

Self-evaluation Handbook for Multi-level Sales Enterprises

July 2008 Taiwan Fair Trade Commission

Table of Contents

I. Foreword	3
II. Objectives of Self-evaluation	4
III. Methods and Contents of Self-evaluation	5
IV. Self-evaluation Indicator Evaluation Table of Multi-level Enterprise	6-16
V. Findings of Evaluation and Matters for Improvement	17

I. Foreword

Self-evaluation is an evaluation planned and executed by the organization basically on the basis of the external evaluation standard in order to understand the differences between the findings of an internal evaluation (is) of the organization and external standard (ought to be). The evaluation is then to serve as a basis for rating the performance of the organization or for self-improvement.

Formulating a standard is usually the first step of implementing evaluation. The reason for formulating this evaluation **indicator** is to create a complete set of and convenient self-evaluation modes and meanings to get these **indications** and then compare with the standard of the organization in order to achieve the objective of evaluating the performance of the organization or self-improvement.

“Self-evaluation” stresses “understanding and directing the meaning” of a self-evaluation **indicator** in a multi-level sales enterprise and not in “external assertion and proving”. A multi-level sales enterprise should know that the only way to promote the business gradually and be acknowledged outside is by voluntarily and continuously conducting internal “self-improvement”; by going through the process of “internalization” to the process of “externalization” can its image be upgraded, which is the core meaning of a self-evaluation system.

II. Objectives of Self-evaluation

Three objectives are expected to be achieved for adopting self-evaluation in multi-level sales enterprises:

1. **Self-improvement:** Dedicated progress of the organization can be achieved if all the members of the organization participate in self-evaluation under the leadership of high ranking officers of the organization by conducting evaluation from inside out and processing an autonomy mechanism.
2. **Outside acknowledgement:** Aside from managing multi-level sales enterprises, subsequent self-evaluation also allows the organization to discover problems in time and seek for solutions in order to win the trust of consumers and be acknowledged outside.
3. **Open inspection:** Evaluation items of self-evaluation are information that can be openly obtained. Prior to joining the multi-level sales enterprises or conducting transactions, a multi-level seller or consumer may compare whether the operation of that business corresponds with the content of evaluation or not. The result of his or her comparison will serve as the significant information for determining whether to join the business or conduct transactions with it or not.

It is necessary to “be as good as one’s words” in conducting self-evaluation, but not muddle through, because a good self-evaluation result concretely represents and displays quality. Although the result of self-evaluation is currently used for internal reference only, only those who are “as good as one’s words” can get the acknowledgement of outside multi-level sellers and consumers.

We have to emphasize that a self-evaluation index is only a basic prerequisite. A multi-level sales enterprise should try to find a higher guidepost or model, especially in regulating a business code of conducts of multi-level sellers. This is advantageous to self-evaluation in producing double effect.

III. Methods and Content of Self-evaluation

A multi-level sales enterprise decides whether to implement self-evaluation or not. Therefore, it implements its evaluation method or process according to the characteristics of the organization. Please refer to the attached “Self-evaluation Index Evaluation Table of Multi-level Sales Enterprise” in processing the content and matters in various stages of self-evaluation.

The “Self-evaluation Index Evaluation Table of Multi-level Sales Enterprise” is divided into three dimensions. The first dimension is “Completeness and Legality of Information Exposed”, the second dimension “Specification of Rights and Obligations of Participant”, and the third dimension “Degree of Carrying out Control of Multi-level Sales Enterprise”. Two items, four items, and seven items of evaluation are provided under each dimension respectively. Each evaluation item has one or more detailed evaluation item.

