Chapter VII
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CHAPTER VII
Primary Data: Personal Interviews and Focus Group Discussions (Observations and Conclusions)

7.1 Introduction:
MLM is an important distribution channel emerging in India. With the wave of Liberalization, Privatization and Globalization, it has come to stay in India. India is a very large consumer market for MLM companies. With this new trend, there is more scope and even challenges for MLM to go through. So the researcher felt a need to collect qualitative data also in addition to the quantitative data collected through questionnaires.

The objective of collecting the qualitative data was

- To study attitudes of experts about this emerging trend.
- To get a deeper level of understanding about working of MLM companies through experiences of people who have worked in the system.
- To have a deeper understanding of the working of MLM, Players in MLM – both successful and unsuccessful, as well as victims of MLM.

Interviews and FGDs (Focus Group Discussions) were the best tools available to collect the qualitative data.

This chapter includes

1. **Interviews** of eminent people in the field of marketing and management consultancy and people who are involved in MLM.

2. **Focus Group Discussions (FGDs)** between people who are in MLM companies as distributors/consultants or who are users of the products of MLM companies.

The interviews are classified as under:

1. **Marketing experts:**
   a) Dr. Saravate
   b) Dr. Subhash Bhave
2 **Legal experts:**
   a) Mr. Mane (Registrar of Companies)
   b) Adv. Madhugeeta Sukhatme (Judge of Consumer Court)
   c) Adv. Rounak Shah (Practicing lawyer)
3 **Players in MLM:**
   a) Mr. Anjum Yusuf Shaikh
   b) Mr. Rajesh Agarwal
   c) Mr. Niaz Ahmed Sayyed
   d) Mr. Vinod Goyal
   \[ \text{Successful players} \]
   \[ \text{Unsuccessful players} \]
4 **Trainers of MLM Companies:**
   a) Ms. Rohini Hatangadi
   b) Mr. Manipal
5 **Victims:**
   a) Dr. Goyal (Physician)
   b) Ms. Shanta (House wife)
   c) Mr. Nerkar (Public Relations Officer in MSEB)

**The FGDs are classified as under:**
1) The first group discussion was held among three distributors of Cymbionic and FIC, which are MLM Companies. The aim of this FGD was to probe into the various reasons of the failure of certain MLM Companies and the reactions of people to such failed MLM Companies.

2) The second group discussion consisted of women involved in MLM system. The aim of this FGD was to make an in-depth study of women’s behavior and belief towards MLM.

   The important excerpts of the interviews and group discussions have been given along with the date & place of interview, and details of the person interviewed.

   The observations on the basis of those interviews have also been summarized below each interview and FGD.

In all 14 interviews and 2 FGDs were taken:
Marketing Experts:

7.2 Introduction (Dr. Dilip Saravate-Marketing Expert):

Dr. Dilip Saravate is a well-known management consultant as well as a visiting faculty to management institutions. He has authored many books on Entrepreneurship and Marketing.

Objective of the interview: To know opinions about MLM from a marketing expert. Date: 18th April 2005. Venue: His office on Prabhat Road, Pune. Duration: 40 minutes

Initially, he explained the concept of Direct Marketing, its need and emergence of MLM. His personal views on MLM are as follows:

Researcher: Do you think MLM concept is well accepted in India?
Dr. Saravate: I do not feel that the concept is well accepted in India.

Researcher: Why?
Dr. Saravate: The reasons are:

1) Higher prices: First resistance comes from the consumers why should I pay higher prices when there are equivalent or better products available at cheaper prices?

2) Choice: The consumer does not get a choice. 3) Window shopping: Consumer does not get the pleasure of going out for shopping, which both males and females enjoy. 4) Brand Loyalty: It is psychology of Indian consumer that they are not brand loyal. The Indian consumer is always having that precarious balance between income and expenditure, so they will never be loyal. And then someone has said that, ‘There is no brand loyalty which two cents off cannot buy,’ which means, if one is given a discount of two cents, he will switch over his brand. Loyalty depends on several factors i.e.; consistent availability, consistency in quality, price and competitiveness. If these 3 things are not there, Indian consumer or any consumer in the world never remains loyal.
Observations:
To reach a large number of consumers, the concept of MLM came into being. But it has failed miserably in India because of 4 reasons:

a) Higher prices of MLM products than non-MLM products.
b) Limited choice of products offered by MLM Companies (lack of variety).
c) Absence of window shopping.
d) Psychology of Indian customers. They are more price conscious than brand conscious.

Conclusions:
a) MLM does not provide OTS (Opportunity to see) for wide choice.
b) General perception of the people is that prices are higher. These factors have come in the way of success of MLM.

7.3 Introduction (Dr. Subhash Bhave- Marketing Expert):

Dr. Subhash Bhave is presently the Director of MANTRA [Management Training and Research Academy]

Objective of the interview: To know opinions of a management expert on MLM  Date 23rd May 2005 Duration 20 minutes

Venue His residence at Bhandarkar Road, Pune -04

The excerpts of the interview are as follows

Researcher: What is your view about the present scenario of MLM? What do you feel about it?

Dr. Bhave: It is a chain operation

a] If the chain breaks the distributors at the lower level, except the promoters, lose money

b] Consumers do not have a variety of products to choose from in MLM Companies From the consumers point of view, I feel it is not a profitable business and not a healthy system
Researcher: But, from the consumers point of view, he is getting an additional source of income by participating in MLM. What do you think about it?

Dr. Bhave: ‘At What cost?’ they are getting an opportunity to earn. Take a product ‘Hamam’, soap bar, which you get at Rs. 11 outside. At what price it would be sold by these MLM Companies.

Researcher: Would you buy a product if anyone approaches you with a brochure, or would you like to see the product physically?

Dr. Bhave: As far as I am concerned, I don’t think I will be going for such products. If I purchase a product from outside I may get 20 different brands to choose from, like for e.g.: I go to Food world. For industrial products, these brochures are good.

Observations:

a) The MLM Companies do not provide a variety of products and opportunity to see the products. This is the most important drawback from the consumers’ point of view.

b) MLM distributors, generally, show the brochures and sometimes samples to take an order. Placing orders by seeing brochures is good for industrial products, but for consumer goods, still a large percentage of Indian people want to physically see the goods and then buy it.

c) If the chain breaks, lower level distributors lose money.

Conclusions:

a) People have apprehension about MLM products and hesitate to buy as prices are higher and variety is not available.

b) Lower level distributor suffer disadvantage in case the chain breaks.
Legal Experts:

7.4 Introduction (Mr. Mane – Registrar of Companies):

Mr. Mane is the Registrar of Companies, Pune.

Date: 14th June 2005 Duration: 10 minutes.

Venue: Registrar of Companies office at Deccan, Pune.

Objective of interview: To understand the MLM scenario in Pune with regard to the registration of the MLM companies.

The excerpts of it are as follows:

Researcher: Are MLM Companies being registered in Pune?

Mr. Mane: We are cautious registering MLM Companies in Pune. There have been a number of fraud cases in MLM Companies. There was a debate on this issue in the Lok Sabha. Genuine MLM Companies are either nil or very few. So to stop the fraudulent practices of ingenuine MLM Companies, we discourage the registration of MLM companies.

Researcher: Did you receive certain written instructions, on the basis of which, you refuse the registration of the MLM Companies?

Mr. Mane: No, we don’t have any written instructions for that. It is just an oral assurance. If some MLM Company comes for registration, we refuse it. If any of those Companies will challenge us in the High Court, then may be a separate instruction or legislation may come into existence for the same.

Observations:

1) The existence of MLM companies has been discussed in the Parliament, which has made the ROC to be cautious while registering the MLM companies.

2) There are many MLM companies, which are being registered in other states and they operate in Pune.

Conclusions:
1) There is no written instruction or law to monitor the registration of MLM companies.
2) Due to the fraudulent practices of ingenuine MLM companies, even the genuine MLM companies have to suffer.

