

EMERGING TRENDS IN COMMERCE AND MANAGEMENT

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"NAVIGATING THE CHALLENGES: A REVIEW OF NEGATIVE ASPECTS IN NETWORK MARKETING"

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INTRODUCTION

Network marketing, sometimes referred to as direct selling or multi-level marketing (MLM), has become a well-liked business concept in India in recent years. Using a network of independent distributors or salespeople, this novel marketing approach offers goods and services directly to customers. The distributors or salespeople also encourage others to join them in this business model, receiving commissions from both their own sales and those of their agents. There are many obstacles to overcome, including market saturation, the ubiquity of pyramid schemes, and the challenge of recruiting and keeping talented members. Legal issues arise because of the regulatory environment's continued ambiguity. Those attempting to manage the complexity of network marketing in India must exercise caution because to the high failure rate and pressure on recruiting.

Evolution of Network Marketing in India.

With the arrival of foreign businesses that were pioneering this business model in India in the late 20th century, the idea of network marketing initially gained popularity there. One of the biggest direct selling firms in the world, Amway, was among the first to enter the Indian market in 1998. Other well-known brands that followed included Herbalife, Avon, and Oriflame. Several Indian business owners looking for new revenue streams were drawn to these enterprises because of their inventive product lines and business prospects.

Numerous reasons have contributed to the expansion of network marketing in India. The population of the nation is one important aspect, offering a sizable consumer base for goods and services sold through direct selling channels. Furthermore, by giving distributors additional channels for marketing and sales, the emergence of social media and e-commerce platforms has enabled the growth of network marketing companies.

Network marketing has encountered difficulties and issues in India, despite its expansion and popularity. The credibility of some multilevel marketing companies has come under scrutiny due to accusations of fraudulent activities and pyramid schemes that have damaged the industry's standing. As a result, regulatory agencies like the Food Safety and Standards Authority of India (FSSAI) and the Ministry of Consumer Affairs have put policies and procedures in place to control the direct selling sector and shield customers from any abuse.

Principal Obstacles and Deficits in Indian Network Marketing:

- a) Absence of Regulation:** The lack of thorough rules controlling the network marketing industry in India is one of the main issues it faces. Due to a lack of regulations, dishonest businesses have taken advantage of distributors by deceiving them or using them in pyramid schemes for financial benefit.
- b) Bad impressions:** Due to previous instances of fraud and unethical business operations, network marketing frequently faces bad impressions and misconceptions from the general public. Legitimate businesses find it challenging to establish credibility and trust since many people have a negative perception of multilevel marketing (MLM) enterprises.
- c) High Attrition Rates:** A large portion of distributors leave the network marketing industry in India over the first few months or years due to high attrition rates. Numerous variables, such as irrational revenue expectations, inadequate training and assistance, and discontent with the company's policies or products, can be blamed for this turnover.
- d) Product Quality Issues:** A number of Indian network marketing organizations have been under fire for the effectiveness and quality of their offerings. Inadequate merchandise not only harms the company's image but also undermines consumer faith in the sector as a whole.
- e) Limited Income Potential:** Although network marketing offers distributors in India the possibility of earning large sums of money, their actual situation is far from perfect. The majority of distributors struggle to make a steady income, while only a small minority have great success. The discrepancy in profits potential may cause distributors to become frustrated and disillusioned.
- f) Market Saturation:** With so many businesses vying for distributors' and customers' attention, the network marketing sector in India is getting more and more saturated.

Because of this saturation, it is difficult for new competitors to stand out and establish a presence in the market.

g) Lack of Training and assistance: A lot of network marketing organizations don't give its distributors enough training and assistance, which makes them unprepared to be successful in the industry. Without the right direction and mentoring, it may be difficult for distributors to successfully grow their operations without the right direction and mentoring.

h) Legal and Regulatory Compliance: Network marketing organizations operating in India face a great deal of difficulty adhering to several legal and regulatory regulations. It can be difficult and time-consuming to ensure compliance with tax laws, consumer protection legislation, and other legal obligations, particularly for businesses that have a big network of distributors.

Major Network Marketing Scams In India.

Scams involving multi-level marketing (MLM) have long been an issue in India. MLM, sometimes referred to as network marketing or pyramid selling, is a hierarchical recruitment structure in which participants are offered financial incentives in the form of commissions from the sale of goods or services to people they refer. Several well-known multilevel marketing scams have taken place in India.

1. Speak Asia Online: This was one of India's largest multilevel marketing scams. High rewards were promised by Speak Asia Online for completing online surveys. But as it turned out, it was a Ponzi scam in which the funds of new investors were used to reimburse those of older ones. When it failed in 2011, thousands of investors were duped.

2. Amway: Despite being a reputable MLM business worldwide, Amway has been accused of operating a pyramid scheme in India and has experienced legal issues. A complaint of violating the Prize Chits and Money Circulation Schemes (Banning) Act prompted an investigation into Amway India in 2006. But in the end, the case was dropped.

3. QNet: Another multilevel marketing organization that has generated criticism in India is QNet, formerly known as QuestNet, GoldQuest, and QI Limited. Energy, nutrition, weight control, personal care, home care, and fashion accessories are just a few of the goods it offers. On the other hand, it has been sued in several Indian states after being charged of running a pyramid scam.

