

Quixtar

Quixtar is a multi-level marketing company, founded in 1999 by the families of Richard DeVos and Jay Van Andel. Quixtar is now owned by Alticor, which also owns Amway.

While Access Business Group (also owned by Alticor, Inc.) took over the Amway infrastructure in North America, Quixtar still services "Independent Business Owners" (or IBOs) operating in the Amway business model in the United States, Canada and the Caribbean. It completely replaced Amway in 2001 as the marketing venture for products such as Nutrilite dietary supplements, XS Energy Drinks and Artistry cosmetics in those North American regions. Amway

In 1999 the founders of the Amway corporation launched a sister (and separate) Internet-based company named Quixtar. The Alticor corporation owns both Amway and Quixtar, plus several other concerns. Quixtar replaced the North American business of Amway in 2001, with Amway operating in the rest of the world. Amivo acts as an Amway subsidiary in Europe.

Amway cofounder Jay Van Andel (in 1980) and later his son Steve Van Andel (in 2001) were elected by the board of directors of the United States Chamber of Commerce as chairman of that organization.

Business

Formerly, people could join Quixtar as "Clients", "Members" or IBOs. "Clients" would pay retail price for products and services from Quixtar.com, "Members" would pay a reduced price but would not have the ability to receive bonuses from Quixtar. As of 2006, Quixtar eliminated the "Members" option, and "Clients" are now referred to as "Customers". IBOs pay a registration fee and build their businesses through retail sales to customers, referring business to Quixtar.com, and by helping other IBOs build similar businesses. Their earnings are based on their business' sales and the volume of sales and purchases of IBOs registered by them.

The primary way to join and buy products at Quixtar's web site is with a referral number from an IBO. The buyer is able to purchase Quixtar's exclusive products as well as products from affiliated stores such as Circuit City, Barnes and Noble, Disney Store, Office Depot, Avis, PacSun or Florigift on the Quixtar web site. (One can also purchase from these vendors at their own web sites, typically at the same retail price.) The referring IBO then receives a small percentage ("bonus") of the cost of the purchased goods, with Quixtar-exclusive products yielding a higher bonus per dollar in PV/BV Point Value and Business Value, as seen in the FTC approved compensation plan. Quixtar offers a wide range of products for its IBOs to purchase for personal use or to sell to customers through Quixtar.com.

In 2005 Internet Retailer ranked Quixtar as the number one site in the health and beauty category. It was ranked 14th largest e-commerce site (for revenue) in the same survey. Quixtar sales for fiscal year 2003-2004 were over \$1.1 billion with over \$373 million paid out in bonuses and incentives.

Controversy

Quixtar and its predecessor Amway have been controversial for years because of allegations that these companies are pyramid schemes. Critics claim that most of the products sold by Quixtar are to its network of IBOs for personal consumption rather than to retail customers. They claim that many IBOs practice the "buy from yourself and teach others to do the same" method of multi-level marketing. However, In order to receive any earnings on their organization's sales beyond their own and their personal customers' use, Quixtar IBOs are required to sell either \$100 of product to customers, 50 PV of product to customers (PV are a conversion of dollars to points, contributing towards the earnings bonus scale for IBOs), or sell to 10 customers in a given month. If not ordered directly by a customer from Quixtar.com, The website also allows an IBO to distinguish between personal consumption and retail sales. For instance, an IBO may choose to stock product at home and mark them as retail sales when sold directly to customers. However, it is based on an honor system: an IBO does not have the ability to mislabel goods purchased for personal use as retail sales as well. By this loophole, Quixtar IBOs can bypass a 1979 Federal Trade Commission ruling that addressed this issue. See Litigation below. Many Quixtar leaders emphasize preventing this problem by offering those not interested in becoming IBOs the opportunity to become customers.

