Usually no guarantee, non-returnable, no refunds. May not even be a real product.	5. Products are all important because repeat sales is key to success. Products guaranteed to perform, satisfy or money refunded. distributor stock can be returned for refund in most companies.

<p>6. Real financial risk, especially for those at lower levels, as non-returnable products become harder to sell downline or at retail.</p>	<p>6. No financial risk. No money paid for recruiting, products are returnable for refund.</p>
<p>7. Main appeal is to selfishness, greed, envy and laziness.</p>	<p>7. Appeal is to nobler attributes – sharing, helping are among better aspects of MLM companies. Top achievers typically help others and rewards follow naturally.</p>

*Some MLM plans operate on a sliding scale of discounts. In our experience and observation, these plans tend to attract more people inclined to exploit the system and cause difficulties. Such plans are often open to manipulation and can generate resentment, envy and friction. Some are typified by regular disintegration of downline groups through internal pressures caused by these attributes. The most stable, reliable marketing plans use a fixed commission structure with variable performance bonuses which encourage positive behaviour. In real terms, discount schemes appear to appeal to, and encourage, the undesirable attributes that typified the Pyramid schemes. They reward your ability to buy, not your ability to sell... a fatal flaw in any business system.

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