

\$tudents \$eek Riches in

Direct \$elling

by Hazel Chung Chin-ching and Vinky Wong Hiu-ying

It has hosted cheering crowds for countless pop concerts and sporting events, but on this night, the audience is there to see different kinds of stars. One woman is frantically pressing the record button on her recording pen as 2,000 pairs of inflatable clapping sticks whipped up the atmosphere at the Queen Elizabeth Stadium further. As the night draws to a climax, a voice booms out: “If you follow a fly, you will find a place to pee; if you follow a bee, you will find a tree; and if you follow Amway, you will find the successful key.”

The arena erupts in applause as the direct selling company’s Hong Kong Crown Ambassador, Anita Fu marches off the stage. This accolade is the highest achievement for Amway’s sales agents – who are known as distributors. The event is the Amway Distributor Rally and standing on the stage is the latest batch of what the company calls Gold Producers. This is the third highest level for Amway distributors and Gold Producers get to pocket 12 per cent of the value of their sales.

Some of these Gold Producers are still in their 20s; many started their Amway careers while still at university. Among them is Chan Sze-man. Chan, who is 24, studied journalism and communication at university but took a different career path after graduation. She now has a full-time job in sales and marketing, and uses her remaining time working as a part-time direct selling distributor of Nutrilite products under Amway.

Direct selling refers to the marketing or selling of products directly to consumers in their homes and workplaces. The people doing the

selling are called distributors and they introduce their products through one-to-one and one-to-group demonstrations. These distributors see their operations as an independent business, although they also work as teams.

The world of direct selling has its own vocabulary and jargon. Distributors call the people they introduce to the business as their “down-lines” and those who introduced them as their “up-lines”. When down-lines make sales of a certain level, their up-lines will be awarded a percentage of their sales. This is known as “passive income”. The higher the sales, the higher the percentage the up-line gets.

Chan was first introduced to direct selling by her university roommate and has now been in the business for three years. In her best month, she achieved sales of \$130,000 and was given a \$15,000 bonus. She says this business is an excellent part-time job.

“No other part-time job can bring you extra income of more than \$10,000,” says Chan. “It is more than the salary of my full-time job.” Chan says the products she sells are inexpensive, everyday goods, so the turnover is very stable.

Chan goes further, and says being a distributor helps her to achieve her dreams. “I can build my own career instead of working for my boss’ dream,” she says. “I want to save time to take care of my family, so why not work harder for a few years so I can enjoy life later?” Last September, she paid for her family to take a trip to Beijing, an impressive feat for a just graduated employee.

At the same distributor rally, a 21-year-old university student sits in the auditorium, looking forward to being one of the people on the stage next time.

Tsang Wai-ling is a third-year student of nursing at The Chinese University of Hong Kong (CUHK). After experiencing the intensive internship training for nurses, she decided the job is far too demanding.

“Nurses make a good salary and the income is stable, but you have to work under great pressure,” she says, and that is why she will first consider direct selling as a full-time job after graduation.

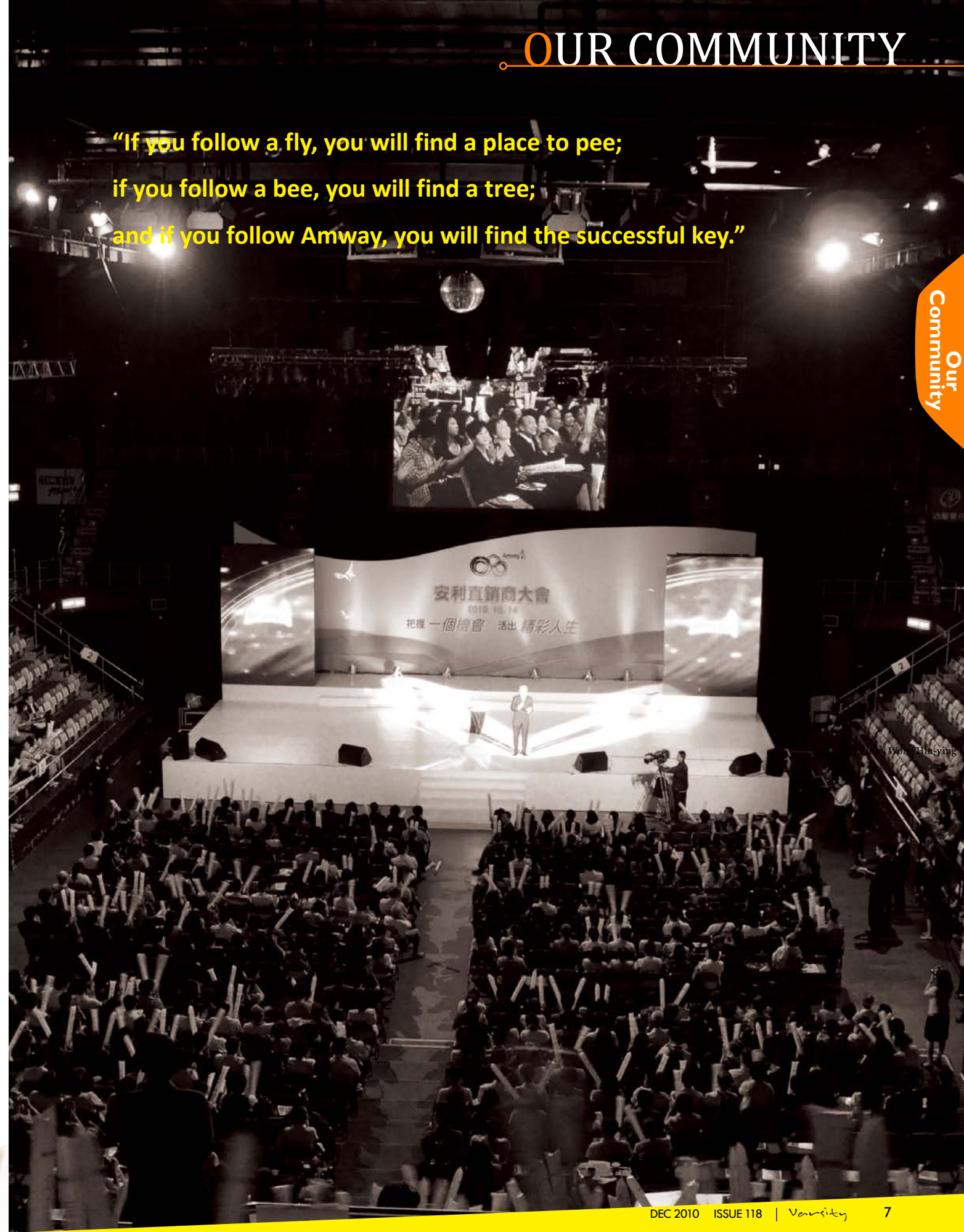
“The working hours are very flexible. You are not pressured to achieve a quota.” Tsang lists the advantages of taking part in direct selling. “There is a lot of training provided, including communication skills, leadership training, as well as knowledge about the products, to help you introduce products to friends.”

