

Case Study On Illegal Multi-level Network Marketing Plans and Schemes

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Abstract: I looked at numerous papers and articles. Due to their resemblance to unlawful pyramid schemes, multilevel marketing (MLM) businesses are always controversial. They annually earn billions of dollars and hire many people, especially women. I can declare with confidence that these pyramid scheme-based criminal organizations have caused significant economic damage to several nations. Despite numerous frauds and the distortion of company plans, the rise of business appears legitimate. While the few heads of the network system are only productive, the tail became the survivor. The case study is being conducted to look into the MLM companies' CSR practices.

Keywords: Multilevel Marketing, naked pyramid scheme, Enforcement agencies, Why Do Pyramid Schemes Always Fail, unilevel Plan, Take legal action.

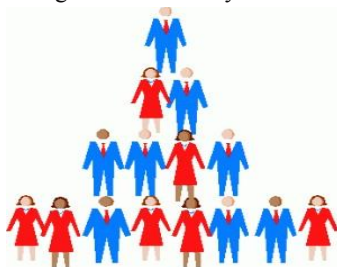
I. INTRODUCTION

Multi-level marketing, often known as network marketing, pyramid selling, or referral marketing, is a type of business that entails selling goods to family and friends and encouraging others to follow suit.

Known as MLM (Multilevel Marketing). It entails creating a network of business partners who help you grow your reach by growing their networks in turn. The preceding link, or "upline," as these people are known in Network Marketing, receives a specific amount of commission for each recommendation generated by the network.

Almost of 95.45% companies make complex plan of pyramid because when bottom level people work, they will make more profit. The profit goes through payout and bonus. As a MLM consultant or distributor say you make your money by selling the products to other multilevel marketing participants. If they're not already a participant of your MLM company, you sign them up.

You not only profit from your own sales but also from the profits made by the distributors you recruited to the programme (referred to as your downline). You can earn automobiles and trips in addition to cash when you sell a certain amount of product or enrol a certain number of new members. It makes sense, doesn't it? And being a part of a successful MLM company might be similar to being a part of a big extended family.



II. LITERATURE SURVEY

This research paper aims to understand the mapping of MLM strategy and plan which is provide by private company. Multi-level marketing is a marketing strategy in which the sale force is compensated not only for sales they personally generate but also for sale of the other sales people that they recruit.

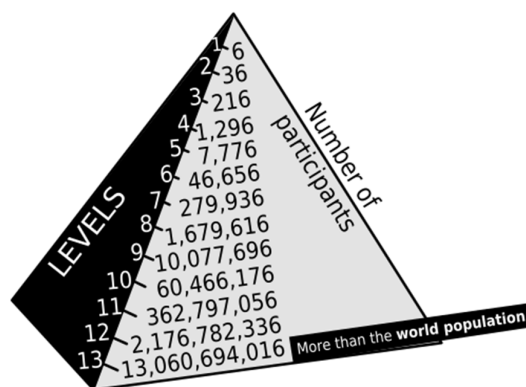
The recent study conducted for the global MLM software would extend in the coming years.

Most of the Companies make MLM software but they not mention their name like design by so and so company.

Many certified companies offer different MLM plans to various established enterprise and upcoming organizations. Many Companies Sell Products, neither able to consume nor are able to sell.

III. NAKED PYRAMID SCHEME

A company requires anyone who want to join to pay, which is known as a Naked Pyramid Scheme. The organization guarantees its new members a portion of the funds deducted from each additional member they bring on board in exchange. I want to clarify how different a pyramid scheme and multilevel marketing are from one another in terms of profit. Many nations have laws against pyramid schemes. Pyramid schemes only serve to attract new participants. To finance the plan and pay returns to the earlier investors, the tiny group of initial promoters at the top needs a sizable base of later investors.



Naked pyramid schemes refer to a blatant pyramid scheme that is easy to detect because no products are offered, merely a participation fee or "investment." Chain letters work on the same principle. A continuous chain of "participants" or "investors" is recruited, in which each pays a fee to participate and receives money by recruiting others into the system. The worst-case situation is naked pyramid scams. These are apostrophized as "naked" because they engage in zero economic activity that generates income. Therefore, in their case, there is absolutely no likelihood that any will be recovered after collapse. When there remains some economic activity associated with a pyramid scheme, the situation is less dire because certain assets may still be available for distribution to former participants and creditors, both inside and outside of bankruptcy procedures. While it is plain that bare-faced pyramid schemes are fraudulent, the conclusion on the nature of the endeavor must clearly be the opposite in situations where commercial activity clearly and unmistakably predominate.

IV. ENFORCEMENT AGENCIES

Few victims of never-ending chain schemes report their experiences, therefore ineffective regulators fail to recognize MLM as a problem. In law enforcement's consumer protection division, the squeaky wheel typically receives the grease. No complaints, no action. Standing up to the MLM industry's strong lobby and defenders requires a public person to be genuinely compassionate, courageous, and committed. In other words, complaints are not a reliable catalyst for action in this form of white-collar crime. Why do MLM victims not speak up? For a number of reasons, including the following—which we have noticed in working with MLM victims—victims hardly ever submit complaints: Since they were taught that anyone who successfully "worked the system" would succeed, they place the blame on themselves rather than the system when a new participant fails. They worry about the repercussions of submitting a complaint from or to those they recruited or those who recruited them, who may be close friends or family continuing in the programme, because they are a part of an ongoing circle of recruiting. They may fear self-incrimination, since in MLM every major victim has likely been a perpetrator, recruiting unwitting persons in order to cover their escalating expenses of participation. In the aforementioned legislative hearings, officials from the Department of Commerce and Division of Consumer Protection testified that they had received only a couple of dozen complaints from victims of MLM companies. I knew from my

