

Earnings Claims and Disclaimers in Multi-Level Marketing: Testing the Impact of Self-Regulatory Guidance

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Published online in the *Journal of Public Policy & Marketing*

Federal Trade Commission Conference on Marketing & Public Policy

Multilevel Marketing (MLM)

Offerings:

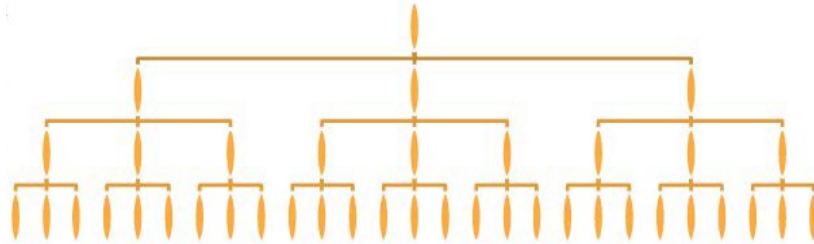
- 1) Products/services
- 2) Income opportunity

Multilevel Marketing (MLM)

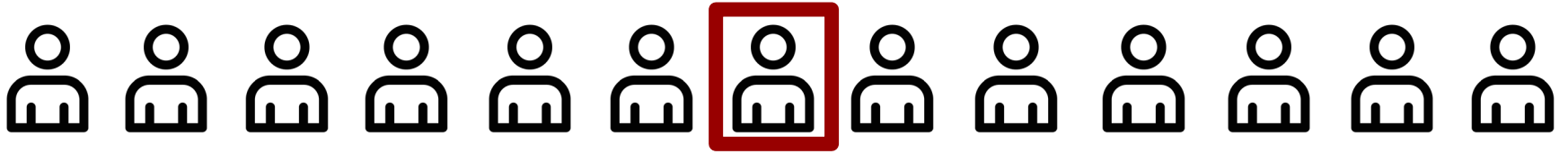
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Independent contractors with the right to sell & recruit

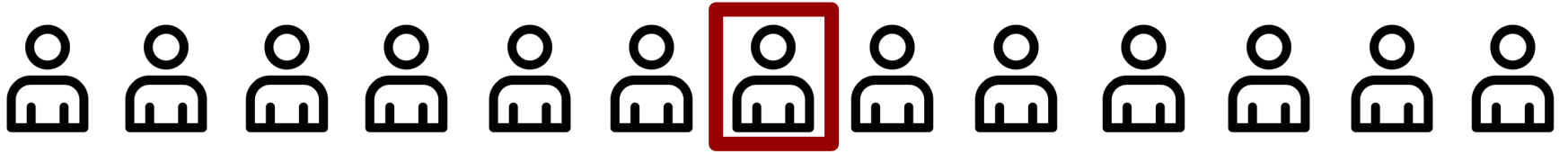


MLM Participants & Outcomes



1 in 13 U.S. adults has been an MLM distributor (DeLiema et al, 2022)

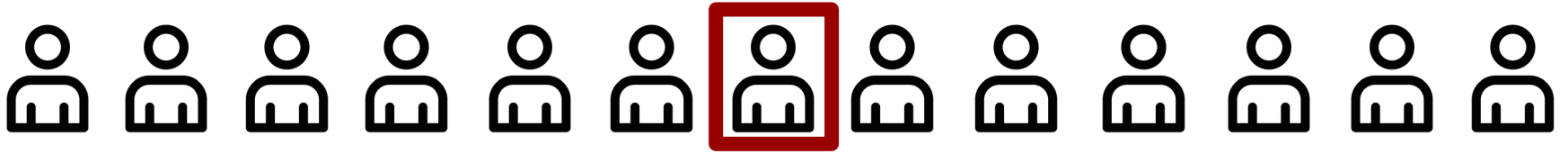
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Majority are **women** (DSA, 2024)

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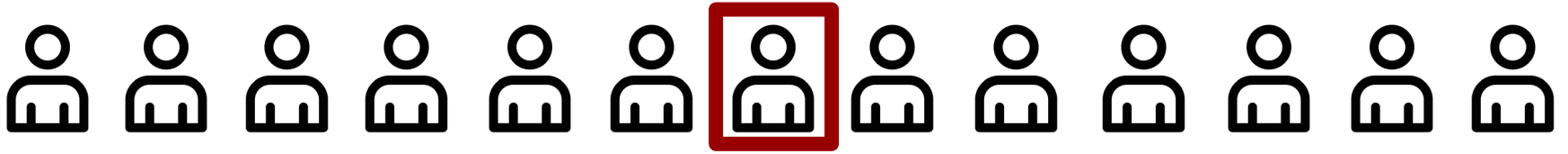


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Most people who join MLMs make little or no money or lose money (DeLiema et al, 2022; FTC Staff Report, 2024)

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Majority are women (DSA, 2024)

Most people who join MLMs make little or no money or lose money (DeLiema et al, 2022; FTC Staff Report, 2024)

Very few would join same (or other) MLM again (DeLiema et al, 2022)

Atypical Claims



Of 100 MLMs:

98% “used atypical and unsubstantiated income claims”

Atypical Claims



Why Join eXp?

