



Amway **Forever**

**THE AMAZING STORY OF A
GLOBAL BUSINESS PHENOMENON**

Kathryn A. Jones

**Amway
Forever**

Amway Forever

**THE AMAZING STORY OF A GLOBAL
BUSINESS PHENOMENON**

Kathryn A. Jones



WILEY

John Wiley & Sons, Inc.

Copyright © 2011 by Kathryn A. Jones. All rights reserved.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 646-8600, or on the Web at www.copyright.com. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books. For more information about Wiley products, visit our web site at www.wiley.com.

Library of Congress Cataloging-in-Publication Data:

Jones, Kathryn A., 1956-

Amway forever : the amazing story of a global business phenomenon / Kathryn A.

Jones.

p. cm.

Includes bibliographical references and index.

ISBN 978-0-470-48821-8 (hardback); ISBN 978-1-118-107751 (ebk);

ISBN 978-1-118-107768 (ebk); ISBN 978-1-118-107775 (ebk)

1. Amway Corporation. 2. Direct selling—United States. I. Title.

HF5439.H82J66 2011

381'.130973—dc22

2011014330

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

*For my parents,
Samuel and Wanda Jones*

Contents

Acknowledgments	ix
Introduction: Selling a Dream	xi
Chapter 1: Capitalism and Controversy	1
Chapter 2: An Adventurous Partnership	15
Chapter 3: Taking Flight and Sailing Away	25
Chapter 4: Sell Something Everybody Needs	35
Chapter 5: Unveiling “The Plan”	45
Chapter 6: Toppling the Pyramid	57
Chapter 7: Retooling the Machine	77
Chapter 8: Diamonds, Rubies, Emeralds, and Pearls	91
Chapter 9: Clash of the Soap Titans	107
Chapter 10: Friends in High Places	119
Chapter 11: West Meets East	131
Chapter 12: The Biggest Market Ever	145
Chapter 13: New Heart, New Identity	153
Chapter 14: Amway Redux	163
Chapter 15: The Way Ahead	177

Notes	183
Selected Bibliography	203
About the Author	213
Index	215

Acknowledgments

This book would not exist without the vision of Debra Englander, executive editor at John Wiley & Sons, Inc., who proposed the idea of telling the story of Amway's rise to a global powerhouse. Her commitment and confidence in the book spurred me forward.

I also want to thank my agent, Grace Freedson, who has worked tirelessly on my behalf and has been a writer's dream.

Jennifer MacDonald, Wiley's development editor, has been efficient, cordial, and very detail oriented, which every writer hopes for in an editor.

Thanks also to Stephen Duthie in Amway's communications department. To all the former and current Amway distributors who spoke with me on and off the record, thank you for your time and insights.

Introduction

Selling a Dream

Amway Corporation marked its 50th anniversary in May 2009 with a glitzy celebration at the MGM Grand on the Las Vegas Strip. Spotlights swept across the crowd of well-dressed people who had come from all over the world for the event. A movie theater-sized screen splashed the Amway logo against a cobalt blue background. Cameras flashed and music pulsed. The upbeat mood and excitement inside the auditorium felt similar to the energetic vibe at a national political convention or a religious rally.

One charismatic speaker after another extolled the virtues of hard work and the freedom that comes from owning one's own business. It was both a patriotic message and one infused with an almost sacred belief that the opportunity for wealth and success is a universal right. And Vegas turned out to be the ideal setting for the company that has inspired millions of people to bet on the hope that someday they, too, can hit the entrepreneurial jackpot and become as rich and successful

as the Amway business owners who have received Rolex watches and jeweled pins for building immense networks of salespeople around the globe.

The evangelists of enterprise preached to the faithful that day because most of the thousands of people gathered were “Diamond” Amway distributors, meaning its top producers. Among the speakers were the company’s co–chief executive officers, Steve Van Andel and Doug DeVos. They had followed their fathers, Amway founders Jay Van Andel and Rich DeVos, in an unusual dual-family succession into top management, and they uncannily reflected their fathers’ characteristics. Like his father, Jay, Steve is lanky and fair-haired and speaks in a low-key but self-assured manner. Doug DeVos, like his father, Rich, sports a boyish smile, diminishing hairline, and forceful, gregarious speaking style. Their words pumped up the crowd and fed the sense of euphoria that typically hovers over Amway gatherings. “Owning your own business is a chance to change your life . . . and if you can change your life, you can change the world,” Steve said, arms stretching outward. “Amway in its essence came from one thought and one desire—to give people an opportunity and to improve their lives through a business of their own. When you introduce the concept of freedom and free enterprise, people change. They put aside their differences and become a part of a group, one unified group of people, behind a cause, behind a dream, and pursuing that dream.”¹

