Inside the Amway Sales Machine

By Dennis K. Berman

February 15, 2012

LAS VEGAS— Holly Chen is a former first-grade teacher, just over 5 feet tall, with a taste for sequins. You wouldn't know it by looking at her, but this 68-year-old grandmother is one of the most prolific salespeople on Earth.

Late on this January night, in a cramped casino ballroom, some 1,100 people rise to greet Ms. Chen. Cameras flash as she strides across stage in black patent-leather boots. The mood takes an unexpected turn when she starts by talking about her late mother. Soon she is in tears.

"The most powerful weapon is to move somebody emotionally," she says later, speaking Mandarin throughout. "So if you send out a signal as love, you will receive the same signal back."

Ms. Chen is a kingpin of the emotions business. Over three decades, she and her husband have become the single largest Amway Corp. distributor in the world, motivating a commission-based army of some 300,000 salespeople. As members have recruited new reps, the network has spread from Ms. Chen's base in Taiwan across Hong Kong and mainland China to Chinese immigrant communities in the U.S., France, Spain and Russia.

They call this multilevel network *chao fan*, which means "extraordinary." It has grown more than 30% each year since 2009. Today, Ms. Chen directs one in every 10 Amway reps—getting a cut along the way.

Her total haul is estimated by one direct-sales magazine at $8 million a year. "I don't even know how much I make," she says to the group gathered in Las Vegas, part of the U.S. branch of chao fan.

Turns out these are flush days for Michigan-based Amway, which sells its own brands of cosmetics and personal products. Across developed economies, the recession has brought in a new wave of moonlighting Amway reps. Growth is much stronger in Latin America and Asia, where emerging consumers are keen to make a few extra dollars. Today, Amway derives 90% of its sales outside the U.S.

Sales last year for the closely held company, to be released Feb. 23, are expected to top $10 billion for the first time, a person familiar with the matter says. That is up more than 10% from 2010.

The times have also brought an unexpected endorsement for Amway's long-controversial ways of direct selling. Across industries, companies are rushing to link directly to customers via Facebook. They're now experimenting with how to turn those connected groups into a shadow sales force, paying commissions for referrals.

So it is here in Las Vegas, amid the buzz of Mandarin and Ms. Chen's exhortations about the value of making friends, when the jarring realization sets in: Of all things, of all places, perhaps the future of business looks like an Amway convention.

It is an elaborate ritual, choreographed to inspire longing. The lights are dimmed, and a video shows Ms. Chen and her husband, Barry Chi, riding in a red Cadillac convertible at a parade in their honor. In another clip, Ms. Chen, who boasts of being one of Chanel's top 50 customers, steps from a private jet. In others, she leads massive rallies across Asia, at one point filling a 21,000-person arena in Taiwan last fall.

Eleven years as a grade-school instructor have given Ms. Chen a tough but motherly tone. Her flock calls her *laoshi*, Mandarin for teacher. And it is her job to turn their longing into action.

Glamour makes scant appearances in the lives of most Amway reps. The average North American salesperson grosses—not nets—about $200 per month, according to the company. Amway has agreed to a $155 million class-action settlement with former U.S. reps who alleged the company used deceptive practices and misled them about profits. Amway didn't admit wrongdoing but vowed to "transform" how it does business, focusing less on recruiting new salespeople and more on actually selling products.

If there are any such doubts for Ms. Chen, she has long since erased them. "I always think Amway is a system that's designed by God, only for me," she says.

Success begins with raw belief. "So when you're in the Amway business, of course you change your mindset, you change your attitude, and your outcome will definitely change with it."

The message registers with Paul Chen, a Canadian distributor who is in the front rows of the Las Vegas talk,. The key step is to "open your mind, forget your past, your profession, your job…and come here and learn about it," he says.

Ms. Chen favors simple stories and homilies, which the attendees scribble down in earnest. Her hours-long lecture is a mesmerizing romp of set pieces and extemporaneous patter, jumping from Christopher Columbus, to Egyptian pyramids, to the Great Wall, to [Bill Gates](http://topics.wsj.com/person/g/bill-gates/685). She loves Ronald Reagan stories, telling how he gained goodwill by serving as head of the Screen Actors Guild. "It's up to us to elevate ourselves to be givers," she says.

The talk is also dominated by Ms. Chen's own history. Life was so bad in her fishing village that even rice porridge was a luxury. Teaching eventually gave way to Amway. And it is there where Ms. Chen thrived, finding prospects at casino tables and in the line for the bathroom (talk to the people behind you, not in front of you, she advises).

The U.S. opened to her in 1986, when she appeared in an interview on Chinese-language TV in Houston. A former student spotted her, which led to the connection that formed the U.S. branch of *chao fan*. When mainland China approved direct selling in 1995, Ms. Chen says she made her first connection by asking for a restaurant recommendation on the street. "That is how we made friends. And then we told him about the business."

Her eyes sweeping the Las Vegas ballroom, Ms. Chen lays out her emotional proposition. The crowd takes it in, nary a doubt in mind. "You have to know the inside of people, rather than the outside of people," she says. "You've got to know their hearts."

http://online.wsj.com/news/articles/SB10001424052970204062704577223302734609434