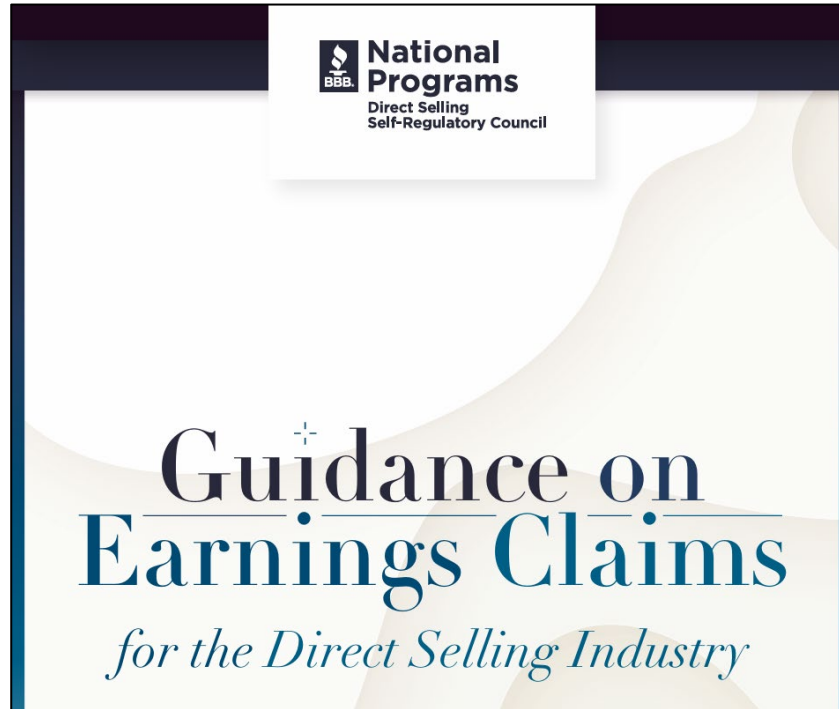
As the fastest-growing brokerage in the world, we empower our agents to earn, learn and grow like never before. Through our state-of-the-art technology, unrivaled compensation structure and global reach, we are putting agents at the core of our company, enabling them to open the door to success and financial freedom.

Self-Regulatory Response

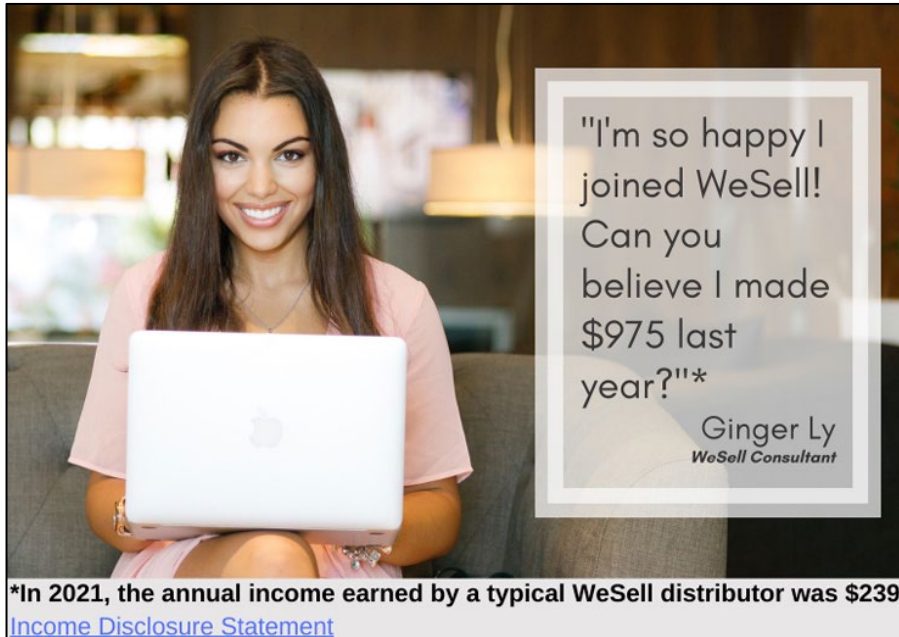
Direct Selling Self-Regulatory Council (DSSRC)

Self-Regulatory Response

Direct Selling Self-Regulatory Council (DSSRC)



DSSRC Guidance



"I'm so happy I joined WeSell! Can you believe I made \$975 last year?"*

Ginger Ly
WeSell Consultant

*In 2021, the annual income earned by a typical WeSell distributor was \$239.
[Income Disclosure Statement](#)



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What is the impact of self-regulation in MLM?