7.5 Introduction (Adv. Sukhatme-Judge of Consumer Court):

Adv. Mrs. Madhugeeta M. Sukhatme is the judge of District Consumer Forum, Pune.

Objective of the interview: To study opinions of the legal experts about MLM in India and the remedies which a person can seek under Consumer Protection Act for the redressal of his grievances. Date: 23rd June, 2005

Duration: 40 minutes. Venue: Her residence in Model Colony, Pune.

The excerpts of it are as follows:

Researcher: In India, there is no special legislation for MLM, whereas in countries like America, there are special legislation for MLM?

Adv. Madhugeeta: We cannot compare the India MLM scheme with the US MLM. The reason is firstly, India is not an industrialized country like US. Secondly we are not developed like US. We are following their plan but verbally not in action. If an American Company is sued in USA, thousands of dollars are paid as compensation. This does not happen in India because we are in a seller's market.

They follow the concept of 'product liability' which we cannot. There are stringent laws in USA. In India too, there as laws but the operational law is different and the code is different. We are having written constitution in India but our codified laws are not enforced properly, because our democracy though is at an age of 50 years, still is infant,
since 70% of people are illiterate.

Researcher: In MLM, the consumer himself is the distributor, then how can he take the help of Consumer Protection Act for redressal of his grievances?

Adv. Madhugeeta: It is a chain. Here, one day the person is a consumer, the other day, he is a seller. In that way, when we have to fix his liability, we have to go right from the root to the end. That is the last person who is the sufferer is the consumer, at the same time the person who has started the scheme is to be really liable for the damages. For any suit, there are two things, one who files a suit, and the other is against whom it is filed. In MLM, all the people involved should be made a party and the person who has started the scheme is to be really liable for the damages.

Eg: A bought the scheme from B, B from C, C from D and D has bought it from the originator company X, So A can sue Co. X and B, C, D will be made party to it.

Researcher: Do you come across such cases of MLM in your court?


Researcher: So what can be done to stop people from falling prey to such schemes and what is the role of Consumer Protection Act in such case?

Adv. Madhugeeta: Alertness and Awareness. One should be very alert while buying any commodity or service. If one is not aware of his rights, the other party may cheat you. The person joining any MLM Company should be aware about the Consumer Protection Act. The Supreme Court of India has declared that this law is not in derivation of the existing law. So, even if one gets a certain remedy out of that law and he feels that consumer protection Act is overriding that law, then Consumer Protection Act has the right to override that law.
In a number of cases it is seen that one may have 3-4 remedies, he will still go to consumer court for quick remedy.

Researcher: So, you believe there is no need of a separate legislation for MLM.

Adv. Madhugeeta: Yes, There is no need of a separate legislation, only there should be more of awareness about it among the people.

Observations:

a) Indians have adopted the concept of MLM from America but still the Indian MLM cannot be compared with American, since India is not an industrialized country like USA.

b) USA follows the concept of product liability which is absent in India.

c) America has separate legislation to regulate MLM, India does not have any. There is no need of a separate legislation for MLM in India, since Consumer Protection Act overrides all other Acts. To get redressal under this Act, the consumers must be made aware of their rights.

Conclusions:

a) Adopting the concept in part, not in total i.e. without checks and balances has proved detrimental to the interest of distributors, customers, genuine MLM companies.

b) Consumers need to be made aware of their rights while buying products or joining MLM.


Adv. Rounak Shah is an advocate.

Aim of the interview: To collect information about the remedies, which a person can seek if cheated by any MLM Company.

Date: 5th July 2005. Venue: His office at Pune. Duration: 30 minutes.
The excerpts of the interview are as follows:

Researcher: What remedies can a person seek if he is cheated by any MLM Company?

Adv. Rounak: He can basically seek 2 remedies:

First Remedy:

If he is falling under the definition of consumer under the Consumer Protection Act, only then he can approach the consumer court. The Consumer Court can be approached in two situations/cases.

i) Either there should be a deficiency in service

ii) or, there should be a defect in product [i.e. manufacturing defect].

a) If the claim is below Rs. 20, 00,000 he can approach consumer court at district level, CDSR, which is in Pune.

b) If the claim is more than Rs 20, 00,000 but less than Rs. 1 crore, he can approach the State Commission which is in Mumbai, in case of Maharashtra.

c) If the claim is above Rs. 1 crore, then he can approach the national commission which is at Delhi.

II. Second Remedy:

One can file a criminal complaint, a strong source of punishing someone who has committed fraud in public at large. It is not needed that the person/victim has to go and file a complaint; any other person can also file a complaint on behalf of him.

Such complaint can be filed under Indian Penal Code, under the following sections:

Sec 23 – for wrongful gains
Sec 34 – acts done by several persons in furtherance of common intention
Sec 120 a – criminal conspiracy
Sec 405 – criminal breach of trust
Sec 415 – cheating
Sec 420 – cheating and dishonestly inducing delivery of property

These two remedies will be effective in case of any fraud done by an MLM Company. In case, if an MLM Company is only in the act of defrauding people, then the Government may even appoint a liquidator to shutdown the company after a 'winding petition' is filed by the public. The liquidator of the high court takes the possession of the assets of the company.

So, once the properties are attached with the liquidator, their directors, the employees of the company cannot deal with the property, they cannot transfer, they cannot eliminate, they can’t do anything with the property, since it is in the possession of the liquidator of High Court.

The assets that are attached with the High court will be used to recover money to give it back to the public, and the people who have approached the high court will get their money back.

**Observations:**
a) If a person gets cheated by a MLM company (genuine or in genuine), he can seek remedy under two conditions. Firstly, if there is a deficiency or defect of product, he can opt for Consumer Protection Act. Secondly, if he is defrauded by the MLM Company, he can opt for Indian Penal Code.

b) There are general remedies. Special remedies for MLM do not exist.

**Conclusion:** There are no specific legal provisions seeking relief against malpractices due to use/misuse of the concept of MLM.
Players In MLM:

7.7 Introduction (Mr. Anjum Shaikh- Player in MLM- Successful):

Mr. Anjum Yusuf Shaikh, age 35 years is an Automobile Engineer and at present working full-time for an MLM Company named INWAYY SHOPPE PVT. LTD. as a coordinator and senior leader.

Objective: To get an insight into the practical aspects of working of MLM.
Date: 7th May 2005 Duration: 40 minutes Venue: Office at Kasarwadi, Pune. The details of the interview are as follows:

Researcher: How and why did you come into MLM?
Mr. Anjum: First of all, I have come into MLM ‘Not by Chance, but by Choice’ because I have always felt that the amount of money which I will be able to make through Multilevel Marketing won’t be possible through any other form of business. My main objective was earning money but at the same time upliftment of the common people. If common people want to start a business they are not able to do so because it requires a huge investment. But, in MLM generally a small amount is enough to start a business.

Researcher: What kind of experience you had in Network Marketing?
Mr. Anjum: Network Marketing is not an easy job. People feel that once they join network marketing, they will start earning money. But, it is not that way. You have to put in your efforts. At the same time, you have to put efforts towards educating your downline how to generate business if you want to earn a certain amount of money. Huge amount of money is involved in MLM. One cannot even dream that he/she can earn this
big amount of money in MLM. I am earning quite decently through MLM.

**Researcher:** That means that your experience is quite good in Inway. But before joining Inway; you have joined some other MLM companies [Dale & FIC] how was your experience in those MLM companies?

**Mr. Anjum:** The first MLM company, I joined was Dale Research, I found that the concept there was not product based but it was a pure money rolling concept, which is actually not legal. I felt cheated in Dale because for Rs 4300, what they were giving was a simple CD which comes for Rs 15 in the market. So this cannot be called as MLM but only a money rolling concept.

**Researcher:** You said that Dale was not product based but FIC [Free India Concepts] was a product based MLM Company, but still you were not successful in it. Why?