IV. Self-evaluation Index Evaluation Table of Multi-level Sales Enterprise

Dimension 1: Integrity and Legality of Information Disclosed	
Disclosure of Quality	<p>1.11 Product Information Fully Disclosed by the Enterprise</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Whether description data are provided for various products sold by the enterprise or not: For examples, editing and printing products' manuals or DMs or publishing products information on the website, for participants to get familiar easily with the products promoted and sold by the business.</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Whether the enterprise has relevant data proving that various articles sold have been approved by the competent authority (such as an official letter of compliance with the regulation issued by the health institution or proof of management record made on the enterprise during the last few years) or not.</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Whether the enterprise has labeled the function or specification, ingredients (structure), package capacity (weight), duration (manufacturing date, expiry date), instruction, and precaution of a product according to laws and regulations specified by the competent authority or not.</p>

	<p>1.12 Performance assurance for prepaid products or service(s) sold by the enterprise (this item is not applicable to sellers who do not sell prepaid goods):</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Whether the enterprise offers the principal part(s) of the prepaid goods or service(s).</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Whether the enterprise has advised the participants or consumers clearly about the performance condition and the performance schedule of that goods or service(s) or at the time when the participants or consumers bought the said prepaid goods or service(s).</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Whether the enterprise provides the performance collateral mechanism according to the provisions enacted by the competent authority or has voluntarily provided the performance collateral mechanism to the prepaid goods or service(s). For example: The enterprise appropriated a certain percentage of the advance received for trust and enacting account handling provisions for “advances received”.</p>
	<p>1.13 The enterprise declaring the information that the goods or service(s) had obtained the quality mark certification:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Whether the enterprise is able to provide concrete evidential documents, marks and/or labels or inspection instructions especially when making outstanding appeals on the products being promoted or sold (Example: The enterprise itself or supplier declared that it had passed ISO certification, possessed a patent(s), had acquired approval marks from other creditable international or world-level authorities or groups).</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Whether the enterprise has exaggerated on the outstanding appeal over the goods or service(s) declared or has gone beyond the content of the relevant certified mark(s).</p>

Multi-level Sales Organization and Disclosure of Bonus System	<p>1.21 Authenticity of bonus system and multi-level sales organization:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Whether the enterprise has disclosed in detail about the content of the terms of promotion, promotion level, the development scale of the organization, calculation of bonus, date and method of payment regarding the bonus system it had formulated in order to ensure its execution.</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Whether the content of successful examples used by the enterprise at the time of soliciting participants are true or not. It covers: 1. Disclosing the real name of the said successful participant; 2. Describing in details about the time and the process the said successful participant had spent in developing the organization and being promoted to each level; and 3. The actual amount of the bonuses received.</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Regarding the bonus system adopted, does the enterprise allow participants to voluntarily develop the organization instead of having the organization been arranged by the enterprise?</p>
	<p>1.22 Stability of total business revenue and proportion of bonus paid:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Regarding the maximum proportion of the bonus paid out of the total business revenue, did the business clearly advise the participants in advance?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Regarding the maximum proportion of the actual bonus paid out of the total business revenue based on the bonus system, does the business really maintain it below the estimated maximum proportion paid and the rate of error not exceeding 10%?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Is the actual maximum proportion of the bonus paid by the enterprise taking up less than 50% of the total business revenue?</p>

	<p>1.23 Disclosure of Balance Sheet and Profit and Loss Statement certified by accountant:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Does the enterprise keep its balance sheet(s) and profit and loss statement(s) certified by the accountant in its main business place (an enterprise which does not keep a copy of this item is in violation of the law)?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Did the enterprise formulate and disclose the provisions on procedures for its participants to apply for reading the company's Balance Sheet and Profit and Loss Statement of last year.</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Did the enterprise advise its participants who had already joined the business for more than 1 year and had already received bonuses, by either announcing or other methods, that they have the right to apply to the company to let them read the company's Balance Sheet and Profit and Loss Statement of last year?</p>
--	--

Dimension 2: Specification of Rights and Obligations of Participant

Content of Participation Contract

2.11 Aptness of the content recorded in the written participation contract:

- Yes No Did the enterprise sign a written participation contract with the participant and hand over a business handbook and relevant information? (Business operator who does not keep a copy of this item is in violation of the law).
- Yes No Is the format of the written participation contract printed by the enterprise, size of letter, printed colors, and so on easily read by the participants.
- Yes No Did the enterprise specify the terms and the conditions of contract renewal, the duration of the renewed contract, and relevant provisions in the content of the printed contract?