Study 1: Are MLM firms following DSSRC Guidance?

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Study 2: What is the impact of a DSSRC-aligned disclaimer on consumer judgments about and interest in an MLM income opportunity?

What is the impact of self-regulation in MLM?

Study 1: Are MLM firms following DSSRC Guidance?

Study 2: What is the impact of a DSSRC-aligned disclaimer on consumer judgments about and interest in an MLM income opportunity?

Study 3: Is impact driven by disclaimer prominence, content, or both?

Study 1: Expectations

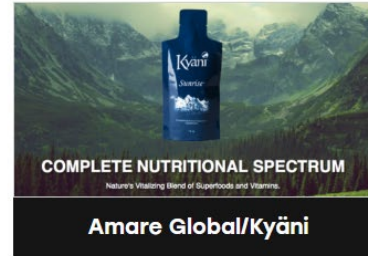
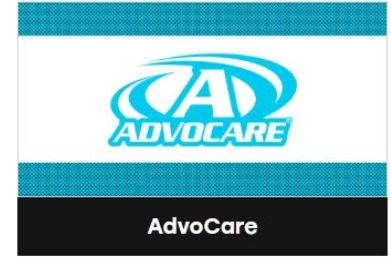
H_1 : MLM company practices differ from DSSRC (2022) disclaimer guidance with respect to:

- (a) use,
- (b) prominence, or
- (c) specific content.

Study 1: Are MLM firms following DSSRC Guidance?



MLM Companies Income Claims



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2,176 items

Disclaimer present?

If yes, is disclaimer
aligned with DSSRC
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Of 2,161 in final sample:

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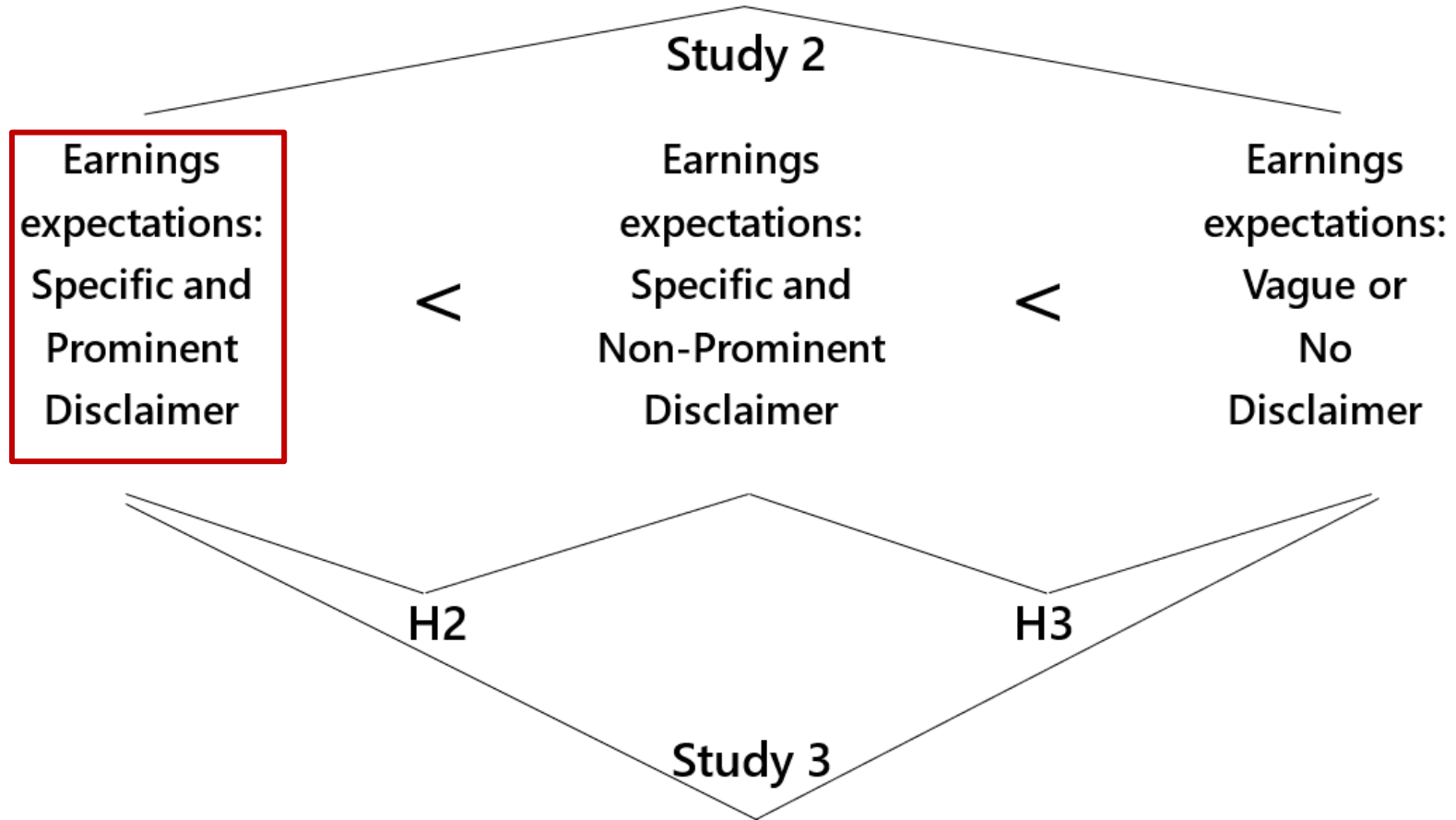
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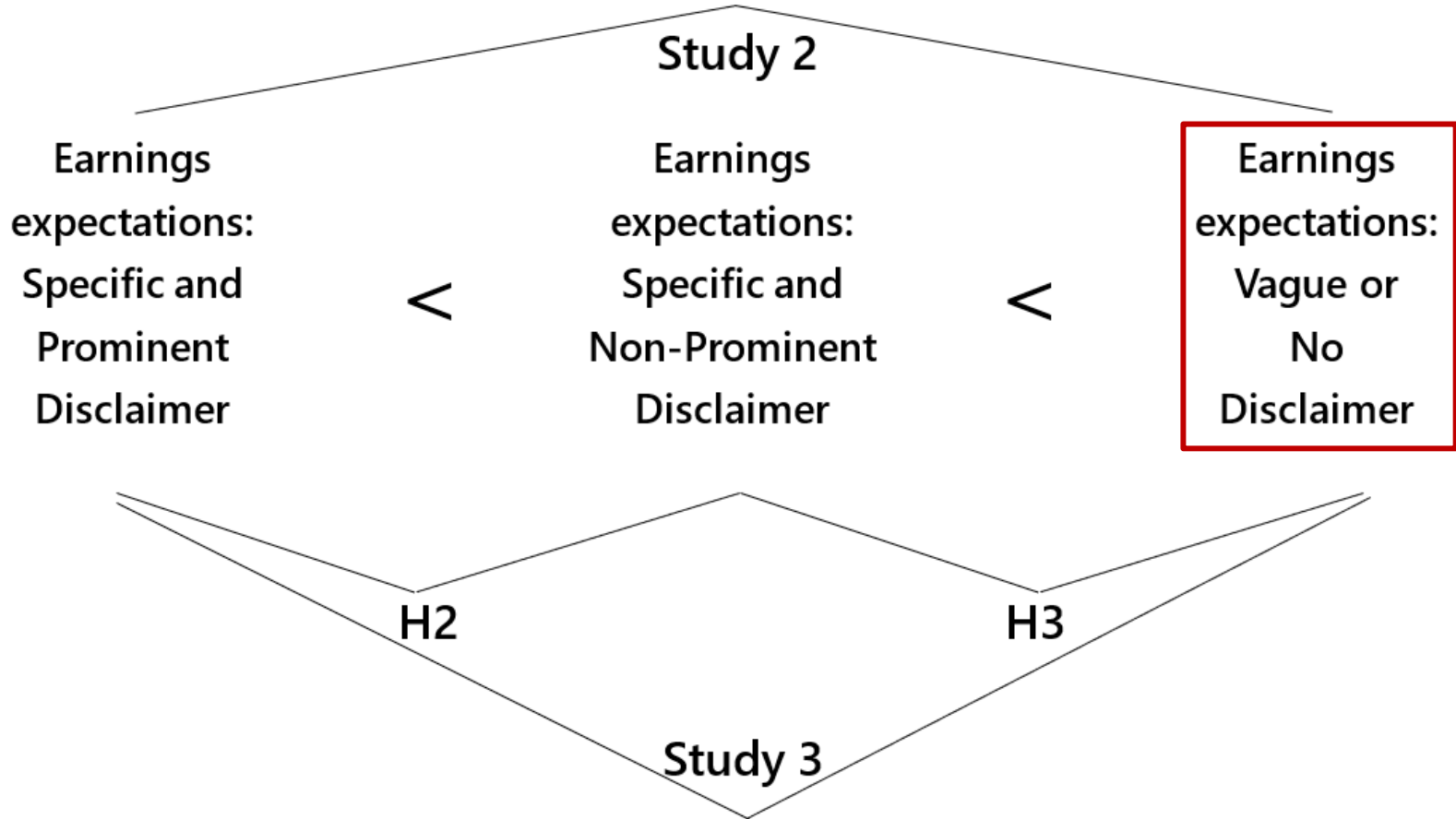
If yes, is disclaimer aligned with DSSRC guidance?

