

6 THINGS TO LOOK OUT FOR IN GENUINE DIRECT SELLING COMPANY'S

The direct selling industry is an industry sometimes shrouded by misconceptions. At times, we see people use the words “direct selling” and “pyramid scheme” as if they are one and the same. Certain schemes masquerade or pose as genuine direct selling companies. This makes it difficult at times to distinguish between the two.

Differentiating them, however, is easily possible. Here are some ways you can tell whether the company you are dealing with is a legitimate direct selling company:

1. Genuine direct selling companies pay commissions only for the sale of products

The biggest difference between a genuine direct selling company and an illegal money scheme, is that the former compensates its distributors solely for the sale of its products while the latter pays for the recruitment of new members. Illegal money schemes, generally, put undue focus on encouraging their members to sign up new prospects, and then their prospects, and in turn their members only receive commissions when they have done so.

In contrast, genuine direct selling companies reward their distributors for selling their products, and often provide trainings, business tools and proper guidance to aid their distributors in promoting the company's products and services. They also ensure proper policies and procedures exist in place, and have proper contractual terms drawn up.

2. Genuine direct selling companies do not make unrealistic income guarantees

When something is too good to be true, it probably is. If a scheme offers its members amazing rewards in exchange for zero or minimal work, be wary of enrolling in it. Illegal money schemes are known for exploiting greed to part with money, typically with promises of great wealth in a short amount of time.

In reality, building a network in the direct selling industry is no different from building any other business – it takes relentless hard work, perseverance and determination to be successful. Genuine direct selling companies will not make any guarantee that their distributors can achieve a certain level of income within a certain period, as the financial rewards available under the business are highly dependent on an individual's effort and performance.

3. Genuine direct selling companies offer authentic products and services

Genuine direct selling companies often expend considerable resources into developing their products and services. The products and services offered by direct selling companies are usually proprietary or unique and of superior quality, thereby making them more suitable to be promoted in this manner.

Illegal money schemes, on the other hand, place little to no emphasis on their products and services. They are typically of low market value and are merely provided to create an illusion that the company offers products or services for sale. The prices of these products or services are often disproportionate to their worth, where members are in fact paying a “membership

fee” for enrolling into the scheme rather than for the products. In certain cases, new members may even be required to make a bulk purchase of products or pay exorbitant training fees in order to start their “business”. In other words, front loading is a tactic employed by illegal money schemes.

4. Genuine direct selling companies do not pressurise customers into becoming distributors

Genuine direct selling companies are less concerned about recruiting new distributors and are more for offering their products and services for sale. They will not unnecessarily harass a customer to join their business, as the customer is attracted by their products and services.

This is unlike illegal money schemes, whose primary focus lies in expanding their network of members. Whether a customer actually purchases any product is of little concern, as it is only interested in getting the individual to enrol into the scheme.

5. Genuine direct selling companies have proper code of ethics in place

Genuine direct selling companies have proper rules and regulations in place to ensure that their distributors do not engage in unethical marketing practices. This is crucial to building a sustainable business and enabling the company to continue to flourish. They have proper terms and offer contractual terms in keeping with the laws of a country, including consumer protection and other such relevant provisions.

On the contrary, illegal money schemes do not place much importance on ethics or regulatory compliance, as their business model is premised upon an unsustainable structure. It is also illegal in Singapore to promote or participate in illegal schemes.

Before enrolling into any business or scheme, it is critical that you conduct your own research and background checks into the relevant company to ensure its credibility and legitimacy. In countries where there is a direct selling licensing regime established, be sure to enquire with the relevant authorities to confirm that the company has been properly issued with the necessary licenses.

6. There is an association to deal with direct selling

In certain countries, there may be an association which assists in overseeing and implementing certain systems in connection with direct selling or distributors. In such cases, direct selling companies may join such associations. For instance, in Singapore, the Direct Selling Association of Singapore has been in existence since 1976 to represent the interests of reputable companies involved in direct selling. Further, it maintains independent affiliations and accreditations conducted with the Consumer Association of Singapore which help enhance its credibility.