4. Saradha Group: It was part of a large-scale Ponzi scheme in eastern India. It raised capital from investors by offering them a variety of investment opportunities, such as media, real estate, and tours, with high yields. When the plan fell apart in 2013, there were numerous protests and inquiries.

5. Money Circulation Schemes: Many MLM companies in India operate under the guise of "money circulation schemes," promising quick and high returns on investments. These schemes often collapse when they fail to recruit enough new members to sustain payouts to earlier investors.

MLM Businesses Banned

A draft of regulations has been released by the Indian government. Direct selling companies are prohibited from endorsing pyramid schemes and other fraudulent acts by the draft guidelines. Let us examine the companies that have been involved in these dubious actions.

1.QNet,

2001 saw the entry of the Hong Kong-based MLM enterprise QNet into the Indian market. At first, it sold commemorative gold coins. However, as of right now, it offers goods for home care, nutrition, education, travel and vacation, beauty and personal care, health and wellness, watches and jewels, and holidays. But India classified Qnet to be a Ponzi scheme company in 2003.

Reasons for Ban:

- i) Ponzi Scheme Allegations
- ii) Fraudulent Practices

2.SaradhaGroup

An Indian conglomerate called the Saradha Group ran a number of companies in the states of West Bengal, Assam, and Odisha, including a network marketing section. The group catered mostly to those from lower-class backgrounds by offering investment options.

Reasons for Ban:

- i) Collective Investment Scheme
- ii) Fraudulent Practices

3.SpeakAsia.com

From 2010 to 2011, the Singapore-based multilevel marketing enterprise SpeakAsia Online conducted business in India. It presented itself as a market research firm that

promised members significant payments in exchange for participating in internet surveys.

Reasons for Prohibition:

Allegations of Money Laundering

4. PACL, Inc.

Although not technically an MLM, PACL Ltd., better known as Pearls, ran a large-scale investment scam in India. Although the corporation claimed to be in the real estate and other economic sectors, its main source of income was the acquisition of personal interests. The Securities and Exchange Board of India (SEBI) outlawed PACL and mandated that it reimburse investors for billions of rupees in 2016.

Reasons for Prohibition:

Noncompliance with Collective Investment Scheme (CIS) Guidelines

It was discovered that PACL Ltd. was running a collective investment scheme without getting the required regulatory authority permissions and registrations.

Before joining any MLM organization,

It is crucial to be aware of network marketing frauds and to conduct your due research. You can prevent becoming a victim of fraud and locate genuine opportunities to make additional money by taking the time to investigate a company and its incentive plan. The following are warning signs to watch out for while thinking about a network marketing opportunity:

i) Easy money promises:

A firm is most likely a fraud if it makes a big promise to generate a lot of money with little work on your part.

ii) High-pressure sales techniques:

It's probably a fraud if the individual attempting to enlist you in the network employs high-pressure sales techniques, such as pressing you to sign up immediately.

iii) No genuine product or service:

It is most likely a fraud if the company is more concerned with enticing new members than with offering a legitimate good or service.

iv) Pyramid structure:

A company's compensation plan is probably a pyramid scheme if it places a lot of emphasis on hiring new members and building a sizable downline.

Regulations of Securities and Exchange Board of India.

In an effort to better regulate multilevel marketing organizations and combat fraudulent schemes, the Indian government and regulatory bodies such as the Securities and Exchange Board of India (SEBI) have begun taking action.

Regulations for Consumer Protection (Direct Selling) - It forbids the operation of direct selling companies in India and sets the parameters for the rules governing multilevel marketing. For breaching regulations, these corporations might have to pay a fee to safeguard consumers.

Competition Act of 2002 Sometimes multilevel marketing companies that function as pyramid schemes in India tag their products at outrageous prices, which causes the true value to rise sharply and unnecessarily. The authorities intervene and regulate the cost of such services in order to prevent monopolistic or illegal practices in the market and to preserve Quality Legal Service.

Things an Individual should consider while showing an interest towards the MLM schemes

1. Examine the viability of any advantages that are suggested.
2. Prevent yourself from falling for fraudulent financial schemes.
3. Check to see if the business has a physical location.
4. Find out about the workers, company philosophy, and culture.
5. Is a training strategy in place?
6. The merchandise and offerings are trustworthy and truthful.
7. Determine whether you are being paid for the products you sell or network construction.
8. A well-defined profit plan or strategy should exist.
9. The allocation of profits ought to be continuous instead of singular.
10. The product—rather than networking—should be the main focus.

However, these schemes persist, defrauding gullible investors of their money, because MLM structures are intricate and the attraction of simple money is strong. Before spending money or effort on any MLM opportunity, people should do extensive research on it.

CONCLUSION

In conclusion, for ethical behavior and long-term growth, it is critical to recognize and resolve the drawbacks of network marketing. To ensure the industry's good progression, stakeholders can emphasize consumer protection, adopt clear policies, and foster an integrity-focused culture by acknowledging issues including fraudulent recruitment practices and high failure rates.

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