Disclaimer alignment? **0%**

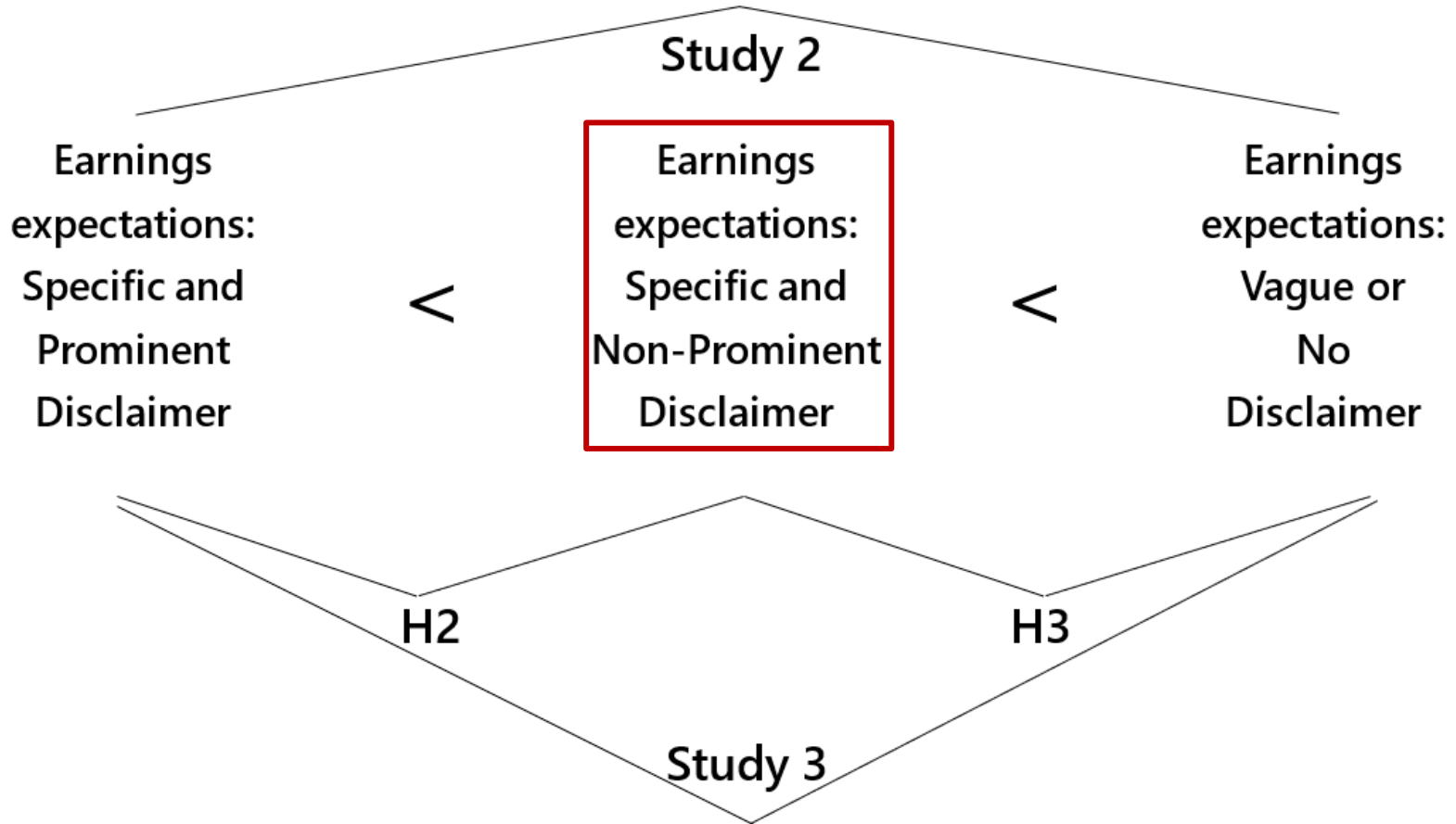
Studies 2 & 3: Expectations for Earnings



