

The \$10,000 “unfair and deceptive practices” challenge

By Jon M. Taylor, MBA, Ph.D.

President, Consumer Awareness Institute – web site: mlm-thetruth.com

According to the web site for the FTC (Federal Trade Commission):

*The basic consumer protection statute enforced by the Commission is Section 5(a) of the FTC Act, which provides that "unfair or deceptive acts or practices in or affecting commerce...are...declared unlawful." (15 U.S.C. Sec. 45(a)(1)). . . "Unfair" practices are defined as those that "cause or [are] likely to cause **substantial injury** to consumers which is not reasonably avoidable by consumers themselves and not outweighed by countervailing benefits to consumers or to competition.*

Having gathered decades of research, experience, and worldwide feedback on problems related to multi-level marketing (MLM), I am issuing a challenge. I have pledged \$10,000 from my limited retirement funds to be paid to the favorite charity of anyone in law enforcement, consumer advocacy, the media, or academia who can by the deadline identify any class of company-sponsored income or business opportunities that is verifiably more unfair and deceptive, more viral and predatory than recruitment-driven MLMs¹.

Below are the requirements and criteria for the reward:

To qualify, you must first read my articulation of the problems associated with MLM in my book [**Multi-level Marketing Unmasked**](#), which summarizes thousands of pages of research and worldwide feedback. It can be downloaded from my research-based web site – mlm-thetruth.com. The website offers numerous other reports that will aid you in your basic understanding of this flawed business model and in clearing up any questions you may have about MLM industry practices and effects. You will also find much useful information at other web sites linked from our [annotated list of recommended web sites](#).

To be considered for the award, the minimum criteria in the table on the next page – based on extensive research on the MLM industry – would have to be met. If anyone in law enforcement, consumer advocacy, the media, or academia – after reading *Multi-level Marketing Unmasked* – can identify any class of company-sponsored income or business opportunities that – over ten years as an identifiable industry – is verifiably more unfair and deceptive, more viral and predatory (causing participants to suffer more aggregate losses) than recruitment-driven MLMs², based on the criteria in the table, please send details to Dr. Jon Taylor at the following email address – jonmtaylor@juno.com. Any submissions that meet the minimum criteria will be submitted to a panel of experts from the International Coalition of Consumer Advocates (an ad hoc group of independent and informed consumer advocates) to determine if the award is merited.

This challenge is in effect until September 1, 2015. If the challenge is not met by then, those of us advocating for consumers will be even further justified in concluding that MLM as a business model and as an industry is an unfair and deceptive practice that is causing substantial injury to consumers and is therefore in violation of Section 5 of the FTC Act, as well as many state statutes. This would also underscore the need for adequate disclosure of information crucial to decisions by prospects on whether or not to participate, a 7-day waiting period before investing, and restrictions on posting potential income.

¹ “Recruitment-driven MLMs” would include virtually all MLMs, as I have not as yet found any MLMs that are not recruitment-driven. See chapter 2 (“MLM DEFINITIONS AND LEGITIMACY”) of my book *Multi-level Marketing Unmasked*.

² Same as Footnote 1

Criteria that would have to be exceeded to meet the \$10,000 MLM “unfair and deceptive business practices”³ challenge

Name and title _____ Organization _____ Address: _____ I read the book <i>Multi-level Marketing Unmasked</i> , by Dr Jon M. Taylor Yes ___ No ___ Please check (√) “Yes” or “No” to the left of each item below. See footnotes for explanations, such as how MLM satisfies each criteria. If “Yes” is checked for all of the criteria below, be prepared to provide detailed evidence. Please specify the type of income or business opportunity to which you are referring: _____		
Yes	No	For an income or business opportunity – as an industry of company sponsored programs – to be more unfair and deceptive, more viral and predatory (causing participants to suffer more aggregate losses, or injury) than recruitment-driven MLMs⁴, it would have to meet or exceed the following criteria:
		It would be so <u>unfair and deceptive</u> that although promoters from companies in this industry would tout it as a great income or business opportunity, <i>at least 99% of participants lose money, and at most 1% profit⁵</i> – with those at the top income levels profiting from the losses of those at the bottom levels.
		It would be so <u>deceptive</u> that a total of over 100 typical misrepresentations would be used in promoting and defending it. ⁶
		It would be so <u>viral</u> that some of the companies in the industry would spread quickly from state to state and country to country, impoverishing the vast majority of those who come in later and those who make large investments in the program. Several hundred separate companies in the industry would have started up in the past ten years. ⁷
		4. It would also be so <u>predatory (injurious)</u> that over ten million victims of such companies would have suffered aggregate losses exceeding \$10 billion per year for at least ten years in the U.S. alone, plus millions of victims in vulnerable markets overseas suffering billions of dollars in aggregate losses annually. ⁸ And in spite of its abysmal loss rates, its promoters would tout it as a good income option for those struggling to survive during hard times.

³ The primary mission of the Consumer Protection Div. of the FTC is to protect against “unfair and deceptive trade practices.”

⁴ “Recruitment-driven MLMs” include virtually all MLMs, See chapter 2 in my book – “MLM Definitions and Legitimacy”

⁵ See Chapters 4 through 7 of the book *Multi-level Marketing Unmasked* to see how I calculated that a minimum of 99% of MLM participants lose money.

⁶ See Chapter 8 for over 100 typical MLM misrepresentations used by MLM promoters and defenders.

⁷ Viral growth in itself is not a bad thing, but when a program defrauds most of those who join, viral growth can dramatically increase the aggregate losses of participants.

⁸ Op. cit., Chapter 7.