

Forget VC funding or killer applications. According to Quixtar, all you need is a PC, a modem and 5 to 15 hours a week to run a thriving Web business.

Quixtar execs Randy Bancino, John Parker, Ken McDonald and Doug DeVos.



Amway.com

BY KAREN J. BANNAN

ANYONE CAN MAKE MONEY ON the Web," enthuses Charlie Durso, a 46-year-old independent business owner with Quixtar, a little-known, but growing, Web venture. Working the room at the Smithtown, N.Y. Sheraton, Durso tries to take the mystery out of the Internet and in the process make selling products via the Web sound easy. Of the 80 prospects in tonight's group, 48 will sign up as Quixtar IBOs (independent business owners). Others will pay a \$20 subscription fee to shop on Quixtar's site.

Durso's experience isn't unique. This scenario is happening night after night, across America and Canada. Casualties of corporate downsizing and dot-com disasters are flocking to such get-rich-quick schemes.

Quixtar is the online offspring of \$5 billion, Grand Rapids, Mich.-based Amway Corp. Launched by the company at the height of the Internet stock craze in September 1999, Quixtar's business model is virtually identical to Amway's, only it's Web-enabled. IBOs gather in cult-like meetings and chat rooms on the Web, and introduce friends, family and co-workers to the password-protected Quixtar Web site where they can buy thousands of the same mostly overpriced health, beauty and household products that Amway sells. Things like Time Defiance, a \$62 wrinkle-fighting cream that promises to "turn back the clock" while you sleep. Or a Queen ten-piece stainless steel cookware set that sells for \$700.

While they are on the site, they can also shop at Quixtar's more than 80 partner stores such as Omahasteaks.com, OfficeMax.com and TrueValue.com. When people make purchases via the portal, the referring IBO is automatically credited with a percentage of the sales. Like Amway reps, Quixtar IBOs can make even more money by getting others to join. Once they have IBOs below them in the structure, they garner up to 25% of sales, and so on. Leadership bonuses add an additional 6% to commissions. The more people you sign up to sell, the more money you make. Of course, Quixtar invites anyone to log on and buy the stuff, but the goal is to get recruits to pay \$39 to become an IBO and get on the ladder.

Ironically, Quixtar is one Web startup that actually began producing results fast. Within six months Quixtar was averaging 40 million hits and \$2 million in sales a day. By last fall the Quixtar reps had generated total revenues of \$518 million.

According to Harris Interactive, Quixtar has 22.2% of all online sales in the health and beauty category; its closest competitor, Mary Kay, has 10.1%. More than 42% of people who visit the site make a purchase, as compared with 18% at Amazon.com. One smart innovation that Quixtar came up with is its Ditto Delivery program, an automatic, monthly replenishment program that fills orders based on customers' predetermined needs. As of May Ditto Delivery ac-

counted for 30% of Quixtar sales.

"We're successful because we are different from other online businesses. We have a sense of community," says Doug DeVos, chief operating officer and son of Amway cofounder Richard DeVos. Indeed, he boasts that Quixtar hasn't spent a dime on advertising or employee acquisition. However, it is more likely that most of Quixtar's rapid growth came at the expense of Amway. As its reps move their business to the Web, Amway's worldwide revenues have remained flat at about \$5 billion.

This Web version of Amway will continue to attract more converts if the economy weakens further and refugees from corporate layoffs become more desperate. Amway makes setting up an e-business simple, by creating easy Web page templates and hosting scores of IBO-run Internet malls.

Before you're tempted by Quixtar's sales pitches or fancy Web pages, remember that most reps in such organizations spend more time recruiting than selling. And many lose money. "I spent between \$3,000 and \$5,000 on the business and had four people down line (under) me, but overall I still lost money," says Don DeLeon, a 23-year-old former IBO from Waipahu, Hawaii.

Take a lesson from DeLeon, who gave up being an IBO to go back to school. By joining organizations like Quixtar, you're more likely to fill your shelves with bottles of shampoo than to fill your bank account with cash. **F**