Doug also delivered a rousing message about personal freedom, emphasizing key words like a minister speaking to his flock: “We have an idea to keep us alive—all of us—of *freedom* . . . and *free enterprise* . . . and the power of having a business of *your own*,” he said, pacing back and forth across the stage and gesturing for emphasis like a politician. “Because the Amway idea is alive and well, and what happens to us from this day forward . . . well, it’s up to us, isn’t it? *Right?* And as we look forward, Steve and I know all of you . . . *together* . . . believe we are just getting started.”² Then Rich DeVos, the billionaire who’s revered by Amway distributors as the company’s iconic patriarch, took the stage to look back on a half-century of business. In his 80s and balding, with age spots on his scalp, Rich got a second chance at life after a heart transplant in 1997. “*Now* is our time,” he said. “And when you’re in this business, you learn to work with where you are now. So now we’re going to

move on and you're all going to go home and think back, I hope, of the good time you had, but most of all of the people out there who don't know yet about what they're missing. And you're going to be the *missing link* in bringing it to them and their life will change because of you, as many others have already." DeVos, who's known as a naturally gifted and persuasive speaker, not to mention a crackerjack salesman, paused to let the words sink in. He smiled and said he liked to think of himself simply as the "Amway guy." "When I meet people, they say, 'What do you do?' and I say, 'I'm the Amway guy. I've been in it a long time,'" Rich explained. "I believe in it. And I like it."³

Then Rich shocked the audience by saying that Amway's cofounder and his old friend, Jay Van Andel, would like to "wrap it up." What could Rich mean? Jay died from Parkinson's disease in 2004. He and Rich, who became friends in high school, had shared a rare lifelong business partnership. They made an odd but effective couple—Jay, the nerdy, straight-A's numbers cruncher, and Rich, the glib, fun-loving extrovert. The partners, though, over the years repeatedly said they were stronger together than they would have been on their own. The combination of Jay's analytical mind and Rich's persuasive speaking and selling skills proved ideal for a business like Amway.

There was a flicker onstage and suddenly Jay appeared, reincarnated through technology in a life-sized hologram. A company called Digital Illusions LLC stitched together seven clips from archival footage to create a two-minute speech in high definition.⁴ It was a "wow" moment for many of those in the audience as the deceased Van Andel's image materialized, much like Obi-Wan Kenobi's spirit appeared in the *Star Wars* sequel to dispense advice to young Luke Skywalker. "The volume of that applause not only is gratifying to me, but it lets me hear how much we've grown since Rich and I held our first Amway convention in 1961," Van Andel's lifelike visage said. "At that time I think the entire audience could have easily fitted on this stage." These days, it takes an auditorium or even a stadium to hold an Amway gathering. "When Rich and I started Amway in our basements of our homes, we had a dream," Jay's image went on to say. "We dreamed that everyone should have the opportunity to be in business for themselves. Today, I look at this tremendous group, this great crowd, and see all of you as fulfillment of that dream." The audience gave Jay Van Andel's eerily

realistic hologram a standing ovation. Then it flickered off. Rich and Doug DeVos and Steve Van Andel stood together onstage, arms raised like rock stars, to thunderous applause. A laser light show pulsed, and a shower of special effects sparks rained down upon them.⁵

In Vegas, Amway Diamond distributors and executives also were treated to private performances by Elton John and the Blue Man Group. They roamed the slick “Experience Amway” exposition hall, complete with product experts and samples. They talked about how “the business” had transformed lives. Their personal stories sounded like testimonials at a revival. But the spirit that filled them was the spirit of free enterprise—and, of course, the prospect of making even more money—as they schmoozed in the city where millions of people every year gamble on dreams.