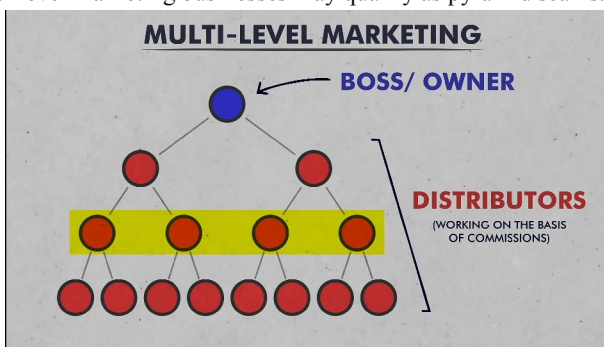
research that victims of Nu Skin's program alone numbered in the hundreds of thousands. But for the reasons mentioned above, it was extremely rare for anyone to file a formal complaint.

V. MULTILEVEL MERKETING

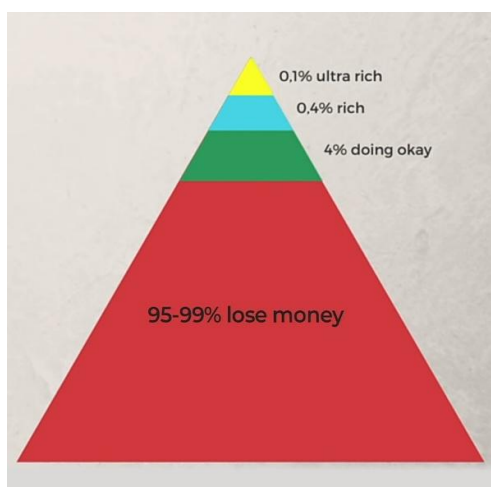
Multilevel marketing is lawful but naked pyramid schemes are illegal since MLM companies try to conceal pyramid schemes using their products as a camouflage. However, both are operating in the same market.



A method of selling products directly to clients without the need of retail stores as middlemen is multi-level marketing. Each distributor brings on and trains new distributors, earning commissions from both their sales as well as his or her own. Through this pyramid-shaped network of distributors or salespeople, goods are sold. Due to their pyramidal organizational structure, multi-level marketing businesses may qualify as pyramid scams.



5.1 Why Do Pyramid Schemes Always Fail



Pyramid schemes are doomed to failure since their ability to draw in more and more investors is essential to their profitability. All pyramid schemes eventually fail because there are only so many people in a particular community. The few individuals at the top of the pyramid are the only ones who are financially successful. Friends, the issue is that if you actually fall victim to this pyramid scam, you will think you are at the top of the pyramid while, in fact, you are at the bottom. This is what is meant by up line and down line.

VI. TAKE LEGAL ACTION

6.1 File a complaint with the FDA (Food and Drug Administration)

The FDA should be notified if you believe a herbal treatment (labelled as a "dietary supplement") sold by your MLM has negatively impacted you or someone you know. Additionally, the FDA must be informed if your MLM makes any claims that its products diagnose, treat, prevent, or cure any illnesses. Only medicines, which the FDA does regulate, may make such claims.

6.2 File a Complaint with the Better Business Bureau

Keep in mind that the BBB has accredited many, if not all, MLMs. Additionally, its "multi-level marketing" warning appears to have been produced by the Direct Selling Association (DSA), a potent cartel that represents the MLM sector and defends its unfair and fraudulent activities. However, having a history of unresolved complaints against them will not make any aggressively recruiting companies happy. So, if nothing else, add your name to their list of complaints against an MLM whose reps have taken advantage of you.

VII. UNILEVEL PLAN

The majority of businesses create unilevel plans, which are the easiest of the three types of MLM programmes for new participants to comprehend. All of a representative's sponsored members are placed immediately in the first level of a unilevel plan, which has just one business level. As the recruited representatives sponsor people on their own and develop their own frontline teams, the depth of a unilevel plan will go beyond the single level. According to the defined commission rules and payout percentages of the plan, those teams become additional levels under the original sponsoring representative, and representatives are typically qualified to receive compensation for sales made by representatives in the three to ten levels beneath them in the unilevel plan's hierarchical structure.

Example of Unilevel Plan

LEVELS	TOTAL MEMBERS	TONIC RE-PURCHASE PER PERSON REMUNERATION	LEVEL REMUNERATION	TOTAL INCOME
1	6	R10	R60	R60
2	36	R5	R180	R240
3	216	R5	R1,080	R1,320
4	1,296	R5	R6,480	R7,710
5	7,776	R5	R38,880	R46,590
6	46,656	R5	R233,280	R279,870
7	279,936	R5	R1,399,680	R1,679,550

VIII. CONCLUSION

A responsible government that values consumers' collective rights would act sooner, learn from others' mistakes, and enact the necessary sector-specific rules as opposed to waiting until a huge collapse that leaves hundreds of victims sparks a political controversy. In order to understand things more clearly, it would also be essential to entrust a government organization with the collecting and analysis of relevant empirical data. The conclusion that MLM is fundamentally

defective, unprofitable, and deceptive—benefiting a few at the expense of vast numbers of victims. When properly understood, MLM should be prohibited, just like "pay to play" chain letters and pyramid scams with no products.

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