**Mr. Anjum:** FIC was a product based company, but the plan was different. It had a matrix plan. In networking, we have certain types of plan like

1. Generation Plan
2. Binary Plan
3. Matrix Plan
4. 3*3 Plans

Generation Plan is a very slow income plan. Matrix Plan is a difficult Plan whereas; Binary Plan is a very easy plan. In Inway, we have a combination of generation as well as Binary plan, which gives better results.

**Researcher:** So this means that selection of a plan also makes a lot of difference in the success of an MLM company.

**Mr. Anjum:** It is a very important part. But basically the success of any MLM company depends on:
1 the product of the company
2 the plan [Compensation Plan] of the company
3 the profile of the company
4 the promoters of the company

Researcher: Do you feel that MLM has scope in future in India?

Mr. Anjum: Yes, Fantastic.

All the companies in the World are trying to reach the people through different channels. Even companies like HLL have come into the field of MLM. They have themselves ventured into MLM with ‘AVIANCE’. Infact, in future all big companies will be doing MLM as it is a good distribution channel to reach such a large population in India, which also gives an opportunity to the consumer, to earn some money in the purchase procedure.

It will work very well in India in future also.

Researcher: In most of the opportunity meetings, we find that prospects are shown cheques of amounts by high flying speakers though they are not real many times what do you think about this?

Mr. Anjum: In many networking companies, this happens but prospects can always ask for their geneology for cross reference. There is nothing like cheating in this business. Everything is open, if the product and plan is fantastic, it will speak and not the cheques.

Researcher: Would you like to give any suggestions to improve the MLM system in India?

Mr. Anjum: In MLM, Education and training is very important. Companies like Amway, the pioneer and the best in MLM are earning in crores because they impart good education and training to their networkers. Education and Training is a must.
These are certain cases of some MLM companies which raised a question on the authenticity of MLM and the cases were taken to High Court. But High Court itself has given a green signal to it. But, still, generating a special law for MLM companies is a must since people will just go on joining without going into the details of the MLM Company and get cheated by the money rolling schemes. Because of this, even genuine MLM Companies will lose their goodwill.

**Observations:**

a) The success of a MLM Company depends upon the product, plan, profile and promoters of the company. If the MLM Company has a strong product base and a good plan, it will definitely succeed. It provides good income opportunities to hard working people.

b) Education and training of the distributors is very important for its success.

c) MLM has a good scope in India that is very well proved, as companies like HLL and Dabur has also come into the field of MLM.

d) People who have worked with MLM for a substantial period feel need for special legal provisions.

**Conclusions:**

a) Scope of MLM is increasing as companies using conventional channels of distribution have started using it as an additional tool.

b) Products, promoters, plan determine success.

c) Education and training of distributors play important role in making MLM successful.

d) Regulatory frame work is required to help in checking the fraudulent tendencies.
7.8 Introduction (Mr. Rajesh Agarwal- Player in MLM - Sucessful):

Mr. Rajesh Agarwal, age 35 years, is a Computer Engineer. He is the proprietor of Agarwal Cement Pipes Factory, Proprietor of Ranbit Computers and Director of Agrasen Nagri Sahakari Path Sanstha, Khadki.

Mr. Rajesh Agarwal was a distributor in an MLM company, named Versatile dealing in Computer Services. 

Objective: To get an insight into the practical aspects of working of MLM.
Date: 10th May 2005 Duration: 50 minutes. Venue: His office in the cement pipes factory in Talavade, Pune [near Pradhikaran]

The details of the interview are as follows:

Researcher: What is the scenario of Multilevel Marketing in India?
Mr. Rajesh: MLM has failed in India because Indian mentality cannot accept the things which require inputs from a person to achieve something. The basic obstacle with the Indian mind is that it fears change. It cannot accept any positive change made by an individual, agency, society, or government. So, it is not a failure of MLM in India but it is a failure of Indian People to accept it. As far as the MLM Companies are concerned, they introduced the plans by looking at people’s mind that they required something very lucrative. These plans were away from sustainability. This is the first fault of the company.

The second problem is that if the chain is too long, the company cannot pay its members and the company collapses. The third problem is that in a MLM company, there are 20% people who actually work whereas 80% people are just interested in earning money through the work
of the 20% people. Basically, these 80% people have joined MLM Company because they have been told that they don’t have to work, just join an MLM company and start earning. It is impossible to get a means of earning without putting efforts. Any organization with such kind of attitude cannot grow. The fourth problem with MLM in India is that the Indians don’t understand the concept of MLM. When MLM is there, the distribution chain is cut short, and thus the prices are not hiked due to distribution cost.

**Researcher:** So you want to say that due to MLM, there is no increase in distribution costs whereas the prices of products sold through MLM are found to be higher?

**Mr. Rajesh:** When a manufacturing company comes into MLM, distribution costs are reduced. But, when a trading company comes into MLM, the cost advantage is gone.

**Researcher:** It is seen that to distribute the commission to more number of distributors, the prices of products sold through MLM are hiked. What do you think about it?

**Mr. Rajesh:** Actually in conventional distribution, the 20% margin of profit is distributed among 6 intermediaries, but in MLM this 20% is distributed among 20 people. Here, if we give even 1% to each one of them, they will be satisfied. There is actually no need of any price hiking. But, it is not done strategically, which results in high prices.

**Researcher:** What would you suggest to avoid frauds in MLM?

**Mr. Rajesh:** There is no fraud as such in MLM. Till today, all the MLM companies that have closed down have closed down only because of losses. The expense at company level are so huge and irrational that after a particular stage, these companies have less of output and more of input and the company directors have never thought of such
contingencies. Theoretically, they have made a plan, that a certain amount will come and a certain amount will be distributed. But, after a certain period, when the number of people increases, the distribution of commissions becomes difficult. Then they incur losses and close down.

Government has to intervene to regulate it because privately it cannot be regulated. There should be authorities like IRDA to control and regulate MLM in India. Certain norms and conditions should be laid before registering those MLM companies. Certain laws should also be made specifically for MLM because at present anybody can register under companies Act 1956, and start a MLM Company, which is not in the public interest.

**Observations:**

MLM Companies collapse because of their certain problems:

- Compensation plans are made without thinking about their sustainability, or considering contingencies or problem, due to increased number of distributors.
- There is absence of regulatory authority, so there are no checks (like entry barriers) on MLM.
- There is no separate Act or provisions in other Acts governing MLM. This gives rise to fraudulent tendencies and is affecting public interest.
- Only manufacturers should come in MLM so that goods can directly reach the consumers from manufacturers.

**Conclusions:**

Absence of regulatory authority or specific legal provisions has given rise to fraudulent tendencies in MLM.
7.9 Introduction (Mr. Niaz Sayyed – Player in MLM - Unsuccessful):

Mr. Niaz Ahmed Sayyed, age 53 years, is working with Bharat Petroleum. He has been a distributor of several MLM companies since 1998. In fact, he is one of the first distributors who participated in the MLM wave in Pune.

He had been the distributor of many MLM companies like Amway, Modicare, Oriflame, Indus, Del, Swadeshi, Samrudha Bharat, Versatile, RCM, Mascot, Link etc. Date: 6th June 2005

Duration: 60 minutes

Venue: His residence in Sevanagar, Dapodi, Pune-411012

Objective of the interview: To get an insight into the different aims & experiences of a person joining such a large number of MLM companies.

This interview was very important since it provided many important suggestions to the MLM companies on how they can improvise their system and thus benefit the consumer.

The excerpts of the interview are as follows:

Researcher: You have been in MLM since 7 years, from 1998, what was your experience about the products of MLM Companies, regarding quality and price?

Mr. Niaz: Quality of the product was good but not cost-effective, according to my experience. I have tried products of Amway, Oriflame, Modicare, the quality is good but the rates are high as compared to quality. After that I joined Swadeshi in 1999. In fact, I was one of the first members of Swadeshi in Pune. Swadeshi started operating on 14th Feb 1999 and I joined on 25th Feb 1999. I thought that all the products of this company are Indian products, then why should we buy products from Amway and other foreign companies. This attracted me more towards Swadeshi.
These were product-based companies but there were MLM Companies like DALE which gave an educational C. D. Rom along with some Web-space on joining which was of no use to me.