But not all of Tsang’s friends see it in such a positive light. One of her close university friends, Tin Hok-sum, 22, was invited by Tsang to join a make-up course this summer. Tin went to the



Tsang Wai-ling (left) and Chan Sze-man (right) both see direct selling as an ideal business.

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course voluntarily. However, he felt the class was not professional and the main purpose of the lesson was to convince participants to buy the make-up and skin care products.



Courtesy of Tin Hok-sum

Tin Hok-sum took a picture of himself during Amway's make-up course which he joined out of curiosity, but it was a huge letdown.

After the course, he found out that \$100 of the \$500 course fee was automatically counted towards the annual fee for becoming an Amway Privileged Customer, which he had no intention of being. After becoming a VIP, Tin gets regular calls from Tsang and other distributors encouraging him to make purchases. Tin says he sometimes avoids such "friends" because he is given a sales pitch every time they meet.

Even though they have enticed him with fabulous awards, Tin has no interest in trying direct selling. "What this business does is to sell your time and friends," he says. He is also dismissive of the claim that participating in direct selling is to operate your own business. "They are still working for their up-lines!" he exclaims.

Tin may be unconvinced, but for some young people, the lure of operating their own business has a great pull. Judia Yue Sau-chun, a social worker who also teaches social work at CUHK, says young adults often seek a sense of belonging and role models to look up to. Yue says the hierarchy and naming systems used in direct selling can appeal to young people's self-esteem, "They are often called distributors instead of being labelled as 'employees'."

"Who would want to be a nobody when they can 'run their own company'?"

The rallies too, have a huge impact on young psyches. "Young adults in this stage are constantly trying to further develop their self-identity. They will feel overwhelmed as well as fascinated by the models sharing in rallies," says Yue. "The momentary sensation of gaining total control of their lives and the sense of belonging with the crowd can knock them unconscious and they fail to make reasonable judgements on these emotional occasions."

Yue says she has come across people who have got so deeply into direct selling that it creates problems for their families, friends and associates. She hopes students and other young people can understand that they can choose to leave the business.

To Yee is an example of a young person who has left the business. To, 24, is a full-time tutorial teacher now, but he worked as an Amway distributor for a year after he graduated from secondary school. He thinks the main reason he left was because of his personality: he is shy, especially when selling to his friends and family.

"It's just like using my friends to fatten my own purse. My conscience really troubled me a lot," says To. "The company told us to focus on the people around us like neighbours and relatives as we are familiar with their living habits, so they will be more convinced to buy the products,"

After listening to the mentors at rallies and in workshops, he fantasised that he too could stand on the stage and receive awards. "I regarded money as a very important matter to me at that time," he says. He once even thought of inviting his mother to be his down-line

so he could make use of her network of housewives to boost his sales.

But To's family did not support his direct selling activities. His mother thought the golden age for direct selling had long passed as people now have easier access to product information and are less likely to be convinced by direct selling agents.

To's mother was also worried by his behaviour when he was preparing demonstrations for home visits. "He was like spellbound. He made the family sit around the table and listen to his demonstrations while pulling out products continuously from his suitcase and talking non-stop. Sometimes it could last up to an hour or two," Mrs To says.