The anniversary gala underscored that five decades after the company’s founding, few corporate names inspire such passionate reactions as “Amway.” The direct-selling pioneer grew from humble beginnings peddling soap and vitamins into the world’s largest and arguably most influential multilevel marketing, or MLM, company with a line of more than 450 products, from cosmetics and skin care lines to water purifiers to cookware. Although Amway started out selling soap, detergent, and other household products, beauty and health care products now account for most of its business. Along the way to the top, Amway sparked its share of copycats and the company spawned other MLMs, but it still reigns as the supreme example of a direct-sales machine adept at packaging and selling not only products, but also dreams, to individuals who believe they are on a divine mission to chart their own destinies. The words of founder Jay Van Andel still resonate in the videos he left to inspire others: “We’ve learned that Amway principles translate into many languages and transcend many cultures,” he said. “Being rewarded in proportion to how much you do is a universal language for people around the world. Our goal must be to make the lonely and the frustrated and the scared have that sense of hope and security that we can bring them. That’s why you’re here. That’s what we’re all about. We have to believe in ourselves. You can’t predict the future, but you can follow your dreams.”⁶

Following their dreams had led Amway’s founders to enormous riches as well as controversy. From its inception, Amway was caught in

the crosshairs of government regulation and legal challenges. Some of the company's own former distributors have accused Amway of running an illegal pyramid scheme. Yet, despite the allegations, the giant direct seller has continued to survive, operate, prosper, and spread its philosophy of free enterprise—and universal dreams of prosperity—around the globe.

When I first got involved in this book, my publisher expected that the company would cooperate and provide access to company executives. My knowledge of Amway before writing this book was minimal. I've never bought anything from Amway or knew much about the company except that it sold soap. Despite more than a year of back-and-forth communications between Amway and the publisher, however, efforts failed to convince the company to allow unfettered access to its managers, employees, and archives.

Objectivity and distance are important because, until now, most books about Amway have been authored by its founders, corporate or personal friends, and current or former independent business owners, or IBOs. They tend to fall into two categories. Some were written by mega-distributors such as Dexter Yager, who says he loves Amway and the IBOs in his group and wants to share with others how to get started with their own Amway businesses. On the other end of the spectrum, some Amway IBOs or people involved with other MLM businesses had a negative experience, lost their money, and want to warn others away from MLM schemes. Both perspectives convey a valuable side of the Amway narrative, but they don't tell the complete story. Emotion clouds objectivity, and people get very emotional about money, especially when they make—or lose—a great deal of it.

My research took me across the United States, to Europe, and to Asia to visit some of the markets where Amway has established a presence and shown a remarkable ability to adapt to other cultures and consumer attitudes. Over the past year I've interviewed dozens of current and former Amway distributors, attorneys, consultants, authors, government officials, and others, and pored over hundreds of pages of legal documents. I've listened to motivational tapes and watched video footage of Amway seminars and rallies all over the world. I wanted to tell the Amway story as much as possible through people, but I did run into limitations. Because I did not have the company's blessing, many Amway

distributors, who are loyal and protective to the max, refused to talk to me. Some did so only if their names were not used. “IBOs are not allowed to do mass market advertising, and appearing in a book might be considered by some as just that,” an IBO in Europe told me. As a result of the media-shy company’s refusal to grant access to its leaders and employees, I have had to rely on secondary sources more than I would like to with the caveat that I took into account each person’s subjectivity, experiences, and motives.

That said, what follows is neither an exposé nor an authorized corporate biography, but an unbiased, journalistic look at the rise, stumble, and rise again of a dynamic and controversial company that has changed the world of direct selling forever. Whether it’s changed that world for better or worse is up to the reader to decide.

Chapter 1

Capitalism and Controversy

Amway's gateway to the world begins in an unlikely place—a small Midwestern township called Ada, Michigan, 12 miles east of Grand Rapids. Founded as a French-Canadian trading post and home to a historic covered bridge over the Thornapple River, Ada is best known these days for the sprawling world headquarters of Alticor Inc., parent company of Amway. The complex of office buildings and manufacturing plants stretches for more than a mile. Its busy visitors center has become a local tourist attraction with its giant see-through metal globe in front and 50 flagpoles flying the flags of affiliates' home countries. In the spring, the garden around the globe is planted in tulips, a nod to Jay and Rich's Dutch heritage. The business partners are immortalized in life-size bronze statues that stand in the headquarters lobby.

Selling Directly to Buyers

The company that Jay and Rich created casts a goliath's shadow over the direct-selling industry, but Amway wasn't the first company to sell directly to buyers. Others, such as Fuller Brush, Stanley Home Products, Avon Products, and Tupperware, preceded it. But Amway took the multilevel marketing (MLM) concept and ran with it around the world. It not only laid the foundation for other MLMs, but also helped spark some of the business trends taken for granted today—working from home, shopping from home, globalization, and shifting the activities of selling and distribution away from brick-and-mortar structures and traditional systems. The Direct Selling Association (DSA), the industry's major trade organization, says that a record 16.1 million Americans worked as direct sales representatives as of 2009. That was up by 1 million people from 2008's sales force. People are "looking to earn extra money on their own terms and at their own pace," says Neil Offen, the DSA's president and chief executive officer.¹