**Researcher:** Then why did you join those MLM Company when the products [C. D. Rom and web-space] were of no use to you?

**Mr. Niaz:** I joined all MLM Companies as business opportunity seeing its compensation plans & not the products.

**Researcher:** When you explain the concept of MLM to prospective clients, what is their reaction?

**Mr. Niaz:** In around 100 people, 80 say ‘**NO**’, 10-18 say that we will think about it, and one person would join in. The people, who buy products of MLM Companies from me, also say that the products are quite expensive, so there are very less re-purchases.

**Researcher:** Are you satisfied with the income from MLM Companies?

**Mr. Niaz:** Yes. Cheques used to come at regular basis on the work you do. Whatever small amount I used to get, I was happy with that since I knew the business was going to grow bigger.

**Researcher:** Then why did you leave MLM?

**Mr. Niaz:** I joined many MLM Companies. I worked in many of them with all my sincere efforts. But, still I was not reaching a particular level. So I thought may be I am not putting my best efforts in it, I am going wrong somewhere.

There are a couple of my friends who have reached prominent level in ‘Amway’ like Sapphire and have now left the business. In the business meetings it is shown that the amount these people receive from this business amount to
Rs. 40-50 thousand. When I asked the reason for leaving this business, they said that their downlines didn’t buy much products since they were very expensive which led to the downfall. I was shocked to see that those who have attained such high income levels; even they have left the business. When I saw this, I also decided to leave.

**Researcher:** Besides money, was there any other reason of joining MLM?

**Mr. Niaz:** No, money was the only reason of joining this business, I was told that I could earn Rs. 40-50 thousand with a small investment, I was attracted towards it.

**Researcher:** Was your aim fulfilled?

**Mr. Niaz:** No.

**Researcher:** What are the problems in this business?

**Mr. Niaz:** There are many hidden costs apart from the initial investment. One has to contact 50-100 people on phone which will make enormous phone bills. Then one has to take people to the business opportunity meetings, which will incur conveyance expenses. Then it is said that you have to spend 2-3 hours everyday which is enough i.e. just like a part-time business. But this not true. One has to spend a lot of time in this business.

**Researcher:** Any bad experiences in MLM?

**Mr. Niaz:** Inspite of my efforts, Swadeshi didn’t send one of my cheques. I was very frustrated with that.

**Researcher:** Out of those 10-12 MLM Companies, you have joined from how many of them did you recover your initial investment?

**Mr. Niaz:** I recovered my investment from all of them except 2 companies, Indus Health Services [Rs. 9000] and Versatile
[Rs. 6500]. I got attracted towards them due to their lucrative compensation plans.

**Researcher: Any suggestion to improve the MLM system?**

**Mr. Niaz:** The overall concept of MLM is very good, but the products are quite expensive. The MLM Companies claim that they don’t advertise rather they distribute this money among their members. If that is the case then why can’t the MLM Companies reduce the price of their products for example: Products like ‘Colgate’ which advertise in almost every channel, still manages to keep the price of their products ‘low’.

The MLM Companies also claim that we do not have the wholesaler, retailer i.e. middlemen, so the money saved is distributed among the members. And if it is so, then why do they sell the products more expensive than the products in the market.

I want to suggest the MLM Companies to sell their products at the same price and better quality as compared to the products sold in the market. This would make the customer buy the product and also give him an opportunity to earn profit from the sale.

**Researcher: If someone approaches you, now, with an MLM plan, would you join?**

**Mr. Niaz:** Yes, definitely if it has all the features as I have mentioned and also a small initial investment.

**Researcher: Do you think there is scope for MLM in future in India?**

**Mr. Niaz:** MLM has a good future in India. There is a huge population in India. There is no qualification required for his business. There is no retirement age. One can do the MLM in any part of the country. All these features of MLM have provided it a tremendous scope in India.
Observations:

a) MLM provides satisfactory additional income to its distributors.

b) Low initial investment is recovered fast leading to satisfaction.

c) The assurance that MLM provides high income opportunities is not found true by most of the distributors. MLM requires much time of the distributors and the saying that it can be done part time or no-time is not true.

d) Distributors and customers find prices of MLM products higher.

e) MLM provides a good employment opportunity to people in a country like India.

f) Most of the times, distributors recover their initial investment from the MLM Companies. But they have to face certain bad experiences from the company’s side.

Conclusions:

a) People find prices of MLM products higher.

b) MLM provides a good opportunity to earn additional income.

c) Distributors recover their initial investment, if it is low.

d) MLM Companies need to rethink about price mix, if they want to be successful in India.

7.10 Introduction (Mr. Vinod Goyal- Player in MLM -Unsuccessful):

Mr. Vinod Goyal, age 39 years, is a proprietor of Goyal Provision Stores, in Dapodi. He was a distributor of Japan Life and Versatile. He left those companies with in a period of 2-3 months after joining the companies.

Objective of the interview: To study the experiences of people who have left MLM and the different reasons of dissatisfaction about MLM.

Date: 24th May 2005. Duration: 60 minutes.

Venue: His residence in Dapodi.

The excerpts of the interview are as follows:
Researcher: How did you join Japan Life, an MLM Company with a huge investment of Rs. 75000?

Mr. Vinod: My friend took me to a presentation, which was very effective. Conceptually, the business was very attractive and right. Since the product was expensive, the returns were also very high. Seeing such high returns, and fast growth, any normal Indian will get attracted. I though that within a time period, every person in this world will be involved in MLM, so I joined with the aim of ‘getting returns in a short period’.

Researcher: What was your experience after joining?

Mr. Vinod: I realized I made a wrong decision. I took a couple of my friends to the presentation. They got motivated in the presentation one of them said, it is magic, but after some time the motivation faded down when one comes into the real world, and then they did not join. The thing that irritated and made me doubtful was that my upline telling me that do not discuss about the business outside the presentation hall, which may lead to confusion and wrong information as many people do not know about this concept. But if the business is so genuine, why shouldn’t it be discussed outside.

After I took a couple of people to the presentation, I got to know that it is not that easy as it seems, due to the heavy investment. My confidence broke; I got to know the reality. I realized that, when a person like me who has so many contacts, cannot do this business, then my friends who are joining would have a hard time. It was against my conscience, if people would be fooled into the business, seeing the lucrative presentation and later I may not be able to help them. The person should not repent later, for joining
the business, and in his or her subconscious mind they shouldn't have a feeling that why did they ever listened to me. I realized that even if a single person would have joined because of me, I would not have forgiven myself. After that I never took a person to that presentation.

**Researcher:** What product did Versatile provide you?

**Mr. Vinod:** One gets a webspace of 300-400 MB on the internet, a computer course and a digital diary. Many people don't know what is internet, what will they do with the webspace. Many people don't even know the use of a digital diary.

When a person doesn't even know the use of a product, it is useless for him. Even the computer course, they provided was substandard. So, versatile was actually selling a business opportunity and not a product.

**Researcher:** What is your view about the concept “Multi-level marketing”?

**Mr. Vinod:** MLM is a good concept, but it went in wrong hands. There is no strict law on MLM companies that is the reason many frauds are taking place. Due to such frauds, a person may loose faith in the other person and the MLM system also. My credibility goes down in the market if I join a MLM company which collapses. For e.g. If a person has lost Rs 2000 in a MLM company because I have introduced him to that company, then later if I go with a project of Rs 200 also, he
will not be ready to join me. If the Government does not do something to regulate these MLM companies there would be many negative effects on the economy due to this.

**Researcher:** Would you like to join another MLM company?

**Mr. Vinod:** No, I would not.

**Researcher:** Even if there are genuine products?

**Mr. Vinod:** If the investment is low say Rs 1000 or something and the products are worth at least 80% of it, then I may think of joining it.

