

# Multi-Level Marketing and Consumer Protection Seminar

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# World Federation of Direct Selling Associations

- Founded in 1978
- 57 National DSAs comprise membership
- CEO Council

# WFDSA' s Mission Statement

The WFDSA mission is to build understanding and support for direct selling worldwide. The association supports direct selling companies and associations by:

- Developing, maintaining and promoting the highest global standards for responsible and ethical conduct.
- Advocating the industry' s positions and interests with governments, media and key influencers.
- Serving as a trusted global resource for information on direct selling.
- Facilitating interaction among direct selling executives on issues of importance to the industry.

# Direct Selling: A Definition

- The sale of a consumer product or service, in a person-to-person manner, away from a fixed retail location, where the company offers opportunities to an independent contractor salesforce.

# Multilevel Marketing/Network Marketing

- A compensation system within direct selling, where a distributor/salesperson can earn money not only on their own personal sales, and not only on the sales of a person personally recruited, motivated and trained by them, but also on sales of persons recruited, motivated and trained by their personal recruits.

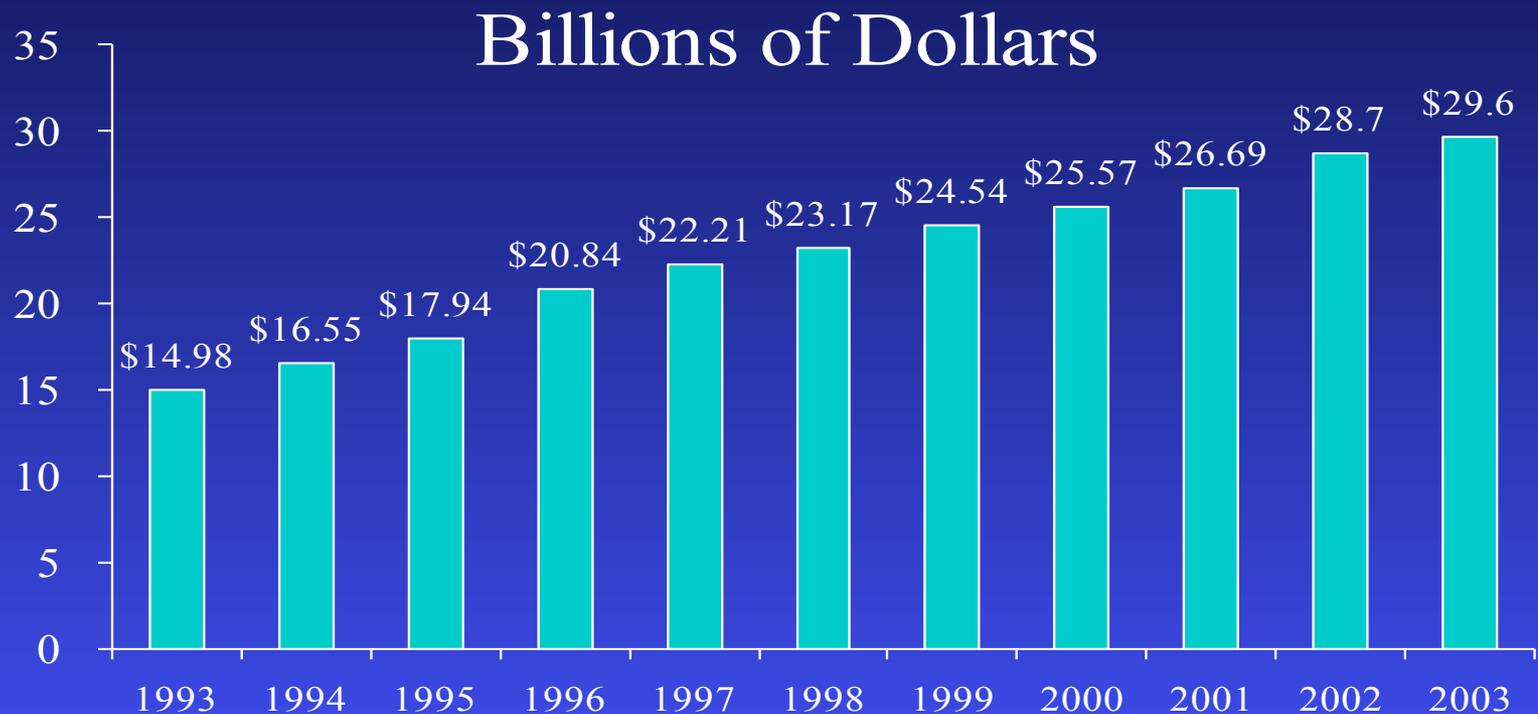
# How to Identify a Pyramid Scheme

- Ask two questions
  1. Do you risk financial loss by joining the company?  
(If yes, be careful. Most direct sales firms do not require or encourage any substantial investments.)

