

MLM, Pyramid Schemes, and Matrices

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Have you ever wondered what the difference is? MLM operators claim they're not operating a pyramid scheme. Matrix and "forced matrix" operators claim that what they have is better than MLM. So what are the differences?

Pyramid Schemes:

Pyramid Schemes are illegal in the USA, and probably abroad. We all know how these schemes work, or at least get the jist of the idea. A person (the originator) starts by sending a message to several people. Usually people he/she knows. The message in some round about way, will tell everyone to send him \$5 or so...and then send the message to someone else. All the while adding names to the list, and each new recipient must send money to the first person, second person...etc

There are a million variations of the Pyramid Scheme, but the main attribute that define a pyramid scheme (also known as chain letter) is that there is no product, it's just people sending money. The term "Pyramid Scheme" is derived from the fact that it starts with one and the size of those involved increases as you move towards the bottom. On paper, it looks like the shape of a triangle, or pyramid.

Multi Level Marketing:

How is MLM different from a pyramid scheme? After all, on paper any MLM looks like a pyramid in reality right? The differences are very simple. In MLM there is a product being sold. Income is generated from "commissions". It's actually a pyramid scheme, except that the participants get something back...regardless of whether the people they refer actually pay for something...

In MLM, the participant always gains from their investment. The catch is in the value of the product that the participant receives. This is the reason that MLM is so big on the internet. Because, information can have a monetary value, and it cost the distributor nothing. So ebooks, software, newsletters...etc... these are the most common products used in MLM. MLMers have added tangible products as well, and home products were the first to use MLM as a primary marketing strategy.

The Forced Matrix:

With so many MLM programs on the market these days, originators have tried to make their programs more desirable than others. Hence the forced matrix idea. In a regular MLM program, your monetary gains are based entirely on how good you are at marketing the program. However, most

people aren't very good. So it would benefit the less talented if they had help from the talented. Basically, if the number of people who can join under you is limited in any way...then it's a forced matrix. The idea being, anyone else you refer extra..will go under someone else. The best implementations put the extra person under one of the people YOU have under YOU. Hence it helps the person under you, which helps you too.

The term is tossed around a bit, and sometimes not used at all. However, that is what defines a forced matrix. Sometimes numbers are used to describe a forced matrix more thoroughly....like "4 X 4 forced matrix" for instance. Which might mean that you can only have 4 people directly under you and only 4 people under those 4 who you receive commissions from.

There is a hi-bred idea that has become common now, where by a person can deliberately place a referral in another line of their choice. A sort of traffic control attribute that helps originators get their referrals interested. This has been an attempt to make regular MLM more appealing, and it has worked. In fact, forced matrix MLMers have even implemented the option in their own programs.

The benefits of either are about equal. With a forced matrix, you stand to earn an income faster, but increases in income are slower because your referrals get forced further down the line from you. With regular MLM you have a stronger base, and sustaining it is generally easier...but first profits can be slow. If you want a little income faster, go with a forced matrix. If you want BIG profits and are willing to work a long time for it, go with regular MLM programs.

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-----Resource Box-----

Anna-Marie Stewart Venton publishes Not Just Another Ezine at annamarketing.com Dedicated to helping marketers succeed, and have a bit of fun at the same time. She also hosts weekly "Get To Know Each Other" chats for online marketers of all levels. Download your free Money Chatter Viral Marketing Tool here: <http://annamarketing.com/MC>

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