

How direct selling is regulated and managed in different markets " Thailand "

by
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Good morning Ladies and Gentlemen. It's my great honor to be here to meet delegates and distinguished participants of the direct selling business in the Asian region. I'm Anuwat Dharamadhaj, Secretary General to the Consumer Protection Board of Thailand or the shorten name "OCPB". We act like "consumer guardian" to ensure that consumers would get a fair treat when purchasing goods or services from the sellers. And it has been a year that we have involved with the Direct Selling and Direct Marketing Act.

Referred to the source of Thai Direct Selling Association in 2002, the total market value was about US\$ 511 million with 3.8 million direct sellers in the business. That's why the Act is implemented and how it is significant to the direct selling business as a whole.

First, Direct approach to the consumer: As you know, the offering goods and services from the independent distributor or the direct sales representative to the consumers are mostly conducted at home or workplace because demonstration or presentation are normally tied in. And it seems that consumers are blocked as they have less ability to make a careful decision. Most of the time, consumers are obliged to buy products because they are too nice to refuse the offer. This is why we believe that the Act could provide adequate protection to the consumers.

Next, Electronic purchasing and direct marketing: Today, E-commerce and relationship management are the key strategies in the business connection. This makes direct communications channels widespread among consumers. Then it's usual for consumers to receive the business offer by direct mail and electronic devices. Well! Distance doesn't bother us any more. But, here comes the challenge. We've got many letters from consumers complaining that products or services they ordered on-line or by direct mail are not exactly what the sellers claimed. Direct selling Act then needs to be in charge to protect consumers from the unethical treat.

Further, Fraud to the public: This thing has happened because the recruitment of many unethical direct selling firms are based on network building. Members are required to find more and more people to join the business. Then, they will earn the profits depending on the number of people they get. Pyramid scheme is an example for this kind of network. This unfair treat really destroys an image of the good business. So, the Direct Selling Act has to be involved to stop the spreading of the bad guys.

Finally, Pressure or aggressive sales: I'm sure all of you used to be in the hard situation when it comes to making decision whether you really want to buy a product. And often, we feel uncomfortable and upset with the pushy salesperson trying to close sales. Like many consumers, they have bad impression with the direct sellers and they can't help being sick of the business later on. The Direct Selling Act is here to watch over the direct sellers and to help eliminate the pressure sales accordingly.

The Direct Selling and Direct Marketing Act has been effective in Thailand since August 29, 2002. I believe most of you here are Direct selling people, so my presentation today will focus on the Sections that play a vital role to the direct selling business only.

Let me show you the 3 objectives of the Direct Selling Act.

- To protect the consumers
- To protect the direct sellers
- To promote the direct selling business

The Direct Selling Act is contemporary. The Act is issued for the first time though direct selling business has been operated in Thailand for more than 40 years. I'm going to elaborate each objective with the back up of the significant Sections.

The first objective is '**To protect the consumers**'. Why? As you know, the direct selling business functions are unique and different from those in retailing. Then criteria are required to provide protection to consumers who purchase goods or services from the direct sellers. This allows consumers having the rights to terminate the contract after 7 days of the purchasing date. And followings are situations that the Act could benefit consumers.

- When purchase the products from the direct sellers
- When the products do not perform as claimed
- When want to return the products

Here come the Sections that back up the first objective.

One Section states that "Upon the sales presentation directed to the consumers at his or her home, workplace, or the home or workplace of other persons, or any other place which is not the normal place of business, prior consent from the consumer or the occupier of the premises must be obtained before the independent distributor or the direct sales rep enters the premises. The independent distributor or the direct sales rep shall not cause any intrusion or annoyance to the said persons and for this purpose, produce its identification card and its independent distributor or direct sales representative identification card issued by the direct sales operator".

Another Section states that "The independent distributor or the direct sales rep shall have the duty to provide the documents related to the sales of goods or services to the consumer. The sales documents shall be made in easily understood language and shall indicate the name of the purchaser and the seller, the date of the sales and the delivery date of the goods or services. Such documents must also state the rights of the consumer to terminate the contract which shall be prescribed with emphasized alphabets".

Another Section states that "In purchasing goods or services via direct sales, the consumer is entitled to terminate the contract upon expressing its intention in writing to the direct sales operator within seven days from the day it receives the goods or services. In case of direct sales, the consumer may notify the same to the relevant independent distributor or the direct sales rep".

Let's look at the second objective '**To protect the direct sellers**'. The Act could protect independent distributors from being seduced to illegal network business like Pyramid scheme which offers profits from the increased number of participants recruiting in the network. And here are the situations that direct sellers would benefit from the Act.