Business icon Donald Trump, British airline tycoon Richard Branson, and billionaire Warren Buffett have limited involvement in MLMs and direct selling as well. The Trump Network in 2009 began selling nutritional supplements, healthy snack foods, and skin care products. The marketing materials make the network sound a lot like, well, Amway:

It's an opportunity. An opportunity for you. And an opportunity to help rebuild a country founded on that very premise. It's a chance to turn a land overwhelmed by stress and ill health to one of strong bodies, bright minds, and free spirits. A chance for you to promote wellness and entrepreneurialism. Even more, a better way of life. This is far more than a financial opportunity. This is a chance to live and promote something you can believe in.²

Branson's Virgin Group in 2009 sold its Virgin Vie at Home skin care and makeup division to its management team. And in 2003 Buffett's company, Berkshire Hathaway, purchased The Pampered Chef, a direct seller of kitchen gadgets and cookware.

Amway, though, stands out from the pack of direct sellers for its distinctive culture and ideology. What sets Amway apart isn't that

it sells products in a nontraditional—and often controversial—way. It's that it sells its sellers, who are called independent business owners (IBOs), on the dream that the company's founders and executives spoke of in Las Vegas. And not just any dream, but the "American dream"—the idea that if you are motivated and work hard enough, you deserve success and it will come your way. Call it bootstrap capitalism with a blend of "soap and hope," a marriage of manufacturing and motivation. "Rich DeVos and Jay Van Andel didn't set out to sell products," says Pat Williams, senior vice president of the Orlando Magic national basketball team, which Rich owns. "They sell *confidence*. They fire up people to believe in themselves, and those people sell the product."³ The founders espoused the quintessentially American ideal of hard work, perseverance, taking risks, and overcoming obstacles at a time in the late 1950s when the fear of Communism and socialism was spreading. Indeed, the very name *Amway* is a compressed version of "American way." Its direct selling wrapped up in a flag, along with spiritualism and family. Former distributor Stephen Butterfield, who is now deceased, put it this way:

Here is obviously a new power in American life: a corporation with immense popular appeal, a grass-roots following among all classes and trades, an explosion of political and religious energy such as has not been released since the growth of industrial unions in the 1930s. What makes this power all the more remarkable is that corporations have never been very dear to the hearts and minds of the American people.⁴

One of the reasons for Amway's power is that it embraced social networks long before anyone heard of the Internet, Facebook, or Twitter. "We probably were one of the original social networks, before there was technology associated with it," Steve Van Andel says.⁵ Its primary social network was and still is the one-on-one connection, at first person to person and later tied to the Internet.

Exporting a Sales Model

The Amway way isn't just the American way anymore, however. It's spreading into a global phenomenon under its rallying cry of economic

“freedom.” As Kaoru Nakajima, one of Amway’s major distributors in Japan, puts it: “I was a salaried man working in a company for eight years. Now I am my own boss. Now I am free.”⁶ Peter Muller-Meerkatz, who with his wife, Eva, amassed one of Amway’s largest distributor networks in Europe, adds: “We believe in capitalism. We are convinced that democracy and free enterprise are the world’s only economic hope. Why wouldn’t we want to share it?”⁷

Amway certainly did share it, exporting its direct sales model—“the Plan,” as Amway IBOs call it—to much of the world. The company operates in 80 countries and territories and the breakdown of its domestic and international business has flipped. At the end of the 1980s and the beginning of the 1990s, 70 percent of Amway’s business was in the United States. By 2009, however, 90 percent of its sales came from outside the United States.⁸ Two-thirds of its business is in Asia.⁹ Its single largest market is China, which accounts for more than a third of its more than \$9 billion in annual sales.¹⁰ The company’s success there is due in part to tapping a vast market of more than a billion people who are breaking away from old feudal systems and are part of a culture that encourages family members to support a relative’s business venture. Amway says it’s committed to help budding entrepreneurs in the world’s most populous country. “We want to be successful in China and we are here in China to stay for the long term,” says Eva Cheng, executive vice president responsible for Amway markets in Greater China and Southeast Asia. “We are not just here for a few years to make some quick bucks and then go away.”¹¹ Indeed, the company has been adept at gaining access to markets—including China’s—where governments at first resisted its entry. Chinese law limits direct selling, so Amway had to break with its traditional way of doing business and set up government-mandated storefronts. They proved so successful that Amway may open additional retail outlets in other countries. (It still has no plans to sell its products in the United States through stores, however.) Another Eastern country, India, represents a huge market as well. “Our business is based on people and how many people there are,” Steve Van Andel explained. “Well, there’s a lot of people in India and there’s a lot of people in China. . . . We’re available to most of the world’s population, so now we’ve got to take a look at the markets we’re in and to try to figure out how to get better market share.”¹² There are still parts of the world

without Amway, but that could change. “We’re not everywhere yet, you know—the Middle East, Northern Africa, sub-Saharan Africa,” Doug says. “It’s just a matter of time, I think. Those things are going to happen.”¹³