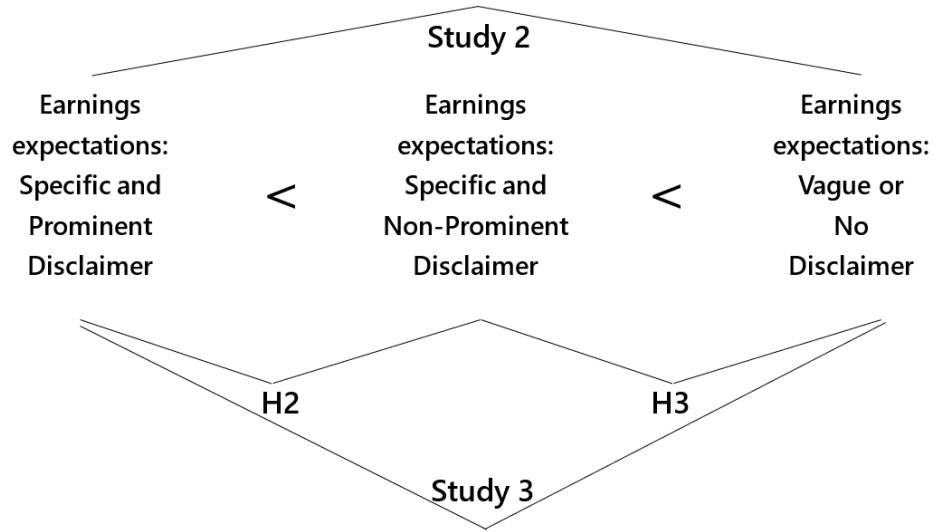
Studies 2 & 3: Expectations for Earnings



Studies 2 & 3: Expectations for Earnings



Studies 2 & 3: Expectations for Interest



Disclaimer \Rightarrow \downarrow earnings expectations \Rightarrow \downarrow interest

Study 3: Design

Academic Prolific

Print materials

Fictional MLM

Between subject 2x2



Study 3: Control

THE OPTALIVING OPPORTUNITY



Optaliving was created to empower people, regardless of their circumstances, to build a better life and to be in business for themselves.

The health and wellness industry is a \$5 trillion global market. Because our Associates sell health and wellness products directly to consumers, we take the money that others spend on advertising and retail stores and pay our Optaliving Associates instead.

We reward you for sharing the products you love.

The Optaliving opportunity can be whatever you're willing to make it!



The Benefits of Becoming an Optaliving Associate:

Build a business and enjoy life on your terms.

Earn an extra \$500 or \$1,000 or more a month.

Qualify for bonuses & incentives when you build a team.

Start part-time and work toward full-time.

Get discounts on products.

Q: How do I earn money?

A: The more you sell, the more you earn. Build a team to expand your reach and qualify for extra bonuses and incentives.

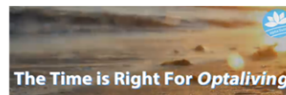
It's easy to get started with just a minimal investment and you're in direct control of your success.

Q: What if I am not ready to build a business yet?

A: No problem! You can stay connected and start building your familiarity with our products. As we tell our Optaliving Associates, you can start to use the products so you have your own stories to share with others.

"I can see real differences in myself, my family, and all the others I've had the joy of sharing Optaliving's health and wellness lineup with. When those around me saw the success I had with the products, they wanted to get involved with the Optaliving business opportunity too. That's how I learned that if you build a good network, everyone succeeds. I can't recommend Optaliving enough - whether you just want to give the products a try or if you want to build your own business, Optaliving has something for everyone. Anybody can have success in this business."

- Gabriella B, 33, Texas



Study 3: Treatment 1

*All income is based on product sales, and will depend on your effort, skill, and the market available to you. Optaliving makes no guarantee of your earnings.

Industry is a 90 trillion global market. Because our Associates sell health and wellness products directly to consumers, we take the money that others spend on advertising and retail stores and pay our Optaliving Associates instead.

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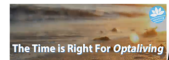
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Vague

Specific

Non-prominent

Prominent

Treatment 1
n=60

Treatment 2
n=58

Treatment 3
n=60

Treatment 4
n=61

Study 3: Treatment 2

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Treatment 1 <i>n</i> =60	Treatment 2 <i>n</i> =58
Treatment 3 <i>n</i> =60	Treatment 4 <i>n</i> =61

Study 3: Treatment 3

*In 2024, the annual income earned by a typical Optaliving Associate was \$25.