**Researcher:** Are there any future prospects for MLM in India?

**Mr. Vinod:** I am very positive about the concept of MLM but the way the MLM companies are working in India, trust is lost between individuals. After joining Japan life, I realized that MLM will expand at a tremendous rate, but if it is not handled properly, it would have negative effects. If regulated by the Government, MLM will work successfully in India.

**Researcher:** Any suggestions to improve MLM system in India?

**Mr. Vinod:** 1) Before recruiting a person as a distributor in a MLM Company, he should be thoroughly scrutinized to check that does he have the potential to carry on this business, which is very important because later if he does not perform, the chain will break. So, you will have to do the filtering to find the best persons for MLM.

2) There are a number of rules and regulations about the MLM Company given in the prospectus of the company, which a beginner usually doesn’t read. These rules and regulations declare that the company is not responsible for any individual who joins in as a distributor. This protects the company from other litigations. Government should form strict rules and regulations for MLM Companies, so that in future people should not be hooked by any lucrative offers and then suffer losses.
Observations:

a) Inspite of having bad experiences, the overall opinion of people about the concept of MLM is positive.

b) MLM Companies do not try to find out the selling potential of a person. They want to collect whatever money they can in a short span.

c) Many MLM Companies organize very attractive opportunity meetings, making lucrative offers of earning high income within a very short period of time. The prospect is made to think only about the geometrical progression of the income and he ignores the other dependent factors. This leads him into making huge investment which is not worth the value.

d) Some MLM Companies camouflage their pyramid schemes by offering a product/service like computer course or a web space which are not used by common people.

e) There is no legal provision or authority to check MLM entry, products, investment schemes, etc. so the concept is manipulated.

f) A product may not become successful in India, even though it had been successful in other countries. MLM product to be successful should have certain attributes like mass market appeal, capacity to satisfy a specific need and should satisfy price expectations.

Conclusions:

a) Impressive opportunity meeting is a common method of luring prospects into MLM.

b) Distributors get manipulated in the absence of controlling authority.

c) People fail to exercise adequate caution or even common sense when it comes to earning easily huge and quick income.

d) There is lack of awareness among people about MLM.
e) There is a need for MLM to filter distributors before recruiting them.

**Interviews Of Trainers In MLM Companies:**

7.11 Introduction (Mrs. Swati Hatangadi- Trainer in MLM):

*Mrs. Swati Krishna Hatangdi,* is an Associate Manager (Training) in Amway. She has come to Pune from Mumbai, to impart training at the Amway office in Wakdewadi. She is with Amway since 8 years.

Preventive health-care is growing at a frenzied pace. The nutrition and wellness category (protein powder health supplements) contributed over 35% of the MLM industry turnover. (ref: Economic Times, 24th Aug, 2005, pp 14). There are many MLM companies which typically sell vitamin supplements, weight loss formulae, or herbal remedies. Hundreds of thousands of people are selling those health products as “independent distributors”. But whether they are capable to judge whether the customer needs supplements or medical care is questionable. Consumption of these supplements without doctor’s advice can prove dangerous. Therefore this training activity was specially studied.

**Objective of the interview:** To find out whether the distributors really become capable to judge whether the customers need supplements or medical care, after they are given the training. Date: 3rd July 2005 Duration: 20 minutes. Venue: Training room, office of Amway in Wakdewadi, Pune. The details of the interview are as follows:

**Researcher:** After the training is given, does the distributor become capable to judge whether the customer needs supplement or medical care?
Ms Swati: In the training sessions, we have always specified that our products are just supplements. They are not replacements, so there is no question of replacing medical care for it. This is the population of people consisting of healthy people and people who are unhealthy (patients).

Our market is not the patients’ section because they need medical care. Our market is the section of healthy people [or people who at least think they are healthy]. The healthy people would like to have a proper content of vitamins and minerals in their body which they are not able to get from their diet. So we provide them with those supplements. These are called supplements because they have to be taking along with your regular diet. It cannot replace your diet or even the medicines. In the training, we also prescribe the normal level of dose to be taken that is just enough for a balanced diet. So there is no question of any side-effects also.

Researcher: Does your training encourage self-medication?

Ms. Swati: No, since these supplements are not taken for any kind of ailments, there is no question of self-medication. Once again I will clarify that these are supplements and not replacements. So
they cannot replace any kind of medicines or diet. These supplements just fulfill the need of vitamins & minerals in our body which we don’t get from our daily diet.

In practice, it happens that distributors may prescribe these supplements to their consumers in their ailments, but then that is what we teach in our training sessions that these supplements are not medicines and patients are not our target market. This awareness is very important which is created only in the training sessions. There are many people who don’t even know what are the basic nutrients required by our body and in what ways we can fulfill those needs. So we create awareness about all such requirements and help them in leading a healthy life.

We give them information not only about the nutrients in the supplements but also about the other natural sources from where they can get those nutrients. We don’t even talk about our competitors in those training sessions. Our aim is to create awareness through those training sessions. This awareness helps the distributors and even customers to lead a healthy life.

**Observations:**

a) **MLM dealing in health products try to hammer on distributors its substitute value. However there is no control on how to sell, how much and to whom they sell.**

b) **Any educational qualification for distributors of these products is not prescribed.**

c) **MLM Companies dealing in health care products are promoting indiscriminate use of these products without any medical advice. In the long run there may be some bad effects on health of people.**

**Conclusions:**

a) **MLM Companies of health care products do give training to distributors but there is no control over the actual sales.**
b) Companies dealing in health products do not insist on even some basic medical or para-medical qualification of distributors.

c) Indiscriminate use of such products, without having proper knowledge, can create health problems in the long run.

7.12 Introduction (Mr. Manipal- Trainer in MLM):

Mr. Manipal, age 45 yrs, is a trainer in corporate sector and also in a MLM Company, Conibio. He is from Kerala and has been in Pune for a training session and presentation of Conibio.

Objective of the interview: To get an insight into the negative side of MLM from the people working in it.

The excerpts of the interview are as follows:

Researcher: What is your view about the negative attitude created amongst people towards MLM Companies?

Mr. Manipal: You won’t find any sector in an economy where there are no criminals or frauds. Any business sector or political or government sector you come across, you will find bad people in it. MLM is no exception to this. There are many pyramid schemes that project themselves as genuine MLM Companies. Due to the unethical practices of those pyramid schemes, people have developed a negative attitude towards MLM Companies.

Researcher: How can people differentiate between a genuine MLM Company and a Pyramid Scheme?

Mr. Manipal: There are certain features of genuine MLM Companies. The very first important feature is that, to buy a product of a particular MLM Company, you need not become a member (distributor) of the Company. One can buy it from any other
distributor. But, in a pyramid scheme, a person has to become a member (distributor) to buy the products of that company. Infact, the purpose, here, is only recruitment of more and more members, to create business and vanish off with the money overnight.

The second feature is that a genuine MLM Company offers a consumable product, whereas generally in a fraud MLM Company [Pyramid Scheme], there is no product but only money rolling is involved.

The third feature is that a genuine MLM Company has a moderate joining amount [say maximum Rs. 5000] whereas, in fraud MLM Companies [Pyramid Schemes], a very large sum of joining fees is involved.

Thus, people should be made aware of all these features and they can save themselves from fraud MLM Companies.

**Observations:**
Frauds and unethical practices take place in MLM due to unawareness among people about a genuine MLM Company.

**Conclusion:**
The three main features of a genuine MLM Company are:

- No emphasis on recruitment
- Substantial product
- Low entry barrier [joining fees]

**Interviews Of Victims:**

7.13 Introduction (Dr. Goyal- Victim of MLM):

Dr. Goyal, age 35 years, is a Physician [B.H.M.S.] He was a member of an MLM Company, Indus Health Services Pvt, Ltd. This MLM Company dealt with medical services like health checkup.

Date: 5th May 2005  
Venue: His clinic, in Dapodi, Pune.
Duration: 30 minutes.  
Aim of the interview: To get the views of the victims of MLM, so that the problems in MLM can be studied.