2.12 Matters of advice regarding content of written participation contract and rights of participants:

- Yes No Does the content of the contract drawn between the enterprise and the participant include requirement provisions regarding participation of minors and stating that the minor has to have the consent of his or her legal representative?
- Yes No Were the rights of participants to withdraw from the enterprise and/or return goods specified in a especially obvious method in the contract drawn up between the enterprise and the participant (such as printed in color, bold letter or underlined)?
- Yes No Did the enterprise truly state the participant's right to withdraw from the enterprise and his or her right to return the goods in the participation contract (including application method, process, application forms) (an enterprise who does not keep a copy of this item is in violation of the law)?

	<p>2.13 Provisions on content of participation contract and other terms and conditions as agreed:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No After the enterprise concluded the written participation contract with the participant, did it actually give a photocopy of the contract to the participant for keeping?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Did the enterprise report all previous changes of the participation contract to the Fair Trade Commission, keep relevant correspondents on file, and let these changes and correspondents be available for participants to read timely?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No After the enterprise concluded the written participation contract with the participant, did it formulate a clear method of notification (examples: re-sign a contract, send a notice one by one, or make an announcement advising all the participants) for it to change the relevant content (including the content of the business handbook)?</p>
<p>Implementation of Educational training</p>	<p>2.21 Implementing educational training on content and instruction of goods to participants:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Does the enterprise have a training program for new participants? The program includes a participant's thorough knowledge of the price, the purpose and the source of the goods or service(s), product liability insurance and solicitation method.</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Did the enterprise implement correct promotion and marketing examples, and practical training to new participants by allowing them to conduct on-line interaction teaching via internet, have teaching experience in the meeting places, or produce teaching CDs?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No After the enterprise trained new participants, does it conduct an examination regarding the degree of knowing the products and instruction?</p>

2.22 Training participants to withdraw from enterprise and/or return the goods and soliciting method:

Yes No Does the content of training provided by the enterprise to new participants include the handling method and the process of withdrawal from the enterprise and/or returning of the goods?

Yes No While the enterprise gave training, did it fully disclose and allow participants to understand the provisions for deducting and offsetting returned and damaged ordinary goods, handling defects, and relevant procedures?

Yes No Does the content of training provided by the enterprise to participants include various matters that should be known by other participants at the time when these participants are being introduced to join the enterprise?

Yes No Did the enterprise clearly state in the content of training provided to participants that the following acts are in violation with the laws? 1. Demanding participants to pay fees for training, lectures, get together, a meeting(s) or other under similar names that do not correspond to cost; 2. Demanding participants to pay or shoulder obviously improper guarantee deposits, breach of contract penalty, or other liabilities; 3. Demanding participants to purchase the quantity of articles that is obviously impossible to be sold by ordinary people within a short time; and 4. Using an improper method(s) to stand in the way of handling the cancellation and termination of the contracts, and the withdrawal from the enterprise and/or the returning of the goods by other participants.

Yes No Did the enterprise clearly state in the content of training provided to participants that participants should not use the following improper methods to promote and sell the products, and concretely advise them about the method of handling violators, such as cheating or misleading people to promote and sell the goods or service(s) and introducing other people to join the multi-level sales organization, using the name of a multi-level sales enterprise or organization in soliciting fund from people, engage in multi-level sales activities by violating public order or good morals, improper direct interview and trading which affects market trade order or causing grave loss on consumers, and engage in multi-level sales activities in violation with the Criminal Law or other industrial and commercial administration laws and regulations?

	<p>2.23 Execution of content of participants training:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Regarding training programs on participants, did the enterprise organize different content of training programs at different periods on the basis of the new members or members at a certain level?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Regarding the training being conducted, did the enterprise publish or inform about the course program in advance, review and evaluate the materials, review the qualification of lecturers, and disclose training charges to be borne in advance?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No After the participants completed training, did the enterprise evaluate the participants or award them with certificates?</p>
<p>Providing Services</p>	<p>2.3 Management and maintenance of service(s) provided by the enterprise:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Did the enterprise fully provide service(s) quality demanded by participants and consumers through web pages, in writing, or field service (examples: stating various business locations, warehouse locations for picking up goods, maps and transportation information in relevant information, providing free call service, opinion boxes, addresses, products' display centers, regulations of and procedures for after sales service, regulations and procedures of handling complaints).</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Did the enterprise have a special department or personnel to handle the aforementioned services demanded by participants?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Is the enterprise able to provide information that is to be provided to down-line participants by their up-line participants and is demanded by up-line participants, such as system table, sales performance, bonuses, structure of position grades?</p>