The health and wellness industry is a \$3 trillion global market. Because our Associates sell health and wellness products directly to consumers, we take the money that others spend on advertising and retail stores and pay our Optaliving Associates instead.



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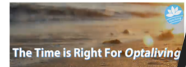
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The Time is Right For Optaliving

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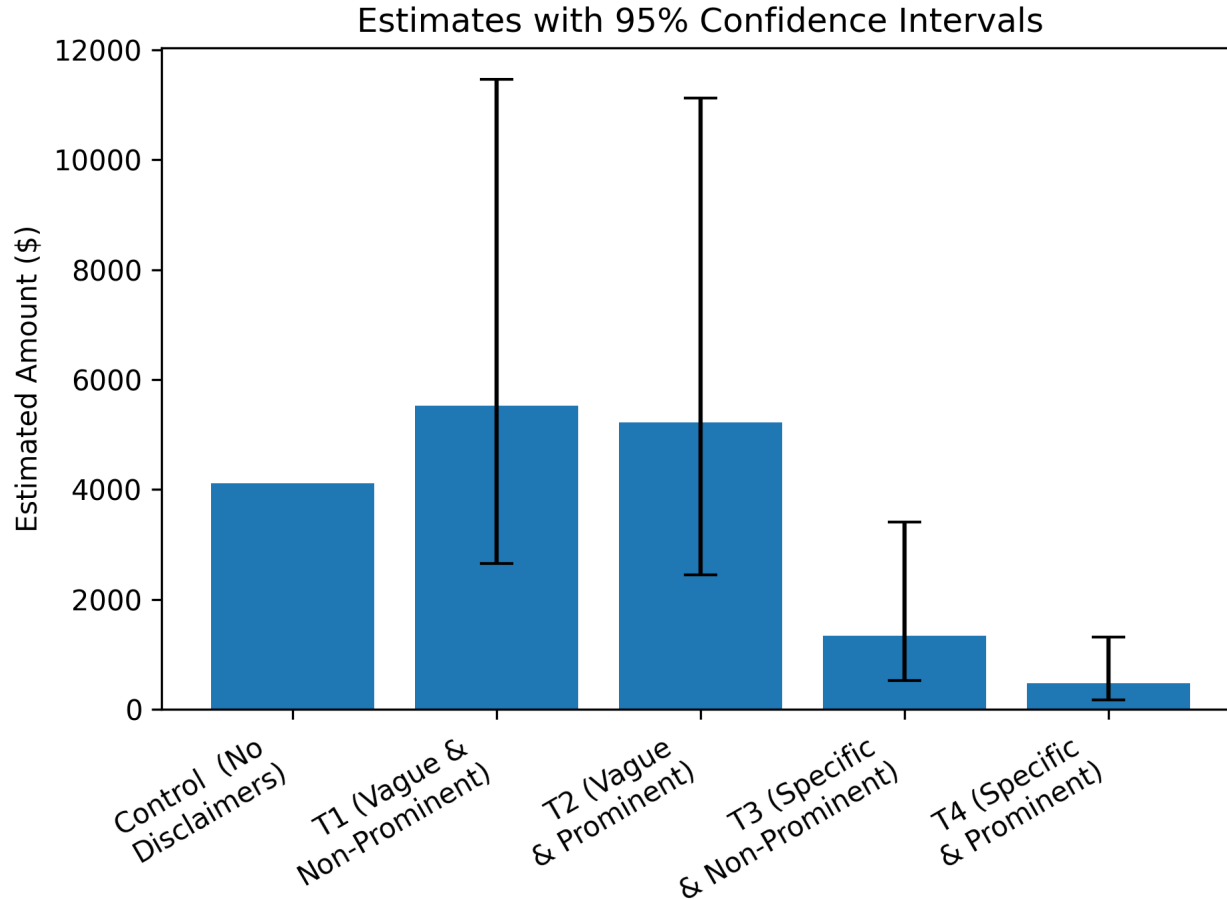
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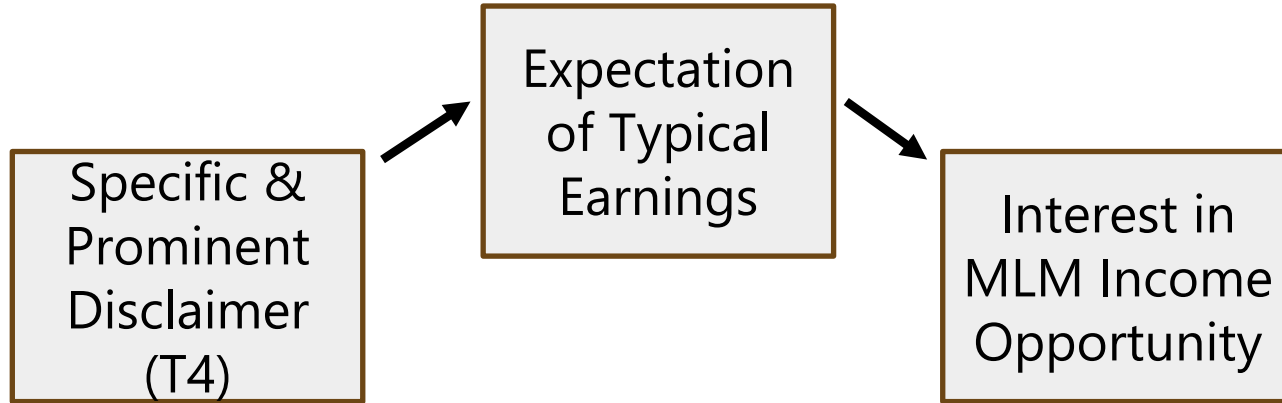
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Study 3: Typical Earnings



Study 3: Interest

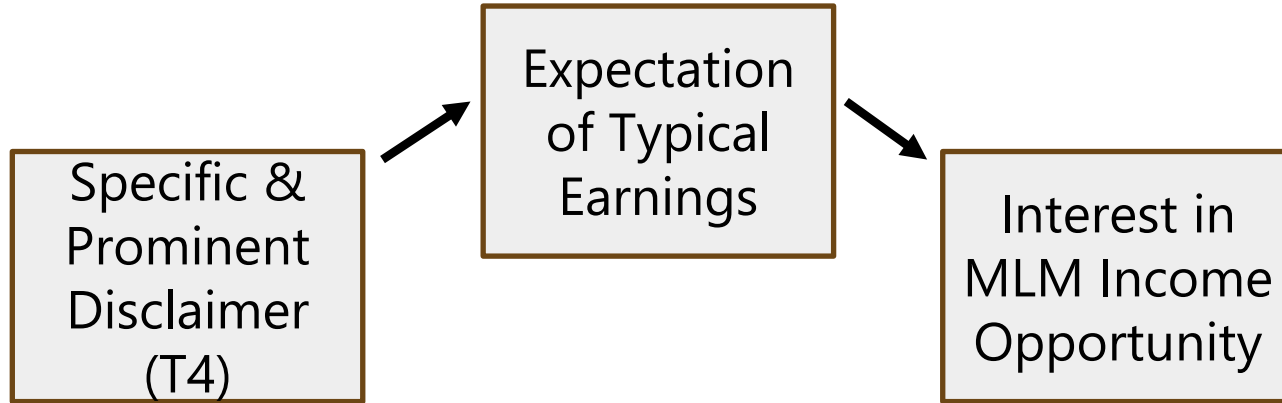
Single mediator (PROCESS Model 4 Hayes 2022)



T4 indirect effect = -0.154, 95% CI = [-.252, -.069]

Study 3: Interest

Single mediator (PROCESS Model 4 Hayes 2022)



T4 indirect effect = -0.154, 95% CI = [-.252, -.069]

T3 smaller, significant indirect effects

T1 and T2 no effects

Overall Findings

Self-regulation is not altering MLM behavior

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Disclaimers can alter judgment and, in turn, interest

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Specific content is critical, prominence also matters

Limitations

Information environment

Dispassionate

Could focus on “more interested” sample

Limited insight on treatment heterogeneity

Single data point (central tendency)

Claim vs. Disclaimer: Confusion

“Said the average distributor [sic] made 25 annually.
I guess that means 25k”

“The average annual income for associates is \$25.
I assume this was to mean \$25,000”

“people usually make \$25 an hour”

Implications

Addresses questions posed in FTC rule-making

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Addresses questions posed in FTC rule-making

Informs enforcement outcomes

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Addresses questions in posed in FTC rule-making

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Connects to legislative effort at state level

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Addresses questions posed in FTC rule-making

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Identifies limitations of disclaimer alone

"I never experienced any financial freedom. I was more financially stressed than ever. I was told if I just kept going and didn't give up and believed in myself, that I would be a millionaire and have 'residual income' ... Give people the information they need on the actual REAL financial opportunity"

Kayla C. – former multi-level marketing distributor

(excerpts from a comment posted to the Federal Trade Commission's Advanced Notice of Proposed Rulemaking on Earnings Claims, Federal Trade Commission 2023)

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