- When recruited to be the direct sellers
- When pay the unreasonable application fee
- When forced to purchase the business support materials
- When want to return the products or quit the business

Now, we will see the impact of three Sections towards the direct sellers.

Let's start with the Section which states that "The direct sales operator shall not demand from the independent distributor or the self-employed direct sales rep for membership fee, training fee, promotional material costs or any other fees related to the participation of the direct sales network at a higher rate than imposed by the Commission".

Another Section states that "The contract entered into between the independent distributor and the direct sales operator shall be in writing and shall consist of at least the following. **First**, definite terms regarding the payment of remuneration under the remuneration payment plan.

Second, definite terms regarding the membership fee, the training fee, the promotional material costs or any other fees.

Finally, definite terms regarding the repurchase of the goods, the promotional materials, the manuals, or the business sales promotional materials by the direct sales operator from the independent distributor, including a prescription period for the independent distributor to exercise such rights".

Another Section states that "Upon the independent distributor's exercise of its right to return the goods, the promotional materials, the manuals or the business sales promotional materials first purchased from the direct sales operator, the direct sales operator may repurchase the same at the price paid by the independent distributor within fifteen days from the day the independent distributor exercises its rights. In the event of the exercise of rights upon the expiration of the contract under the Section earlier mentioned, the direct sales operator is entitled to deduct expenses in the amount not exceeding the rate stipulated by the Commission and shall have the right to set-off any debts relating to the contract under the said Section payable by the independent distributor".

And the final objective of the Act is '**To promote the direct selling business**'. The Act could enhance the positive image of the direct selling business. Once trust is built up among consumers, they would believe that products purchasing from the direct sellers are of high quality and value not less than others in the market. More importantly, the Act provides the business opportunities for potential consumers to become the independent distributors. As a result, this could generate extra income for them and construct the long-term economic growth in the country. Here are the benefits from the Act to the direct selling business in general.

- To regulate the direct selling business as a whole
- To establish the good image of direct selling business
- To create trust among the consumers -- quality of the products
- To promote the business opportunity for extra income and economic situation
- To ban the pyramid scheme

I will now turn to the regulations of each Section.

One Section states that "No person shall operate the business of direct sales unless registered to conduct the business of direct sales under this Act".

Another Section states that "The direct sales operator shall operate its business in accordance with its remuneration payment plan submitted to the Registrar". And, the payment plan must be in the following manner:

First, it shall not confer benefit upon the independent distributor or self-employed direct sales representative which is received as its main income by means of recruiting any person or recommending any independent distributor or self-employed direct sales representative to join the direct sales network.

Second, the main income of the independent distributor or self-employed direct sales rep depends on the sales of goods or services to the consumer, including the purchase for personal consumption.

Third, it shall not require the independent distributor to purchase goods.

Fourth, it shall not encourage the independent distributor to purchase goods in unreasonably large amounts.

Fifth, it shall clearly demonstrate the actual or possible calculation of the payment of remuneration.

Finally, Any other manners as specified by the Commission.

And another Section states that “The direct sales operator and the direct marketing operator shall not operate their businesses in a manner of inducing any person to join a direct sales or direct marketing network and promising to grant benefits which will be calculated from the number of persons joining the network”.

Next, let me update you about the registration of Direct selling company in Thailand. The Thai Direct Selling Act has been issued for one year and there are more than 400 direct selling companies nationwide. About 335 companies submitted for registration, and currently, the registration had already been granted to 234 companies. The remaining figures are pending under consideration of the OCPB. Well! Overall, we are quite pleased with the number of participants and we are expecting the forthcoming in the near future.

Then, what about the good points of the registration!

First, registration allows us to have the database of all direct selling companies in the country. Once information is on hand, we would know the status of the business operator as we are able to examine whether which company is in our registration list. Then, it's easy for us to sort out the fake one.

Another good point is, we could protect both consumers and direct sellers from many unfair cases. For example, when consumers complain about the products' over claim or when they couldn't return the products to the sellers. Or, when direct sellers are forced by direct sales operator for the frontloading of products and business support materials. If these bad guys are in our list, we could monitor who they are and could take action immediately.

In conclusion, I will inform you about our preparation for the further step.

First, we will implement the Ministerial Regulations to deal with details that are unspecified in the Direct Selling Act.

Next, we will do the field trip monitoring whether the remuneration payment plans of the direct sales operators are complied with their documents submitted to the OCPB, and whether they strictly follow the plans.

Finally, to cope with the rapid growth and to raise the standard of the direct selling business, we would recognize the good business operators and join hands with them to eliminate the bad guys, such as those in pyramid scheme, money game and so on.

So, these are the whole pictures of the direct selling in Thailand and also the end of my presentation. Again, it's my pleasure to be here with you today. Thank you very much for your kind attention.