



For Immediate Release

## **Beware of get-rich-quick schemes warns IDSA**

Jaipur, November 26, 2011,

Expressing concern over the mushrooming of dubious and fraudulent money schemes, Indian Direct Selling Association (IDSA), a self-regulatory body that champions the cause of direct selling sector in India, warns people of Jaipur to beware of companies promising quick money.

**Ms Chavi Hemanth, Secretary General, IDSA** stressed that it is important to present the correct perspective to masses to help them differentiate between legitimate business opportunities and fraudulent pyramid schemes offering overnight riches.

**Ms Chavi Hemanth informed** that fraudulent money circulation schemes operating under the garb of direct selling / multi level marketing opportunities have been duping people; hence we seek and demand a robust regulatory framework to keep such fraudulent companies at bay.

Ms Hemanth informed, “A recent academic report on the **Socio-Economic Impact of the Direct Selling Sector by ICRIER**, brought to light the fact that there is no clear and holistic definition of direct selling in India; as a result, the classification of direct selling is also unclear”.

**Ms Chavi Hemanth, further informed, “The ICRIER academic Report cited that in spite of the large number of regulations, the direct selling in India sector does not have a comprehensive Act as in the case of countries like Singapore, Malaysia while specific coverage under the laws of United Kingdom, certain states of U.S etc. This study found that the Prize Chits and Money Circulation Scheme (Banning) Act, 1978, which is sometimes cited for regulating this sector, is not applicable to direct selling and is outdated”.**

Multilevel Marketing is one of the ways of compensating individuals and groups for selling products and services to end consumers. This system of compensation is prevalent in the direct selling industry worldwide and finds mention in trade and commerce parlance, business dictionaries and recognition in trade legislations enacted by various countries.. This is similar to a typical sales organization where a group of sales persons in different hierarchy get rewarded individually and collectively for achieving the sales targets.

Direct selling is defined by IDSA as a “means of marketing of consumer products/services directly to the consumers, generally in their homes or the homes of others, at their workplace and other places away from permanent retail locations usually through explanation or demonstration of the products by the direct seller.”

Genuine Direct Selling / multi level marketing opportunities have some unique and distinct features which clearly differentiate them from the “schemes” who disguise themselves as similar such opportunities. Some of these distinctive differentiate criteria are:

<b>DIRECT SELLING LEGITIMATE COMPANIES</b>	<b>ILLEGITIMATE FINANCIAL PYRAMIDS</b>
Direct Selling means the marketing of the consumers generally from home or workplace i.e. locations away from permanent retail locations. It is done through explanation & demonstration of the products by a direct seller.	Pyramid Schemes are illegal scams in which people at the bottom of the pyramid pay money to a few people at the top. This is done to advance to top positions and benefit from payments made by other people later on.
They offer genuine business opportunities. It involves quality sales plan of good products at a reasonable cost of entry.	Pyramid schemes involve products which are cheap to produce and have no established market value. New miracle products, exotic cures, mattresses, online surveys are some of these. At unreasonable cost of entry into the company of scheme, it is a major deferent.
The cost of Entry is reasonable.	Cost of entry is extremely high.
Plans are entirely performance based.	No Plan or Pyramid Plan.
Returns are dependent on motivation of the direct seller and come slowly	Returns are easy and quick
Remuneration is based on sale of goods/services	Remuneration is based on recruitment rather than on sales
Recruitment is neither compulsory for continuing business nor for receiving entitlements and commission which is always based on product sale.	Recruitment is mandatory for continuing business and for commission pay outs.
Business is by sale of products. Recruitment is optional.	Commission based on recruitments.
Remuneration to all distributors is through Direct Selling Companies only.	Remuneration or payments is through members. There are negligible pay outs by companies.
Direct Seller joining the business can exit the business within reasonable time. Investment is refunded as per the company provisions in the Initial Contract. Exit policy in place for termination of contract.	No refund or exit policy exists.
Products have 100% buy-back guarantee to ensure protection of end-consumer as per company policy.	Products usually do not have a buy-back policy. Actually they are never meant for the end-consumer or the distributor.

The Indian Direct Selling Association (IDSA) has, as its members 18 reputed global and Indian companies, who follow strict guidelines, with the aim of protecting the consumers and their interest as its priority. 4 Life Trading India; Altos Enterprises Ltd, AMC Cookware (India) Pvt. Ltd; Amway India; Avon Beauty Products India Pvt. Ltd; CNI Enterprises (India) Pvt. Ltd; Daehsan Trading (India) Pvt. Ltd; Elken International India Pvt. Ltd; Herbalife International India Pvt. Ltd; Hindustan Unilever Network; Jaffra Ruchi Cosmetics India Pvt. Ltd; K-Link Healthcare (India) Pvt. Ltd; Mary Kay Cosmetics Pvt. Ltd; Max New York Life Insurance Co. Ltd; Modicare Ltd; Oriflame India Pvt. Ltd; Tupperware India Pvt. Ltd and Tianjin Tianshi India Pvt. Ltd.

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