The details are given below:

Researcher: What was your experience when you tried to convince people about joining Indus Health Services, an MLM Company?

Dr. Goyal: This Company provides health check up as a product package in exchange of an amount of Rs. 9000 [joining fees]. This was basically meant to create awareness among the people about different diseases and taking precautions beforehand.

But, people were very skeptical about it. Many of them said that if we go for a checkup and come to know about a disease beforehand, we will take curative measures, but at the same time we will become more tensed. So people were basically not interested in medical checkup and had a negative attitude towards it.

Researcher: Did you join any member in your downline?

Dr. Goyal: No, I didn’t introduce any members, when I tried to convince my friends and relatives about the concept, some of them got ready also, But they got ready just because of my relationship with them and they didn’t want to disappoint me by telling ‘No’. But, I thought that it may strain my relationships with them in future. So I didn’t force them anymore after it. As far as my friends are concerned, they have started avoiding me because of this MLM. They think that I am trying to cheat them for just my benefit. This is really very embarrassing for me now.
Researcher: If somebody comes to you and say that ‘I want to become a member in your downline,’ would you accept him/her?

Dr. Goyal: No, absolutely not. I am myself 100% against MLM though I had been a member of an MLM Company. I will advise that person to go and spend that money in some picnic with his spouse instead of investing in an MLM Company.

Observations:
MLM Companies like Indus which provide health check up as a product, want to create awareness about preventive measures to be taken by people. But, a huge investment of Rs. 14,000 for a health checkup is not for awareness but for a business opportunity. This amount is used for the commission to be paid to the distributors in the upline. Sometimes, it creates frustrating and embarrassing situations for the distributors.

Conclusions:
I    MLM is entering new fields, presenting business opportunities under some pretext.
II   MLM Companies mislead people by presentation.
III  Working for MLM where product/service cannot guarantee value for money can lead to frustration and affect social relationships.

7.14 Introduction (Ms. Shanta Goyal- Victim of MLM):
Ms. Shanta Goyal, age 42 years, is a housewife. She had joined MLM companies like Kalpavriksha, Versatile and Mascot some years ago, but after that some of the companies closed down. She has invested her savings in Kalpavriksha with a view to earn some income. She had also introduced (recruited) many people in it. She lost her investment when the company collapsed. Now there is a police case going on but she is not expecting anything positive out of it.
Objective of the interview: To study the experiences of victims who have lost their investment in MLM Companies which have closed down. Date: 25th May 2005. Duration: 20 minutes. Venue: Her residence in Pune.

The excerpts of the interview are as follows:

Researcher: What type of experience you had in MLM?
Ms Shanta: “I have gained only bad experiences in MLM. At the start of the operations of the company, people earn but when many people join with trust, the company close down. I have not only lost a huge amount of money in lakhs but also the people whom, I have recruited have also lost their initial investment. Now, my relations with them have been spoilt because they lost their money in these companies since I have introduced them. Because of these frauds, people do not trust each other any more.

I will advise any one to start a ‘Pan-shop’ but not to get involved in MLM. Investment in MLM Companies is worthless”.

Observations:

a) Some of the MLM Companies were closed down due to the unethical practices of their directors.
b) With their shutdown, many people lose their lifetime savings, which they have invested in it.
c) Social relationship gets affected.

Conclusion: No regulatory framework to check the working of the MLM Companies.

7.15 Introduction: Dr. Arvind Nerkar [Victim]
Mr. Arvind Nerkar, is a PRO in Maharashtra State Electricity Board. He was a distributor of MLM companies like NETSURF, SWADESHI &
SAMRUDDHA BHARAT. He has filed a suit against Samruddha Bharat, a MLM co. for defrauding people.

**Objective of the interview:** To get an insight into the plight of the people who have lost their money in MLM companies and the legal aspects of MLM in INDIA. Date: 13th Dec. 2005
Duration: 30 minutes.
Venue: His office at Rasta Peth, Pune.

The details of the interview are as follows:

**Researcher:** How many MLM companies, you have joined till date?

**Mr. Nerkar:** I have joined Net-surf, Swadeshi and Samruddha Bharat. But, I was very active in Samruddha Bharat. I was a silver distributor in it.

**Researcher:** You had some bad experiences with Samruddha Bharat, the reason for which you have filed a complaint. Did you have any bad experiences with other MLM companies?

**Mr. Nerkar:** About Netsurf, I was never serious. In Swadeshi, it was no gain no loss. One has to pay Rs. 1000 and join in and get products worth Rs. 500, after that a discount of 5-20 % is received on every purchase. There was no financial loss in Swadeshi.

In Samruddha Bharat, there was actually no buying and selling of products, it was a plan of Rs. 520, wherein after enrolling yourself, you have to get 12 more entries, under you (12 + 1 = 13), by paying Rs. 6240 and take Rs.5,50,000 after 5 years period.

**Researcher:** You were attracted towards Samruddha Bharat because of the financial gains, but while enrolling did you ever give a thought that the company is giving such a lucrative offer, how is it going to generate that much amount?
Mr. Nerkar: Our country is very poor; we cannot afford to buy luxurious items in our daily routine with the earnings we get. Samruddha Bharat presented the plan for making a Samruddha Vyakti (rich person) and Samruddha Samaj (rich society). People coming to those opportunity meetings claimed that they received four-wheelers from the company as awards for achieving certain targets. I thought that even if one doesn’t get Rs. 550000, at least we can get Rs. 50000, after spending Rs. 5000-6000, then definitely, it would be 10 times more. I never thought of how the company will make that much money.

Researcher: Did you recover that money invested in Samruddha Bharat?

Mr. Nerkar: Initially, when I was working very hard, I got some money but after a year, the company was not working at all. There was no scope of getting the said money of Rs. 550000. I contacted the promoter of the company, I told him to pay back the initial amount of Rs. 520 to people after deducting some amount say Rs. 20. But, he said that they have already given a product (compact disc) worth Rs. 750 to us, so the company is not under obligation to give us any money.

Then I filed a suit of cheating against the promoter of Samruddha Bharat. I even pleaded in the Court of Law that the person who doesn’t understand anything about computers, what are they going to understand about CDs and why are they going to spend 6240 (Rs. 520 x 12 entries) on CDs. Many people have just paid money into this company just because they know me personally. They don’t know any Samruddha Bharat. They have invested money in it because I introduced the plan to them and they had trust in me. Now, many people under my downline have lost their Life – time savings into this, as many of them have invested more than Rs. 1 lakh (Some of them has paid for
their downline entries also). I think it is my responsibility to get their money back. It is not a complaint from my side but it is a question of 5 lakh people and 600-700 people are in my downline, so I filed a suit against the promoters of Samruddha Bharat.

Researcher: Did you get support from the police authorities for this?
Mr. Nerkar: Since I had many contacts, I got support from them. But, they sometimes unnecessarily keep on asking about proof of identification, receipts, etc. Even some people are not ready to come forward as they are afraid of police.

Researcher: Under which Act, the suit was filed?
Mr. Nerkar: u/s 134 , 20 , u/s 420 of IPC

Researcher: Are you going to continue with this fight Samruddha Bharat?
Mr. Nerkar: I have taken an oath in my life, I will struggle till last. I will also file a writ petition

Observations:
1) People get attracted towards lucrative offers of earning huge and quick money.
2) Samruddha Bharat was not a product-based MLM company. It sold a CD for Rs. 520 which was just used to camouflage its pyramid / money-rolling scheme. The market price of the CD is lesser than that.
3) A genuine MLM company sells a usable product and not a CD which is not of much use.

