

Understanding Multi-Level Marketing

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Definition of Multi-Level Marketing (MLM)

Taiwan Fair Trade Law

Article 23

No multi-level sale shall be conducted if the participants thereof receive commissions, bonuses, or other economic benefit mainly from introducing others to participate, rather than from the marketing or sale of the goods or services at reasonable market prices.

Supervisory Regulations Governing

Main Objective : Anti Pyramid Scheme

Regulations Classified into

- Chapter One to Six**
- Article 1 to Article 26**

Definition of Multi-Level Marketing (MLM)

Taiwan(FTC)

- ◆ **Multilevel Compensation Plan**
- ◆ **Multilevel Distributors Sales Organization**
- ◆ **Contracted Independent Distributors**
- ◆ **Authorized Rights To Sell Products/Services and Recruit**

Definition of Multi-Level Marketing (MLM)

Malaysia

- ◆ Distributor Network
- ◆ Income Based on The Volume of Sales and No Other Considerations
- ◆ One Standard Distributor Price to Distributors
- ◆ One Standard Retail Price to Customers

Definition of Multi-Level Marketing

Philippines (Government and Industry)

- ◆ Network Marketing
- ◆ Multi-level Income

Definition of Multi-Level Marketing

WFDSA/USDSA

- ◆ **A Compensation System**
- ◆ **Commission From Sales Organization
In Selling Products**

Definition of Multi-Level Marketing (MLM)

Singapore (Ministry of Trade and Industry)

MLUTI-LEVEL MARKETING AND PYRAMID ACT

- Excluded Schemes and Arrangement Amendment

(Effect on 1st January, 2002)

- ◆ No Need to Buy Any Products to Participate.
- ◆ Demonstration Materials Sold At Cost Is allowed.
- ◆ Benefits Come From Selling A Commodity
- ◆ No Benefits Come From Introduction or Recruitment

Differentiation Between Legitimate MLM and Pyramid Scheme

WFDSA: How to Identify A Pyramid Scheme?

Ask Two Questions :

**1. Any financial risk?
(If yes, be careful.)**

**2. Commission Comes From Selling Products?
(If no, stay away. It is most likely a fraud.)**

Differentiation Between Legitimate MLM and Pyramid Scheme

One Additional question -

Will you buy the products?

(If not, why not?)

DON'Ts for MLM Companies

- ◆ **Charge Unreasonable Fees for Training, Seminars and Distributor Activities**
- ◆ **Ask for Deposit or Contract Breach Penalty**
- ◆ **Ask for Purchasing Unreasonable Amount of Products**

DON'Ts for MLM Companies

- ◆ **Unjustifiably Withholding Commission After Termination**
- ◆ **Give Specific Benefits to Specific Person Against Company Compensation Plan**
- ◆ **Hindering Goods Return by Distributors**

DON'Ts for Distributors

- ◆ **Deceptive Selling or Recruiting**
- ◆ **Raising Funds by Name of a MLM Company**
- ◆ **Against Public Order or Good Morals**
- ◆ **Creating Heavy Losses to Consumers**
- ◆ **Against Law**

Quick Check List

Legitimate MLM

1. Compensation Coming From Selling a Product
2. Do Sell Products
3. Products With Reasonable Market Price

Potential Pyramid

1. Compensation Coming From Recruiting People Only
2. No Product
3. Price Too High

Quick Check List

Legitimate MLM

4. Low Membership Fee or Free
5. Free to Buy Any Quantity Products
6. Legitimate Return Policy

Potential Pyramid

4. High Membership Fee
5. Need to Buy Huge Amount Of Products When Entry
6. No Return Policy
(Or Hard to Return the Goods)

Thank You.