There is also a great deal of controversy surrounding the "Amway/Quixtar Motivational Organizations" (AMOs or AQMOs) owned and operated by high level distributors. Quixtar and the AMOs, such as WorldWide Dream Builders and The Team (QMO), claim that the business skills of IBOs are honed by the business support materials (BSM), or "tools",

that are sold by the motivational organizations, and that the support material can be of help to an IBO if he wants to build a big business. Furthermore, during the registration process, IBOs are required to accept an agreement that is intended to make the new distributor aware that the BSMs - books, tapes, CDs, informational literature, seminars, etc. - are purely optional and that requires the above-mentioned AMO/AQMO's (also known as LOA, or Line Of Affiliation) to buy back any defective or unwanted business support materials within a reasonable time frame. New IBOs are also made aware that the producers of these "BSMs" are likely to make money selling them.

Critics, however, charge that many of the AQMOs do not provide reasonable terms for refunds and can exert pressure to induce participants into purchasing large amounts of these BSMs and to attend motivational seminars. The sale of the motivational tools to IBOs down the line is described as the "business within the business," of Quixtar from which the high level distributors allegedly make the majority of their income. Undercover investigations (like one done by MSNBC Dateline in 2003-04) also suggest that most the money being earned by the top-level distributors was coming from the "tools" business rather than through selling the products of Quixtar. However, many argue that this is no different than successful athletes, entrepreneurs, and stockbrokers selling their experience and techniques through books, websites, or training systems. The Team (QMO) line of sponsorship, founded by Orrin Woodward and Chris Brady, offer profit sharing of tool money, with those achieving the Platinum level and above. Though Quixtar representatives declined to appear on the MSNBC special, the company did publish an official "Quixtar Response" website. Supporters claim that the Quixtar business model is the standard that the FTC uses as far as a legal network marketing business. Critics claim that although legal according to the FTC, the business practices that some AQMO's teach are unethical and immoral. This one point has been a focus of debate between its critics and supporters for the past 25 years.

Supporters

John C. Maxwell, a Christian author who writes books on leadership, supports Worldwide DreamBuilders. Paul Harvey, a radio broadcaster, known for his 'The rest of the story' tagline has been an ardent supporter of the Quixtar program for years. Og Mandino, author of *The Greatest Salesman In The World* and *The Greatest Miracle In The World*, has also been a supporter of the Quixtar program, as well as Robert Kiyosaki [1], author of *Rich Dad, Poor Dad* and *Cashflow Quadrant*. Kenneth Copeland, Robert Schuller, and Charles Stanley, well known Christian pastors and authors, have endorsed and spoken at various functions for some of the Motivational Organizations. Former President Ronald Reagan has also spoken at such a conference. Other supporters include MTV's Jeannie Mai, renowned chef and culinary specialist Jason Roberts, heavyweight boxer Evander Holyfield, NFL player Emmitt Smith, world record sprinter Asafa Powell, NFL's MVP Shaun Alexander, and motivational author Zig Ziglar. [citation needed]

Information Control

In the summer of 2004, Quixtar launched a Web initiative designed to make their web pages more prominent in search results. The "Web Reputation Task Force" tried to influence search engines in such a way that links to sites critical of the Quixtar business would be replaced by links to Quixtar-controlled sites. The Task Force's primary tactic was a form of Google bombing that vigorously exploited blogs. Reporter Mark Glaser explained how companies, like Quixtar, "subvert search results to squelch criticism". Greg Duncan, a high ranking distributor in Quixtar and a member of the WWDB organization, openly admitted that WorldWide Group supported Quixtar's effort to Google Bomb at a convention in Portland, Oregon in October 2004 stating, "We've hired our own geeks to post positive about Quixtar!" This comment was met with thunderous applause and cheering from IBOs.

On several occasions, users operating from IP addresses belonging to Alticor (Quixtar's parent company) have made changes to Wikipedia entries for Quixtar, Amway, and Google bomb in order to remove information pertaining to the company's Google bombing attempt.

Litigation

In the 1979 ruling *In re. Amway Corp.*, the Federal Trade Commission determined that Amway was not an illegal pyramid scheme because it enforced rules requiring distributors to sell to at least 10 retail customers per month and to sell 70% of the products to customers. Critics state that Quixtar does not enforce the retail sales rules. Quixtar maintains the 70% rule is only meant to prevent product stockpiling to achieve certain bonuses. Arguably, the 70% rule does not state "retail sales".

Quixtar's Official site