To had been attracted to the business because of the claim that he would be able to build his own career and have flexible working hours. But he was soon disillusioned. He found he had to attend many evening courses while studying during the daytime. He spent several thousand dollars on course fees but achieved low sales figures. His year in direct selling was not a happy experience.

Although he believes the dream presented by direct selling companies can be realised, he thinks only a few can achieve it. "They may be able to reach their highest sales revenue in a month, but what about the month after?" he asks.

"Some young people do succeed to stand on the stage receiving applause, but they are only a drop in the ocean."

While some people like To Yee find they cannot continue to sell to their friends and relatives, Kiki (not her real name), a final year university student,

avoids any embarrassment by looking for customers on online forums and social networking sites.

Kiki sells healthcare products from Herbalife, another direct selling company. She has set up a Facebook page solely for business purposes, because her friends are not happy with her bombardment. The page is filled with regular updates of advertisements and slogans for Herbalife products, newspaper clippings of the dangers of being overweight and photos of people before and after weight-loss.

"My friends are not interested but other people are," she says. Kiki started selling Herbalife products to help support her family after her father died and she came across a chapter on multi-level marketing in her business class.

Herbalife requires people to buy a membership by paying \$790 and they become distributors if they purchase over \$4,000 worth of products in one go. After that, they can purchase goods from the company at a 50 per cent discount and sell them at the market price. Kiki says the income varies because distributors are only entitled to a five per cent bonus if they get sales of \$20,000 a month, and they have to invest an average of \$10,000 a month to stock up.

Professor Michael Hui King-man, the Associate Pro-Vice-Chancellor and former Associate Dean of the Faculty of Business Administration of CUHK, points out a grey area in this business model.

"Distributors can purchase a piece of white paper for \$10 and then sell it for \$1,000 claiming it is special paper. But who can verify how much the selling price

Recent proposed review of the Pyramid Selling Prohibition Ordinance in Legco

The Commerce and Economic Development Bureau has recently asked for a review of the Pyramid Selling Prohibition Ordinance in Legco and they have set out proposals on how to strengthen the control over pyramid schemes for public consultation.

Currently it is only considered as illegal when the up-line take commissions, forcing their down-line to buy a huge amount of products. The current proposal also aims to tighten the restrictions on grey areas such as companies operating by finding down-lines to pay membership fee and to enlarge the base without product selling.

When asked whether the consultation will touch on grey zones such as Herbalife's business model and the current business model of Amway, Press Secretary to Secretary for Commerce and Economic Development Ms Angela Yip is reluctant to comment on individual cases.

"We have just brought the discussion of pyramid schemes into Legco and we still haven't finished drafting our consultation document. We will discuss and define the grey area clearly in the Legco and during the consultation period."



Victor Wong Hin-ying

Professor Michael Hui King-man is aware of the increasing number of university students working as direct sales representatives.

is being marked up? When a company can allow up to 50 per cent profit, what is the original worth after all?"

Professor Hui also doubts whether direct selling can be a sustainable business model in the long run. "It is hard to judge whether this is a sustainable business because this business model has existed for more than a decade," he says. "Some people can really make a profitable business out of it, some just can't, but the recent proposed review of the Pyramid Selling Prohibition Ordinance will certainly have a large impact on the whole business."

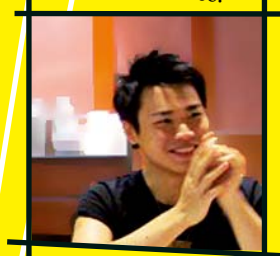
He does not oppose students' participation in selling activities because he thinks they can learn from hands-on marketing experience. But he says university students should be cautious when seeking direct selling opportunities and he believes legislation can minimise the risks of more students falling into a trap.

"Students should think clearly about the opportunity cost between their three years university life and time used on these part-time jobs, most importantly they should not be blinded by the money." ▽

WHAT OTHER UNIVERSITY STUDENTS THINK?



Sophia Tong Oi-lam (Hong Kong Baptist University, Year 2, Chinese Studies)
One of my classmates always tries to persuade me to buy the health products. But the products are too expensive, so I'm never interested in them. I think direct selling is a very annoying business. I wouldn't try the job even if I had the chance.



Kwong Chit (The University of Hong Kong, Year 3, BBA Law)
I believe not all the direct selling companies cheat. They just have their own mechanism or system to run the companies legally. I don't know any friends who are working as distributors, but I don't like the business and I don't think I am able to sell people things either.



Wong Lui (Hong Kong Shue Yan University, Year 2, Journalism and Communication)
Direct selling seems to be attractive to university students as it gives them opportunities to earn so much money. But if I see such advertisements or invitations on Facebook, I automatically ignore them because I have no interest in trying to work in direct selling. I don't think money can really be earned in such an easy way."



Kwan Ka-kit (The University of Hong Kong, Year 2, Social Work)
I don't have friends in the direct selling business, but I am not against it. As long as I have a thorough understanding of the company and make sure I won't be cheated, I think I may give it a try.

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