

## Quixtar Amway Business Analysis

Quixtar is a Multi-Level-Marketing (MLM) opportunity. It is promoted by Alticor, formerly Amway. Quixtar has taken control of the North American Amway business.

Quixtar and Amway pay their independent salesmen, (IBOs - Independent Business Owners), commissions for sales of Amway and non-Amway products. Unlike traditional franchising, IBOs have the right to recruit other people and earn higher commission percentages by combining the product volume of their recruits.

In order to attract the most participants, many groups teach their prospects to change their shopping habits by purchasing \$200-\$250 per month of products from their "own business". Since "selling" turns many people off, many groups teach their prospects to simply "duplicate themselves". Instead of selling products directly, many IBOs sell products indirectly when they "sell" their new recruits on the idea of "supporting" their own businesses.

Quixtar paid IBOs an average of 28% of sales in 2000 and 2001. Each IBO store moving \$200 per month would generate just \$675 per year in commissions despite possible annual expenses of \$2,000 or more. The volume of a "platinum group" (of one hundred such \$200/month "stores") would generate total commissions of about \$67,500 per year. Once the upline is paid, there is about \$48,500 left for those inside the platinum group. (about \$485.00 each yearly)

IBO's payments for their sponsor's "optional but necessary" training system of motivational tapes, seminars, and travel expenses are usually greater than the profit available from their personal sales volume. It is not uncommon for some IBOs to spend more on motivational tapes, seminars, travel and baby sitting than they even have in personal sales. In order to keep the business free of illegal pyramiding accusations, IBOs must sell at least \$100/ month or 50PV to qualify for a bonus on their downline's volume. The rule had been generally ignored but starting in May of 2002 Quixtar will be enforcing the rule using data from their computers.

If only 10% of IBOs in the platinum group actively promoted their business and spent a conservative average of \$2,000 yearly on the tapes, seminars, travel and other expenses, then each active business would have an average net profit of just \$2,850 per year, assuming the other 90% earned nothing. If these IBOs were married couples spending just 7 hours per week on the business, a couple's time would have an average net compensation of just \$4/hour. The low sales productivity with the 100 PV model is the primary reason the majority of IBO's incomes are so low. Average IBO income can only be increased by increasing personal sales, not by recruiting more IBOs.

If you want to help your friends make an extra \$20/hour for their time in the Quixtar/Amway business, then you and your friends each need to have personal sales, to non active IBOs and non-IBOs, of about \$100/hour at IBO cost, or \$200/hour to Members. This will generate the bonus income required to pay \$20/hour on average to those below platinum. The \$200 "buy from yourself" sales plan with 8 hours work per week only generates \$1.70 per hour in bonuses for IBOs. Using Quixtar's average IBO earnings of \$115/month and 8 hours per week, the average IBO earns a wage of just \$3.34/hour before expenses

- In 1999 The average gross income for an active Amway IBO was \$1056/year. - Amway Corp.
- In 2000 the average active IBO surveyed earned \$1380/year." - Quixtar SA-4400
- In 2000 the average active Quixtar IBO earned \$542/year." - calculation (Quixtar paid out \$143 million to 400,000 IBOs-Quixtar press release) (66% were active-SA4400)

Most name brand products available from Quixtar Partner stores pay out a much smaller percentage than the Amway core products and carry no retail markup for IBOs. The most money will be made from selling the Amway core line at retail prices. Member purchases generate only half the bonus points and no retail markup. A customer paying retail prices can be over three times as profitable as a Member can.

Without the business's seductive, highly leveraged pyramided compensation scheme, instilling the hope of huge, ever growing, effortless residual income, few would embrace the \$200 model's poor profit potential.

"True residual income can only come from duplicating large groups of loyal retail customers not from constantly recruiting IBOs having a 50% annual fallout rate."

Most people can afford the annual losses of an AmQuix business compared to the potential losses of traditional businesses with poor business models. Traditional businesses are surely much more complicated, have no training system, no mentors, and cost much more to start and operate, but they also have a much higher productivity than AmQuix businesses. If IBOs just had sufficient retail volume there is no reason for IBOs to lose money even in the first year. IBOs losing money have either not tried to retail, or the product line is not competitive enough to retail with their skill level. An IBO selling 7,500PV a month of core products to loyal customers at retail prices could gross almost \$100,000/year. If the products were so competitive how come more don't just do this?