Conclusions:
1) Lack of awareness and education among people about MLM is one of the reasons of fraudulent practices in MLM industry.
2) There are no separate rules and regulations governing MLM in India, which come in the way of checking the fraudulent tendencies of MLM.
Focus Group Discussions:

7.16 Introduction (Focus group Discussion-I):

The first FGD [Focus group Discussion] was conducted between three people. The profiles of the 3 people are given below:

1 Ms. Neeta, age 41 years, M.Com, is a gemologist and proprietor of Astha Jevrat and Institute of gemology, Pune. She was a distributor of MLM companies Cymbionic and FIC [Free India Concepts]

2 Mr. Rahul Khandelwal, age 39 tears, B. Com, is a proprietor of ‘Tileart’, Pune. He was a distributor of many MLM Companies Cymbionic, FIC and Amway.

3 Ms. Jivita Gujjar Salvi, age 41 years, M. Com is a lecturer in Commerce in Modern College, Pune. She was a distributor of MLM companies Cymbionic, FIC and Amway.

The common points amongst these three people are they were all distributors of Cymbionic and FIC. These MLM Companies later collapsed and just disappeared from the market.

Objective of the FGD: To get an insight into people’s behavior towards a MLM company, which collapse or disappears in the long run.


Duration: 50 minutes.

The details of this FGD are as follows:

Researcher: What kind of experience you had in Multilevel Marketing Companies, like Cymbionic and FIC?

Rahul: Companies like FIC and Cymbionic are not multilevel Marketing Companies. They are fly-by night companies, who are interested in making money overnight and up to a certain extent, even duping people, because they are not true network marketing companies.

Researcher: If they are not network marketing companies, then what kind of companies are network marketing companies?
Rahul: Network Marketing Companies are those companies

a) Which have genuine products.

b) Which have strong support base.

c) Which have the interest of distributors in mind before they enroll them as distributors.

- An MLM Company is not a company where you make members and increase your group and look in to make money overnight.

- An MLM Company is where you work hand in hand with your group, help them to grow and in turn you also grow.

  d. An MLM Company creates business week after week, month after month, whereas in these companies [Cymbionic], the point of purchase is only one. I will purchase a bed or jewellery or holiday package once. Now, I will introduce a friend of mine and I will get a commission from his/her payment. That’s it. This is not MLM.

  e. Companies like Amway are true MLM companies because they have products of daily use, a proper system; they have consistency, discipline in their work. Such companies are true MLM companies, which have long term vision whereas Companies like Cymbionic had a short term vision of making money overnight.
Researcher: Did you know about the background of Cymbionic when you joined it?

Neeta: Of course, not. If, we would have known we wouldn't have joined it. We considered it as an MLM company as it projected itself in this way only.

Researcher: So when you came to know about the company's foundation, did you leave the company immediately?

Jivita: We didn't leave the company, infact, no distributor will leave the company, and any distributor will like to grow as the company grows. But the company was based on a very weak foundation and as it wasn't bigger, it couldn't manage it and it collapsed.

Researcher: And when the company collapsed, did the downline members tell you that they have been cheated because you introduced him to this particular company?

Rahul: See, we take the people for presentations in the opportunity meetings we show them the plan. Now it's finally the decision to go for it is theirs. They cannot make us responsible for it because in exchange of the enrollment fees, the company has given them goods of worth equal to that amount or less than that amount or higher than that amount. Everybody knows that the way an MLM company functions; there is a profit margin involved which is actually distributed among the distributors. Whether a person wants to join or not it is his/ her choice.

Researcher: Do you ever feel that you made a wrong decision in joining this MLM Company [Cymbionic]

Jivita: Not exactly made a wrong decision. That time it was a right decision. Of course, today it may be a wrong decision when the company collapsed. But, still, I will not say that every
MLM Company is a fly-by night operator. There are good MLM Companies also.

**Rahul:** Yes, very much infact, I was one of the initial member of this organization. I made quite a decent amount of money. But, if I have invested the same amount of time in a company which had some vision, some history, some wellness and goodness of people that are coming on board, I would have been a much better person today.

**Neeta:** The kind of energy we have put in this company, we were much at the top in this company. It just went waste. That’s what pinches. If we would have done that for any other disciplined MLM company, it would have been much better. We didn’t lose any money in Cymbionic, infact, we all are gainers here. But, we have made that money at somebody’s expense. So we feel that it was a wrong decision.

**Researcher:** What was your personal experience about people’s behavior towards MLM?

**Jivita:** Many of them are skeptical. Many of them say “Oh! That member joining thing”

**Log Lane Rahte Hain!**

**Neeta:** We can hear such words from people who had bad experiences with MLM companies like Cymbionic, which are not disciplined companies. Now, if we take even good MLM companies like Amway to them, they will say “Oh! MLM! Keep it Away!”

It depends on each individual’s personal experience.

**Researcher:** So you mean to say that people have a negative attitude towards MLM because of bad experiences?

**Neeta:** No, it’s not that way. So many companies have come and tried to portray MLM in such a wrong manner, that even genuine MLM companies are not believed by people.
Rahul: Cymbionic was actually not an MLM Company though it projected itself as one. People had bad experiences, so they will talk bad about it.

But, the brighter side of true MLM is that this is the only way where you can create wealth, help people, fulfill your dreams because there is no other way where twenty of us can get together and fulfill everybody's dream. Everybody helps each other in pursuing that dream. That is what we see in genuine MLM companies like Amway.

Neeta: MLM means smart money. If you work 24 hours a day, you cannot make that much money which you would be able to make through MLM.

Researcher: Even if we talk about genuine MLM companies like Amway with a strong product base, we can see that the price of the products and the high quality of those products do not match in the Indian market.

Rahul: That is you want to say that the products are quite expensive as compared to their quality. But, when you actually use those products, you will realize that the quantity required is very less as compared to other similar products, because they come in concentrated form and you can dilute it with water.

Researcher: What do you think about the scope of MLM in India?

Rahul: India is the only country where MLM has the largest scope, because MLM requires a very important resource unlike other business that is Human resource, which is abundant in India. MLM teaches us “Don’t be a consumer, be a smart consumer.” We can earn while we spend. We are not paid commission by our local grocery shop owner if we refer their products to someone. But, in MLM we get a commission for the same. So MLM is the only way which helps us to
become smart consumers. MLM requires human asset and India has this human asset in abundance. So MLM has a wide scope in India.

Observations:
1) Pyramid schemes are operating in the market under the camouflage of genuine MLM Companies. These are fly-by-night operators.
2) This has made people suspicious about genuine MLM companies and created a psychological block to distributors.
3) Though, it is difficult to distinguish between the two, there are certain signs of genuine MLM Companies, which differentiates them from pyramid scheme. MLM Companies have a strong product base, they create business day-by-day, week-by-week, i.e. there are many points of purchase, and they have a strong support system.
4) MLM has great scope in India because the most important asset required for MLM is ‘Human Asset’, which is abundant in India.
5) MLM can establish its roots firmly in India, if the fly-by-night operating pyramid schemes are stopped. This can be done by spreading awareness about MLM and by taking legal measures against pyramid schemes.

Conclusion: 1) MLM has good scope in India due to its Human Resource. 2) People lose money in pyramid schemes as they fail to distinguish between the two.

7.17 Introduction (Focus group Discussion-II)

The second FGD [Focus Group Discussion] was conducted between four people. The profiles of the 4 women are given below:

1) **Ms. Geeta Goel**, age 34 years, is a housewife; she is a distributor of Avon, Tupperware, Amway, Oriflame, and Aviance. She is associated with MLM Companies since 4 years.
Ms. Nidhi Anand, age 30 years, is a housewife. She is a distributor of Oriflame since last 2 years and is still working with it.

Ms. Nirmala Goyal, age 35 years, is a housewife. She is a distributor of Avon, oriflamme, Modicare, Samruddha Bharat, Del. She is associated with MLM Companies since 5 years.

Ms. Madhu Goyal, age 37 years, is a housewife. She was distributor of Versatile [MLM Company] and left the MLM Company within a period of 2-3 months of joining it.

The common point amongst these four women is that they are housewives who have joined MLM Companies with a view to utilize their leisure time and earn some money. Some of the above mentioned MLM Companies are product-based whereas some resemble pyramid schemes.

