

New Video: If a Sales Kit or Startup Fee Is Several Hundred Dollars, Then Is This Considered “Frontloading”?

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Front loading generally refers to a process in which a MLM company, or a sponsoring distributor, encourages a new distributor to purchase far more product than is commercially reasonable under the circumstances. Often the “push” is explained to the recruit as necessary to qualify in the plan. This is an unacceptable practice is often one indicia of a pyramid scheme.

On the other hand, virtually all regulatory agencies recognize that a purchase of an “at cost” sales kit is an acceptable practice in the mainstream of leading direct selling companies. Such mandated kits are typically in the \$50-\$100 range. They generally entail “hard copy” or online supply of sales and marketing materials as well as ongoing sales and marketing materials updates for a year. Typically the mandated sales kit does not include product and generally a company offers an optional deluxe kit that may include product. Such an optional kit, which is often referred to as a “fast start” kit, may contain several hundred dollars of product. This is not unusual. Although the same regulatory standards on upfront mandated purchases are applicable to party plan companies as they are to other companies, it is not unusual to see party plan companies mandate a beginning starter kit that contains a wide array of products, with a price tag several hundred dollars. Regulatory agencies are very liberal in their view of such mandated purchases in party plan companies because party plan companies are so overwhelmingly retail oriented and the movement of product to retail customers is the norm, and not the exception, for party plan companies.

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