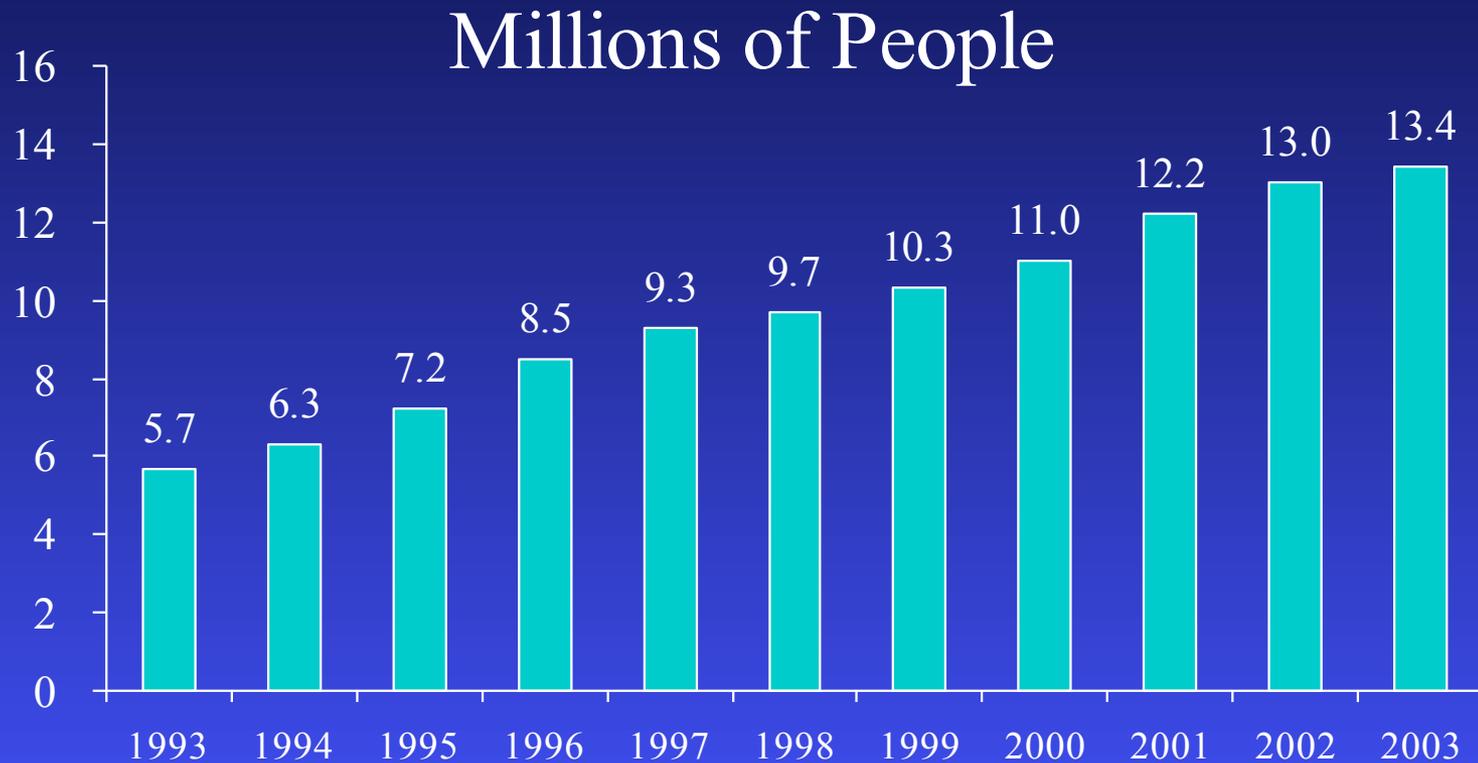
# How to Identify a Pyramid Scheme

- Ask two questions
- 2. Is the money you will earn primarily coming from the sale of the product or service to the ultimate consumer of that product or service?  
(If no, stay away. It is most likely a fraud.)

# U.S. Direct Selling Retail Sales 1993-2003



# U.S. Salesforce Size 1993-2003



# Sales of Asian DSAs

<u>Country</u>	<u>Sales (in U.S.\$)</u>
Hong Kong	\$128 million
India	\$300 million
Indonesia	\$522 million
Japan	\$24.5 billion
Korea	\$4.6 billion
Malaysia	\$1.0 billion
Philippines	\$238 million
Singapore	\$261 million
Taiwan	\$1.3 billion
Thailand	\$800 million

# Salesforces of Asian DSAs

<u>Country</u>	<u>Number of Salespeople</u>
Hong Kong	80,000
India	806,000
Indonesia	4.7 million
Japan	2.0 million
Korea	3.1 million
Malaysia	3.0 million
Philippines	2.0 million
Singapore	315,000
Taiwan	3.2 million
Thailand	4.0 million

# Seven Types of Salespeople

1. Wholesale/Discount Buyers
2. Short-term, Specific Objectives
3. Part-time/Quality of Life Improvement
4. Career
5. Social Contacts
6. Recognition
7. Sharing the Benefits

# Largest Markets/Billion Dollar Club

<u>Country</u>	<u>Sales</u>	<u>Salesforce</u>
United States	\$28.7 billion	13 million