Objective of the FGD: To get an insight into the role of women in multilevel marketing. It focused on the aims, experiences and personal views of women in MLM Companies, especially the housewives who join MLM to make use of their idle time.

Date: 25th May 2005        Duration: 40 minutes.

Venue: Residence of Ms. Nirmala Goyal in Kunal Puram, Pune.

The details of this FGD are as follows:

Researcher: Did you ever receive any complaints about the products like they are very expensive, etc?

Nidhi: **No**, people have their choice, whether to buy or not.

Geeta: **Yes**, they have complained like MLM products are quite expensive but we always tell them to try the sample and if they are not satisfied they will get their money refunded. Our MLM Companies provide refund of money. It has to be understood that the price of every MLM Company will be different according to the quality and effect it generates. Avon has its own features and Amway has its distinctive qualities.
Nirmala: Though people have complained about the price of the products but after using the products [or samples], my customers have always reordered the products.

Madhu: The product of my company 'Versatile' was a computer course. Most of the people joined this Company only for business opportunity and not for product, so there was no question of complaint about product.

Researcher: It is said that MLM Companies make the products directly available to the customers from the manufacturers, so, actually it should be cheap, whereas it is quite expensive. What do you think about it?

Geeta: The quality of these products is quite superior to other non-MLM products, so they are more expensive than them. But if they were sold through the conventional system of marketing, then it will become more expensive than the prevailing rates.

Nirmala: This is quite obvious from the fact that once the customers use the product, they always place an order; with me, despite the higher prices.

Nidhi: Yes, the result is good, so they purchase regularly.

Researcher: Do you get the discounts on bulk buying?
Geeta: No, we get bonus points on the bulk buying such as PV [Point values] or BV [Bonus value] on purchase. We get points on the amount of purchases.

Researcher: Does your customer prefer buying from you than the shop or the market-place?

Geeta: Locality where markets are far-away, the distributors has great potential of sale.

Madhu: They generally think, ‘why to go to the market for such small thing’ which can be bought from a nearby distributor.

Nidhi: But, there are some people who always prefer to go to the market for purchasing any commodity than buying through a MLM distributor.

Nirmala: It depends on the customers, if they like them may go to the market or buy from us.

Researcher: Is it good as a full time career?

Nidhi: No, it is not good as a full time career.

Nirmala: it can be done only part time.

Madhu: No, it can be done only part-time as when a company will close down, you cannot say.

Geeta: It is not good as a full time career because it requires a lot of effort, like say for example I have 40 members in the downline but not necessary that all 40 members are active. Out of them only 10 are active, which gives me benefits and the remaining 30 don’t work at all.

Researcher: Did you face any problems (like spoilage of relationships) in MLM?

Ms. Geeta: No, never, because we never force any person to join so there is no question of spoilage of relationships.

Ms. Nidhi: No.

Ms. Nirmala: No.
Ms. Madhu: Yes, many people whom I introduced lost their initial investment, so my relationships with them were strained.

Researcher: Do you do anything to motivate these 30 members?

Geeta: Yes, I do motivate them. Every month I call them and motivate them to place orders. But I never force them for any inventory loading.

Researcher: Do only people from high income group buy the MLM products?

Nidhi: No, all income groups buy the products. My customers have very limited demand for such products; so they buy limited things.

Nirmala: I have people from all income groups, low, middle and high. Infact, Tupperware, which is sometimes called as ‘Plastic Ka Dibba’ is bought by low-income group also. I have products of many MLM Companies, so if they don’t like one product, they can go for another.

Researcher: But why MLM Company mentions it in its rules and regulations that a distributor cannot go in for more than one MLM Company?

Geeta: But, in practice, many MLM distributors stock the products of more than one MLM Company. The Company doesn’t pay anything extra for being loyal to one company.

Researcher: What made you join the company besides money?

Geeta: Self-identity, satisfaction of doing something, knowledge about different things, personality development.

Nidhi: Personality development, utilization of extra time.

Researcher: Any bad experiences in MLM?

Madhu: Many people lost their initial investment in the company ‘Versatile’ and I felt bad because I only introduced them, to the company. Many joined for business opportunity but some who thought that even if they don’t recover their initial
investment, they will learn the computer course. But whenever they went to the institute, there was no proper faculty/staff to teach them. So, we didn’t receive the benefits of the product/service ‘Computer Course’ also.

Nirmala: MLM Companies like ‘Samruddha Bharat’ claimed that join in two more people and your amount will be doubled, this also proved fraud. I lost my investment in that along with many others.

Geeta: Any person doing this business should have a personal interest towards it. For example, if anyone is forced, like a person having financial problem decides to go for this business, but later the money flow is slow i.e. you earn gradually. But, if this person leaves the company due to slow returns in the beginning, he may suffer losses.

Researcher: But MLM presentations, exhibit quick earnings?

Geeta: Some earn quickly, but slow down later. My friend was a platinum star in a MLM Company but now she doesn’t receive a single cheque. It all depends on how you perform and the performance of your downline.

Nirmala: The Company says that you can make 3 or 4 members, and then you can relax. But, no infact have to work harder so that theses 3-4 members can also build their downline. Every person cannot do this business.

Geeta: There is no residual income if one doesn’t work.

Researcher: What you do to motivate your downline?

Geeta: I have a down line of 40 distributor. We organize meetings, seminars etc. I make my own schemes also to motivate the down lines. If my down line member has to achieve a particular target of sales and if she is falling short of a small amount, I will put my order along with her order to achieve the target, sometime, if my down line member achieve a
certain target, I myself give away gifts to those members to motivate them.

**Nirmala:** No down line.

**Nidhi:** No down line.

**Reseacher:** Any suggestions for MLM companies?

**Nidhi:** Company should provide more support to the distributors when business is not there. Then there are certain conditions like renewal fees. If you don’t give a member to the member to the MLM Company, then after one year, you have to join again and pay the renewal fees. This should be cut down or at least minimized.

**Geeta:** Recognition is given only to members who have achieved certain targets but even members who have joined should also be given recognition to motivate them.

**Madhu:** MLM Companies should provide useful products and not products like web space or computer course.

**Nirmala:** Many MLM Companies charge handling charges if the order is below Rs. 1000. These handling charges are about Rs. 150 on one order i.e. if a distributor will pay Rs. 150 as handling charge on an order of say Rs. 800, then he doesn’t get a profit margin. MLM Companies should stop this practice or at least minimize the handling charges. They should even inform us about the changing rules and regulations of the company.

**Reseacher:** If you are shown an MLM opportunity would you join a new MLM Company?

**Nirmala:** No, I am satisfied with the present MLM Company. ‘Avon’.

**Nidhi:** No, I will continue with my MLM Company, ‘Oriflame’

**Geeta:** I will see the business and then decide about it. If I like it, I may join.
Madhu: I will never think of joining an MLM Company ever in my life after this, even for free.

Observations:
1) People / Housewives are looking at MLM as a part – time job and to utilize idle – time and to fulfill such objectives of self – identity, satisfaction of doing something, personality development.
2) Opportunity meetings paint dreams of huge and quick money which hardly come true.
3) Distributors have to make efforts to motivate the downline
4) Quality of MLM products helps in overcoming objections about price
5) Product – based MLM companies are more successful than non-product MLM companies in retaining customers.
6) MLM is not good as a full- time career. It can be done only part – time as a source of additional income.
7) Distributors have certain grievances about MLM.
8) There are hidden costs in MLM.

Conclusions:
1) MLM is considered to be a part-time activity for additional income.
2) Quality is an important factor influencing buying decisions.
3) Companies having strong product – base succeed in MLM.
4) Foreign companies have an edge over Indian companies, due to reasons like strong product – base, proper training, etc.

Summary:
The overall view about MLM is that it is a source of additional income and the concept is good, but at present many manipulations are found in implementation. There is a difference of opinion amongst experts and players in MLM about the legislative aspects of MLM. The need for a separate legislature or a regulatory authority is particularly felt by those who are working in the system.