

How much do you know about direct selling

Contributed by:



Do you smell a rat?

Imagine you paid \$2,000 to join as a member of a certain scheme. If you get others to join your network, you get \$200 per person from the company. To recoup the \$2,000, you are to get 10 persons to join as members or distributors or merchants. Now, you're not going to stop at 10 persons, are you? You're going full force to get 100 people so that you get \$20,000 returns for your "investment" of \$2,000. You hope the music would go on and on and on and not stop at 100 people!

What's wrong with this "investment"? Can you imagine months or years later, more and more people would have joined as members? How do the people who join later recoup their "investment"? They cannot! Period. The whole pyramid scheme will collapse. Over the years, many people in Singapore and other countries fall victim to similar schemes. They had erroneously looked at office appearance, charismatic leadership and promises when it comes to deciding whether to trust a company.

Now, how do you know whether the direct selling company you or your friend are about to join operates an illegal pyramid scheme that will collapse sooner or later? There are unlimited variations to what you read in the above paragraphs. Companies out to fleece people are smart. For example, they will say, pay \$2,000 to join and you get something in return. That something in return is not worth much but was in part of the deal to make you think that you are not

paying just for the membership and rewarded just for recruitment. The variation to this is only limited by the human imagination.

History of direct selling in Singapore

In the 1970s, a global scheme called Holiday Magic attracted thousands of people who wanted to get rich quick to be its merchants or distributors or members. It ended up with them being saddled with products that have few real end users. Some lost life savings. When the music stopped, the pyramid scheme had defrauded people of more than \$250 million worldwide. The Consumers Association of Singapore (CASE) and the media were swamped with complaints about high pressure sales tactics and false promises. CASE advocated a complete ban on MLM. In 1973, the Singapore government banned all forms of multi-level marketing to protect members of the public through the Multi-Level Marketing and Pyramid Selling (Prohibition) Act.

It is against this backdrop that honest companies found themselves having to fight for their livelihood. In 1976, the Direct Selling Association of Singapore (DSAS) was formed by 5 determined and visionary individuals to be the credible voice of legitimate direct selling companies in Singapore. DSAS pushed for amendment to the Act over the years. The progress was slow but the efforts were sincere.

The breakthrough came when the government worked on a pact to sign with the US on free trade, in which the Singapore economy needed to be liberalised. DSAS' Benjamin Tan was invited to be a representative on the task force in the government's review into possible amendments to the 1973 Act. The first amendment was made in 2000, and the second amendment with more satisfying content came into effect on 1 Jan 2002. The Multi-Level Marketing and Pyramid Selling (Excluded Schemes

and Arrangement) Amendment Order allows legitimate direct selling companies (including MLM companies) to operate in Singapore. It was at this point that direct selling really began to move on.

Understanding the present legal environment

Why has the government not been more involved in regulating direct selling? It is our opinion that the government takes a pro-business approach and wants to minimise the cost of doing business for companies. (If the government were to evaluate marketing plans before issuing licenses to direct selling companies, the cost in resources used would have to be passed on to the businesses). Today almost anyone can set up a direct selling company; it costs less than \$100 to register a company with the Accounting and Regulatory Authorities, ACRA. Direct selling companies are allowed to proliferate to promote entrepreneurship.

Entrepreneurship and multi-level marketing are very powerful concepts. As with anything powerful, the potential to do good is tremendous. The potential to do harm is also tremendous when it is in the wrong hands. One can say the direct selling companies and profession is driven by ethics in good companies and conversely the lack of ethics in bad companies. Remember, it's free enterprise out there. It is conceivable that some companies masquerade as legitimate MLM companies when they are actually operating illegal pyramid schemes. It's just that there are dishonest people in retail as there are in a marketing channel. It would be asking too much to expect the government to over-legislate retail or direct selling as marketing channels. So consumer education is vital.

Protecting yourself as a distributor or consumer

So how do you differentiate between legitimate companies and dubious ones? The best way to do this is to join the direct selling company only if the company is a corporate member of the DSAS. Why? DSAS demands that companies meet strict entry requirements when they apply for DSAS corporate membership, and rejects companies which cannot meet its strict standards. Equally important, DSAS sets the highest standards of behaviour beyond what the law prescribes and expects all corporate member companies to adhere to the Code of Ethics and Conduct. The list of DSAS active members can be found at the corporate website www.dsas.org.sg.

What about distributors and consumers who have complaints against non-DSAS companies? DSAS is empowered to enforce its Code of Ethics and Conducts only on its corporate member companies. Therefore DSAS can offer consumer protection only to distributors and consumers of its corporate member companies. The public can view DSAS corporate membership of a direct selling company as a good assurance of its legal and ethical business practices. DSAS works closely with Consumers Association of Singapore (CASE) locally to promote legal and ethical practices in direct selling. DSAS is part of the World Federation of Direct Selling Associations, headquartered in the US, which has established associations in close to 60 countries around the world.

Now that you know a little more about direct selling, wouldn't it be wise to join only the direct selling companies that are corporate member companies of DSAS? For more information, visit www.dsas.org.sg.