Alticor, Amway’s parent company, overcame weak economic trends in recent years to report record 2010 sales of \$9.2 billion thanks to strong growth in China, India, Korea, North America, and Latin America.¹⁴ An estimated 12,000 people a day sign up to become Amway IBOs around the world. The company employs more than 14,000 worldwide—4,500 of them in the United States—and 300 scientists, who hold about 700 patents. More than 3 million IBOs are active in 80 countries and territories. Moreover, Amway operates factories in Michigan, California, China, and Vietnam. Access Business Group, a wholly owned Alticor subsidiary, oversees packaging design, makes bottles and labels, and contracts to manufacture products under a third-party—and confidential—arrangement for some very large consumer brands. Beyond manufacturing, Alticor owns several downtown Grand Rapids hotels through the Amway Hotel Corporation: the luxury Amway Grand Plaza Hotel, the JW Marriott Hotel, and Courtyard by Marriott. The company’s *Enterprise II* yacht is a floating conference center for those in the Diamond Club, and a resort on Peter Island in the Virgin Islands awards sales leaders with luxury, vacation-style meetings.

Once known mainly as a direct seller of soap and detergent, health and beauty now account for most of Amway’s sales. Amway’s Nutrilite product ranks as the world’s best-selling brand of dietary supplement,¹⁵ and Artistry, Amway’s facial skin care and cosmetics brand, ranks as one of the top five worldwide beauty brands with \$1 billion in global sales.¹⁶ Major markets are China, Japan, the United States, South Korea, Russia, Thailand, Taiwan, India, Malaysia, and Ukraine. Private and very closely held by the DeVos and Van Andel families, Amway doesn’t disclose profit figures. But, in terms of sales, if Amway were a public company, it would rank in the Fortune 500—No. 253, to be exact, in 2010—elevating it on par between Starbucks (No. 241 with \$9.77 billion in revenues) and eBay (No. 267, with \$8.7 billion in revenues).¹⁷ Among private companies, in 2010 Amway was ranked second on Forbes’s annual list.¹⁸ Along the way, Amway’s founding families have grown very

wealthy. As of early 2010, Rich DeVos had an estimated net worth of \$4.5 billion, ranking him at No. 176 on *Forbes*'s list of the world's billionaires.¹⁹ Money has brought Amway and its leaders political clout, influence, and access to those in power. Amway's founders have been major contributors to the Republican Party and conservative causes. Rich's son, Dick, who was co-CEO with Steve Van Andel from 1993 to 2005, resigned from the company to pursue his own business and political interests, and in 2006 made an unsuccessful run for Michigan governor in the state's most expensive gubernatorial campaign in its history. The founding families cultivated close relationships with former presidents Ronald Reagan, Gerald Ford, and the Bushes, especially George H. W. Bush. Former Amway distributors—including former House Whip Tom DeLay, who in January 2010 was sentenced to three years in prison for money laundering—have been elected to Congress. In addition to political contributions, the DeVos and Van Andel families and Amway also have used their wealth for philanthropic projects, from building a children's hospital in their hometown to paying for cleft palate surgery in Thailand to helping educate children in rural provinces of China.

A Fuller Picture

That's all quite a transformation from the once little soap company born in a Grand Rapids suburb, leading Richard L. Leshner, former president of the U.S. Chamber of Commerce, to call Amway "one of America's most spectacular business success stories."²⁰ Conceived of in the shell of an abandoned gas station with \$500 in cash, Amway's plan sounded simple enough: recruit people to sell products such as soap and cosmetics and sell others on the Amway system. Then they, in turn, would be recruited to sell the products, and so on and so on. To become an Amway IBO, one had to be sponsored into Amway by another IBO, who then received a cut of the new level of the business. And if others could be recruited, then the next distributor got a cut of *their* business. And so the MLM pyramid-shaped feeding chain of commissions built into multiple levels as distributors "upline" could make money on the layers of salespeople below them, or "downline." Other names frequently used to describe