<p style="text-align: center;">Actual Delivery of Articles</p>	<p>2.4 Degree of soundness of the procedure for purchase, payment and delivery:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Is the procedure for purchase, payment, and delivery of goods between the enterprise and participants sound, such as published purchasing business locations, delivery methods of goods, provisions prohibiting agents from ordering large quantity of goods or other procedures of assuring delivery.</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No When the articles are delivered to the participant, does the enterprise require a record of recipients and build up a after-sale tracing mechanism to check who had purchased what goods?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Does the enterprise have any regulation of prohibiting participants from placing large orders, and a control mechanism to prevent participants from hoarding large quantities of goods?</p>
<p>Dimension 3: Degree of Carrying Out Control of Multi-level Sales Enterprise</p>	
<p style="text-align: center;">Product Quality Control</p>	<p>3.1 Degree of carrying out various systems, to ensure the quality, the performance, and the safety of products</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Does the enterprise keep the information of products from associated suppliers within a certain period of time, and records of quality control and inspection of various incoming goods for external inspection or timely evidence?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Is the enterprise able to provide justifiable and objective certified data on the quality, performance, inspection marks and certification of various products it has declared, such as concrete facts of ISO or annual inspection records of each item of certification, and product inspection records for inspection or as evidence.</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Did the enterprise create a product or service quality inspection system, such as voluntarily collecting labels and indications that are relevant to the product in the market, the DM(s) of the product, or material information of each product, or spot check the data being distributed by the participant on the products he or she is promoting and selling and observe whether they conform to the products and service quality required by the enterprise?</p>

<p style="text-align: center;">Control on Implementation of Bonus System</p>	<p>3.2 Degree of implementation of bonus system</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Does the enterprise conduct quarterly spot check of participants' bonus withdrawal and compare it with the time of participation, the time of promotion, and the acquisition of bonus so as to know whether there is any irregularity or not?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Does the enterprise conduct quarterly spot check on the amount of bonus allocated to see whether the amount exceeded the estimated maximum proportion or not, and the relevant regulations and schedule governing the allocation of bonus to check whether it corresponds with the provisions specified in the participation contractor not?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Did the enterprise establish a sound bonus inquiry measure and formulate an open and justifiable dispute handling procedure?</p>
<p style="text-align: center;">Control on Conclusion of Participation Contract</p>	<p>3.3 Preservation of data on performance of participants upon joining</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Did the enterprise examine the written participation contracts signed with the participants, compile them into a book(s) according to their dates and keep them in a safe place?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No After the enterprise concluded the written participation contract with a minor participant, did it require the participant to provide a letter of consent from his or her legal representative and confirm its authenticity? (An enterprise which does not acquire a letter of consent from the legal representative in advance is considered violating the law)</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Does the enterprise conduct regular check to see whether the participants signed the contracts personally, and verify whether the participants' first purchase, payment and withdrawal of goods were done personally or not so as to know whether the organizations are fictitious or not.</p>

Control of Procedure for Returned Goods	<p>3.41 Acceptance of participants' withdrawal from the enterprise and/or returning of the goods:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Does the enterprise specify a special department or personnel to handle participants' withdrawal from the enterprise and/or returning of the goods, actually calculate the amount of returned goods and return payment according to the law?</p>
	<p><input type="checkbox"/> Yes <input type="checkbox"/> No Regarding the number of applications made by participants in processing withdrawal from the enterprise and/or returning of the goods and the percentage of the amount of returned goods out of the business turnover, did the enterprise conduct case control and case handling analysis, classify according to the types of cases (such as differentiating a cancelled contract from a terminated contract, and handling returned goods due to other breaches of contracts), and keep the filing of these cases in a safe place?</p>
	<p><input type="checkbox"/> Yes <input type="checkbox"/> No Did the enterprise inform participants in advance regarding the recognition method and the standard of impairment of the value of an article, and the method and the standard were agreed upon by participants or jointly negotiated and recognized?</p>
	<p>3.42 Recovering bonus from up-line participants after handling the withdrawal from the enterprise and/or returning of goods:</p>
	<p><input type="checkbox"/> Yes <input type="checkbox"/> No Did the enterprise specify clearly in the participation contract that a participant might recover the bonus from up-line participant after he or she had processed the withdrawal from the enterprise and/or returning of goods?</p>
	<p><input type="checkbox"/> Yes <input type="checkbox"/> No After the participant had processed the withdrawal from the enterprise and/or returning of goods, does the enterprise formulate a regulations governing the recovery of bonuses from his or her related up-line participant?</p>
<p><input type="checkbox"/> Yes <input type="checkbox"/> No Does the enterprise have a special department and personnel or build up a mechanism and establish a book(s) to follow up the process of recovering bonuses from up-line participants bonus?</p>	