Japan	\$24.5 billion	2 million
South Korea	\$4.6 billion	3 million
Mexico	\$3.1 billion	1.8 million
UK	\$3.1 billion	542,000
France	\$2.9 billion	300,000
Germany	\$2.6 billion	340,000
Italy	\$2.0 billion	260,000
Brazil	\$2.0 billion	1.2 million
Taiwan	\$1.3 billion	3.2 million
Australia	\$1.2 billion	650,000
Argentina	\$1.1 billion	570,000
Malaysia	\$1.0 billion	3 million

# Markets by Salesforce Size/Sales (2002)

<u>Country</u>	<u>Salesforce</u>	<u>Sales</u>
United States	13.0 million	\$28.7 billion
Indonesia	4.8 million	\$522 million
Thailand	3.8 million	\$512 million
Taiwan	3.2 million	\$1.3 billion
South Korea	3.0 million	\$4.6 billion
Malaysia	3.0 million	\$1.0 billion
Japan	2.0 million	\$24.5 billion
Philippines	2.0 million	\$238 million
Mexico	1.8 million	\$3.1 billion
Brazil	1.2 million	\$2.0 billion
Russia	1.1 million	\$501 million

# Major Laws of Direct Selling

- Pyramid schemes
- High pressure sales
- Exaggerated earnings claims
- Unconscionable pricing
- Identification
- Referral Sales
- Privacy
- Misrepresentation/Claims
- Opportunity and products

# General Profile of Direct Salespeople

# Roles of DSAs

- Code of ethics/self regulation
- Work with government
- Work with consumer protection organizations

# Transparency/Integrity/ Cooperation