Many IBOs mistakenly believe the business has a "tax advantage", which allows them to claim paper losses to offset salary and wage income to reduce their tax bill. The recent Amway distributor related Tax Court cases will show that this "tax advantage" is always disallowed.

Those curious enough to run some numbers out will find the \$200 model is terribly time inefficient at distributing products or even at making money for its participants. Given the low sales productivity, and the high expense-to- personal sales ratio, there will be hundreds of IBOs working for next to nothing so that a few can claim large checks.

Lottery players accept below-odds compensation and are willing to consistently lose a small amount in exchange for a remote chance of winning a large jackpot. Lotteries make money by exploiting their participant's willingness to ignore the unfavorable odds. Lotteries leverage the small losses from the masses so that one or two can claim a huge jackpot. In the same light, Multi-Level-Marketing companies like Alticor employ highly leveraged compensation schemes, exploiting the fact that some people will work as independent contractors for substandard compensation in exchange for the remote chance to have a large "residual" income.

Alticor of course benefits from sponsoring this scheme. It obtains a huge number of commission contract salesmen, who are in effect their very best customers. Due to each IBO's low actual sales productivity, the Alticor Corporation could never afford to pay IBOs even minimum wage for the inefficient way IBOs promote Alticor's products. IBO's promoting the "buy from yourself" model willingly trade their time for very low compensation so that they can participate in this last "legal" pyramid scheme.

There is no magic to the Quixtar compensation plan. It is a highly leveraged plan, paying those at the bottom almost nothing so that their effort is leveraged up to over compensate the upline. Quixtar reports the average active IBO earns \$115/month. This means 600 active IBOs make nothing when a top IBO is claims to earn \$70,000/ month. Traditional businesses can't apply the same leverage to employees since they must pay minimum wage. Traditional businesses could generate the same "time leveraging" for their owners, if they could just find enough people willing to work for \$1-\$2/hour like the majority of Quixtar IBOs do.

Many IBOs promote the effortless "residual income" possibilities of AmQuix. Yet, triple Diamond Ron Puryear comments about how other MLMs can't make a lot of easy money for some without having many others making nothing. Most IBOs who believe they are under paid in their jobs never realize the fact that they are making a lot less working their Quixtar business.

"One must turn outside the world of business - to religion and politics - to find people who work as hard for as little financial reward as most Amway people do." Forbes Magazine Dec 9, 1991

Crown Ambassador - Dexter Yager "The Golds and Silvers are broke"

If IBOs below platinum want to work just 8 hours per week and gross an average income of at least that of a \$6/hr McDonalds burger flipper, then IBOs and their downline friends each need to move about \$1,000/month at IBO cost (or \$2,000/month to Members) to generate the necessary bonus money.

"Pro-suming is the concept that says the cheapest buy is not necessarily the best, and that a person will never be rich by consumption. I spent \$250 at Quixtar for what would cost \$200 at Walmart, but I got \$135 back. I don't sell anything."-----"I'll be the first to admit...you do not save money from buying the products. Actually, they are expensive. But...we have to practice what we preach you know?" IBO - Site Visitors

For "Pro-Suming" IBOs and IBOs just "buying from themselves", AmQuix is nothing more than a "buyers club" pyramid scheme. The scheme is financed in part by the premium product prices.

Amway Co-founder - Rich DeVos "Wholesaling only (in MLM) is an illegal business."

Many IBOs hope to gain volume just by referring people to the Quixtar WEB site. New IBOs will soon find out that without a little product education (selling) that their referrals will probably not purchase much. Many Amway/ Quixtar lines teach their downline not to be concerned with selling and to just buy more from their own "store" to increase volume. This may be because they believe selling is not duplicable, or the prices are not competitive enough to risk time trying to retail. Since retail customers don't buy the higher profit margin motivational tapes and seminars, it is more profitable for the Diamonds and Emeralds to stress recruiting instead of getting retail customers. Numerous lawsuits over the "tools" business provide sufficient evidence that the lavish lifestyles portrayed by many Diamonds come from the motivational

tape and seminar profits.

"Recruits are brainwashed into spending a fortune on peripherals while consuming Amway products. They either lose their shirts or begin making money by getting enough people underneath to do the same."  
Don Gregory former speechwriter for Amway's Co-founder Jay Van Andel  
Forbes March 25, 1985

There is LOTS more info on this company on this site!!

This info came from:

<http://www.amquix.50megs.com/amway.html>