<p style="text-align: center;">Control of Service Quality</p>	<p>3.5 Degree of carrying out control system to ensure participants' and consumers' service quality:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Has the enterprise specified a special department or personnel to handle customers' complaints, and check the exhibition space and the cleanliness of the service site, and service attitude at the said site regularly?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Does the enterprise compile the handling of relevant customer's complaints and solutions, and provide necessary training to customer service personnel?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Does the enterprise conduct regular checks on the operation of its toll free customer's complaint center, opinion boxes, or other similar operations, record the evaluated matters, and make improvements on relevant shortcomings?</p>
<p style="text-align: center;">Control of Organization's Development and Sales</p>	<p>3.6 Control of organization's development and sales of products:</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Does the enterprise have a special department to handle disputes occurred during the organization level development of participants, and is able to handle large quantity of incoming goods, human line up, irregular promotion or large quantity of withdrawal from the enterprise and/or returning of goods quickly and effectively?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Has the enterprise created a control mechanism for articles sold in the market in order to increase market competition?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Does the enterprise have a special department or personnel to review goods purchasing procedure, record evaluated matters, and make improvements on relevant shortcomings?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No Does the enterprise have a special department or personnel to audit its finance or the flow of funds, record evaluated matters, and make improvements on relevant shortcomings?</p>

**Control of
Operation of
Computer
System**

3.7 Management of operation of computer system:

- Yes No Does the enterprise have a special department or personnel to handle computer management (including installation and management of the computer system, or monitoring computer system structure, handling out source computer management), so as to ensure information safety and efficient operation of the computer system?
- Yes No Is the computer system installed by the enterprise able to provide the following information quickly?
- Overall and all levels of the organization system of the enterprise.
 - Total number of participants, number of persons joined and withdrawn in that month.
 - Name or title, age, National Identification Card number or unified business number, address, and contact phone number of the participant.
 - Type, quantity, and amount of goods sold or services and relevant matters.
 - Handling situation of participants returning the goods and total amount paid.
 - Payment of commission, bonus or other economic benefits.
- Yes No Does the computer system installed by the enterprise able to control the calculation of a participant's bonus, allocation, and recovery, and the recovering mechanism on participants who had over withdrawn bonuses?

V. Evaluation Result and Matters for Improvement

Based on the three dimensions in this evaluation table, and two items, four items, seven items of evaluation items in each dimension respectively, evaluation result is as follows:

Dimension 1: “Completeness and Legality of Information Disclosed” (17 detailed evaluation items):

Complying with the evaluation index (those who tick Yes): _____ detailed items, Non-complying and need improvement (those who tick No): _____ detailed items

Dimension 2: “Specification of Rights and Obligation of Participant” (26 detailed evaluation items):

Complying with the evaluation index (those who tick Yes): _____ detailed items, Non-complying and need improvement (those who tick No): _____ detailed items

Dimension 3: “Degree of Carrying Out Control of Multi-level Sales Enterprises_____ Control” (25 detailed evaluation items):

Complying with the evaluation index (those who tick Yes): _____ detailed items, Non-complying and need improvement (those who tick No): _____ detailed items

Total: Complying with the evaluation indices (those who tick Yes): _____ detailed items, Non-complying and need improvement (those who tick No): _____ detailed items

Date of Evaluation:

Self-evaluating Enterprise: