MANIPULATIVE COOPERATION POLITICS OF MLM COMPANIES IN SURABAYA CITY

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ABSTRAK


Kata kunci: ideologi dan marketing plan bisnis MLM, politik kooperasi manipulatif, eksploitasi.

ABSTRACT

Many studies on multi-level marketing business from law, management, marketing economic and anthropology perspectives have been focused on its legality which is victims of MLM companies/fake MLM companies. Studies on market phenomenon and entrepreneurship of MLM large industry from economy anthropology perspective are still rare especially in Indonesia. The study is intended to identify the underlying cooperation policy as well as manipulative conduct of MLM business in Surabaya. The study employs qualitative and ethnographic approaches. Qualitative data were analyzed using ethnographic approaches. The result of research suggests that MLM businesses have undertaken manipulative cooperation politics by establishing both international level direct selling association (WFDSA) and national association (APLI) in response to the MLM business controversy. APLI exploits and manipulates non-member of APLI. Exploiting and manipulating MLM members through ideology doctrine and marketing plan of MLM business/corporate culture.

Keywords: ideology and marketing plan of MLM business, manipulative cooperation politics, exploitation.

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INTRODUCTION

Most of the public of Surabaya city are aware of Multi Level Marketing (MLM) businesses. MLM businesses were originally developed by MLM business practitioners in 1960 and were introduced in Indonesia in 1980s. This means that the MLM business has penetrated beyond its original geographical borders, among others, to Indonesia. The MLM business has grown rapidly in Surabaya up to the present. MLM business has been in existence for more than 50 years (Andriati, 2012). MLM business is believed to be providing an economic opportunity in the form of entrepreneurship which is direct marketing of products offered by MLM large industry directly to its members. MLM business is a trading model developed from a direct selling model by two marketing experts from University of Chicago, United States of America (Silalahi, 2003).

Anthropology studies on phenomenon of MLM business entrepreneurship and market within the big frame of Indonesian industry have not been widely available. Studies and researches have been focused on market phenomenon of non-MLM trading models within Indonesian economic history in the anthropological framework and other perspectives. It is concluded that competition among traders/business do exist and therefore they work in collaboration or cooperation in order to excel such competition to gain the expected profit (Andriati, 2007 and 2012). An anthropological study focusing on small-scaled industry and trading in Magetan, East Java, Indonesia, concludes that such cooperation and manipulative proceeds have been adopted by small business does in response to the prevailing market competition (Sarmini in Ahimsa-Putra ed, 2003: 251-385). Studies on large phenomenon of non-MLM businessin terms of entrepreneurship perspective suggest that high moral economy and entrepreneurship drives are found in ten successful Indonesian business doers who started their business from zero. These entrepreneurs have been providing welfare to thousands of employees and have been able to elevate the business success by means of both internal and external cooperation scheme they established among similar business(Sudarmadi, 2007). MLM businesses have been under studies of legal (Goldborough, 2001), business economy (Blakey, 2006), management (Wendy, 2004), management and business (Siahaan, Lumbanrja, Chairunisa, 2014), international business (Taylor, 2013), and anthropology (Krige, 2012) perspectives. Their results show that MLM companies’ legality is important for societies. However, studies on exploitative and manipulative cooperation politics applied by MLM companies for profit generation purposes through direct marketing of products directly done by its members as a phenomenon of large industry and entrepreneurship from economy anthropology perspective are still rare. Therefore, this phenomenon is interesting to be deeply studied.

Karl Marx’s study (1956) about a phenomenon on large industries shows practitioners’ behavior which is capitalism for reaching surplus value by using exploitative economy politics toward workers who work in production and distribution departments. According to Marx, distribution is a part of production processes, therefore, qualitative data of practitioners’ behavior from MLM large industry in marketing their products was analyzed using ethnographic approaches based on Marx’ thought of economy politics. MLM members can be said as labor force because MLM members’ commissions and bonuses are paid by MLM companies, even though they are not MLM companies’ permanent employees. The capitalists exploit their labors. Labors should be paid if they work overtime. Surplus value is defined as values that the capitalists obtain from the unpaid labors’/workers’ excess work hours. The capitalists force their labors to work beyond the designated work hours to speed up capital returns through doctrine of materialism ideology. This ideology is a set of thinking system and fake awareness. This ideology was made by capitalists/high class to control labors. Exploitative and unequal power relations are awakened because of this ideology. Labors bear up working even though they are exploited because they need the job. This hidden meaning of capitalists’ economic behaviors needs to be understood. This economic phenomenon happens because of the supports of social system, economic system, and culture as well as the supports of capitalists and labors (Marx, 2006; Lawang, 1986: 157-158; Engels, 2007: 17-23; Mulyanto, 2011:...
Trading is an economic aspect from production which conducted by those practitioners. The results of this trading are reinvested in the form of capital for further production process (Marx, 1956: 21-51, 1967). Furthermore, the supports from authorities and governments through policies to fulfill society’s need are also important (Carrier, 2005: 1-9).

Marx’s thought on economy politics in macro level of large industry is similar with micro-economic politics from F. G. Bailey (1971: 1-25) which shows that capitalists have culture of manipulative politics. The capitalists carry out small politics. Undertaking of micro-politics (small politics) is attributed to implementation of manipulative conducted by individuals within their daily lives in order to win a social game. Competition is one of social games practices among competitors on the ground that each of the competitors needs to maintain their reputation in order for them not to lose the games, especially in terms of profit generation. There are no rules that restrict less fair business conducts within such a competition.

This study employs qualitative approach and ethnographical method. The objective of this study is to reveal the form of cooperation, manipulation, and exploitation of politics behaviors of MLM companies. The City of Surabaya is selected because, according to informant of Legal Section of Department of Commerce and Industry Republic of Indonesia, most of big MLM companies have their branch offices available in Surabaya. Three MLM companies are involved, namely Amway (USA), Tianshi (China) and UFO (Indonesia). The three companies are selected for the following grounds; firstly, Amway is global MLM company pioneer; while Tianshi, according to APLI public relations officer, is recorded to have gained the biggest return in Indonesia in 2008, and UFO (Usahajaya Fico Operasional) is a national MLM company which gained the biggest return in 2005. Secondly, the three companies were selected for the facts that they distribute the same products, namely nutrition supplement products. Data were collected by means of observation and participative observation techniques conducted during seminars and trainings of MLM business, and in-depth interviews with informants using a guided interview set. In-depth interviews were conducted to Surabaya people who are millionaires/billionaires as well as their network groups’ members of three MLM companies which are Amway (USA), Tianshi (China), UFO (Indonesia). Informants were purposively selected from MLM company’s management, MLM members (millionaires and their network members), former MLM business members, MLM potential recruits (called ‘prospect’ within the MLM business community), Head and Public Relations Officer of APLI (Indonesia’s Association for Direct Sellings), and Officer of Department of Commerce and Industry. Qualitative data which obtained from informants were further ethnographically categorized and analyzed using Karl Marx’s, Carrier’s and F. Bailey’s theories on macro-economics and micro-economics.

SOCIETY IS CHEATES BY FAKE MLM BUSINESS THROUGH RELATIVES/FRIENDS

MLM business and fake MLM business are relatively similar in recruiting new members by presentation and allurement to gain more income and become rich faster compare to other jobs. This condition creates controversies in society who cannot differentiate between legal MLM business and fake MLM business. According to informant, MLM members are often asked by prospects about MLM company legality when they present and persuade prospects to join MLM business. This query shows that controversy of MLM business is exists. Along with this controversy, legal MLM business as global entrepreneurial in marketing field from MLM large industry is still interested and occupied by most of Surabayans until now even though some of them have been fooled by fake MLM business.

As mentioned by an MLM member informant, the public have not grown sufficient knowledge as to tell the difference between legal MLM business and fake MLM business. Queries on the companies’ legality and how the big profit is easily obtained from such business suggest that the public are in a great doubt; they just cannot tell how MLM businesses are different from conventional retail business.
### Difference of Pyramid System and Legal MLM Business

<table>
<thead>
<tr>
<th>No</th>
<th>Illegal/Pyramid System</th>
<th>Legal MLM Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Not allowed by the national government</td>
<td>Allowed by the national government</td>
</tr>
<tr>
<td>2.</td>
<td>Profit is retained by initial members</td>
<td>Profit is retained by MLM members</td>
</tr>
<tr>
<td>3.</td>
<td>Profit is calculated based on numbers of new members and cash deposits</td>
<td>MLM members’ profit is based on the members’ hard work in group network, close points and minimum monthly personal purchases.</td>
</tr>
<tr>
<td>4.</td>
<td>Each member can be repetitive member</td>
<td>Each member can only have one lifetime membership.</td>
</tr>
<tr>
<td>5.</td>
<td>Registration fee and product price are usually very high.</td>
<td>Low registration fee and affordable product price</td>
</tr>
<tr>
<td>6.</td>
<td>Limited number of recruits</td>
<td>Unlimited number of members</td>
</tr>
<tr>
<td>7.</td>
<td>Members keep products in bulk for further resale.</td>
<td>Members do not keep products in bulk for further resale.</td>
</tr>
<tr>
<td>8.</td>
<td>No training and workshop program is made available</td>
<td>Compulsory training and workshop programs are available</td>
</tr>
<tr>
<td>9.</td>
<td>No product knowledge training is available</td>
<td>Compulsory product knowledge training is available.</td>
</tr>
<tr>
<td>10.</td>
<td>Downline’s success is not a matter of importance to upline</td>
<td>Downline’s success is a matter of importance to upline</td>
</tr>
<tr>
<td>11.</td>
<td>The business does not bear an economic opportunity as upline only expects yields from downlinerecruitment.</td>
<td>The business bears an economic opportunity as upline must cooperate with their downline dan and network groups</td>
</tr>
<tr>
<td>12.</td>
<td>The business does not require hard work and relies on speculation</td>
<td>The business must be attempted in hard work</td>
</tr>
</tbody>
</table>

**Source:** Legal Section, Department of Commerce and Industry, and APLI. 2008 and 2009. Processed internationally, nationally and locally developed along with its typical controversy arising among the public, then the direct selling/MLM business started to do manipulative tactics with establishing an association for direct selling and MLM business under the name of WFDSA (*World Federation of Direct Selling Associations*) in 1978 in Washington, USA. This organization is—in terms of political economy—intended to anticipate controversies and irregularities found in competition between direct selling/MLM businesses with fake MLM businesses and ensure smooth operation of legal MLM. In 1984 in Jakarta, Indonesia, MLM companies and direct selling companies were forming Indonesian Direct Selling Association (APLI)/IDSA/Indonesian Direct Selling Association is one of WFDSA members. APLI...
also member of Chamber of Commerce and Industry / Kamar Dagang dan Industri Indonesia (KADIN INDONESIA) with member id 20203.18688-6/04-09-1995 and is recognized by Ministry of Trade. The objective of APLI is similar with the objective of WFDSA (Sumber: APLI, 2009).

According to informantin APLI, direct selling companies and MLM from WFDSA can compete with non-MLM companies. Direct selling industry in many countries aware they have been done global motion of entrepreneurship; 6) to stay on positive environments so that they are always happy and positive.

The companies are indicated as applying manipulative cooperation politics for MLM business in order to remain survive and elevate their profit gains. Legality and commissions of MLM companies are always become important issues when similar nutritional products from non-MLM companies are being sold to public. MLM companies keep telling their prospects that their members have gained their top achievement, turning themselves into successful millionaires through MLM business while there is also an underlying fact that many members have failed and even many MLM business simply closed down. According to APLI’s public relations officer, in the absence of WFDSA’s umbrella, MLM companies which operate overseas are not securely protected as WFDSA has been a federation of associations which is originally established to accommodate the same business interest, namely MLM business. This goes well with Bailey’s theory that MLM company’s management teams’ role as actors in direct selling business is relatively crucial in terms of establishment of strategy for politically economic policies which are closely related to sustainability of the global MLM business.

It is not easy to control the competing fake MLM companies since they make themselves prevail by taking the benefit of reaping profit out of the community in the absence of morality while pretending to be legal MLM companies said informants from MLM company management and members. They design pyramid scheme marketing plan resembling that of the legal MLM companies. Legal MLM companies are also confronted with non-MLM competitors who focus on both retail and wholesale tradings, which in fact make less cash than that of legal MLM companies. Direct selling industry is known to be practicing other strategy which is exploitative and manipulative cooperation politics in that they set up commission standard which is considered exploitative to MLM members whether individually or severally/groups/networks (commissions and bonuses case: Amway has less commissions and bonuses compare to Tianshi and UFO) while controlling their members on play fair conducts in pursuing high profit, on restriction for unnecessary bulk purchase, and protection of legal MLM business members as to ensure smooth process of profit gaining.

According to APLI’s public relations officers and MLM companies’ management, some legal MLM companies have been found to be conducting marketing plan money game for purposes of swifter profit gains. No sanctions have been given to such companies since no reports have been made to WFDSA. In this sense, despite the fact that the WFDSA has failed to function in a maximum way, it managed to maintain its goals owing to the facts that the average MLM companies are able to survive for more than 10 years in some countries. MLM companies which failed to stick to the agreed rules of games automatically collapsed; members who are aware of the nature of such companies will surely leave them. APLI has been survived for 31 years, even though APLI became non-active for several years and re-open in 1995.

Not all of direct selling companies voluntarily
become members of WFSDA. In 2014, members of WFSDA have increased to 59 associations or 59 countries (www.wfdsa.org, accessed on 24 Oktober 2014) and 73 direct selling/MLM companies become members of APLI (public relation officer of APLI). This means that the public are still prone to cunning strategy of both fake MLM companies and untrusted legal MLM companies. In Marx’s perspective, the fake MLM companies and untrusted legal MLM companies have applied exploitation to publics in Surabaya that were entrapped within the business they built. They changes their companies’ names and keep on operating in fraudulent manner as indicated by the prevailing bogus investment business cases, Ponzie scheme, and money games that are still largely found in Surabaya. Surabaya’s individuals who are trapped in fake MLM business or untrusted legal MLM were earlier those who were asked to join the business by friends or relative who were also victims of the fraudulent business scheme. When bonuses did not come out, they realize that they were trapped by fake MLM companies.

<table>
<thead>
<tr>
<th>Category of Indonesia’s Direct Selling Companies</th>
<th>2005</th>
<th>2008</th>
<th>2011</th>
</tr>
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<tbody>
<tr>
<td>Non-APLI Members</td>
<td>89</td>
<td>97</td>
<td>112</td>
</tr>
<tr>
<td>APLI Members</td>
<td>62</td>
<td>61</td>
<td>73</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>151</strong></td>
<td><strong>158</strong></td>
<td><strong>185</strong></td>
</tr>
</tbody>
</table>

**Source:** Legal Section, Republic of Indonesia’s Department of Commerce and Industry and APLI, APLI, 2005, 2008, 2011. Processed.

EXPLOITING AND MANIPULATING MLM MEMBERS

From economy anthropology perspective, this study conceptualizes MLM business as entrepreneur behaviors of MLM business who establish network groups through presentation to prospects and training to new members that supported by support system (supporting education company of MLM business) and MLM company. MLM companies’ culture and support system is indoctrinated to MLM members through seminars and trainings. MLM business is started from beginning. According to informants of MLM members from low, middle and high level as well as top leader/millionaires/billionaires, MLM business is a business that is done by manipulative collective tactics/”keroyokan” working politics. “Keroyokan” means cooperating within MLM businessmen community in Surabaya. MLM members learn ideology of MLM business from several millionaires/billionaires who join business team support system. This learning process is continuously and directly practiced by MLM members through support system until corporate culture of support system and MLM Company is formed.

Training of MLM business consists of marketing plan, self-development, communication skills, and leadership. Based on Marx’s concepts, these training’s contents can be said as ideology of MLM business. MLM companies make marketing plan which includes value and norm of MLM business, commissions, bonuses, career, as well as way of conducts and culture to become millionaires/billionaires collectively. MLM members need to pay administration fee to become a member even though they are not permanent employees. They need to learn and practice MLM business’ ideology repeatedly. According to informant, MLM business’ logic and working collectively within MLM members can be understood through marketing plan which needs to be learned repeatedly because MLM business’ ideology relatively difficult to be implemented. Network groups that are built by MLM members consist of individuals from different socio economic and culture background. Marketing plan of each MLM company is different but career path/level is relatively the same which from early stage, middle stage, and honor stage. MLM members are indoctrinated to have high capitalism spirits with social awareness when establish network groups. Results of this doctrine are MLM members become rich with tens to hundreds millions of income because their active up line (member who join earlier than them) help them.

Marketing plan as an ideology of MLM business becomes guiding behavior which related to culture and work division in order to make MLM members and its network groups achieve group omzet and collective profit within 1 to 5 years. This working culture which based on MLM business ideology can be said as “MLM companies’/
corporate culture and support system”.

Support system is called “MLM business school” by MLM business communities because MLM members learn and directly practice MLM business (Kiyosaki & Letcher, 2003). Research result of MLM business school shows that “MLM business school” model is a new learning model in detailed and phased to its MLM members’ habits. This model can be used as an example of entrepreneurship learning model of large industry, because MLM business school is forming its members to have high commitments, clear dreams, and consistently change their life until become successful through MLM business (Andriati, 2012). According to informant (MLM member), in the beginning they are indoctrinated of MLM business ideology only from good sides such as story of successful MLM members until become millionaires/billionaires in order to be duplicated by other members. In the next seminar and training of MLM business, they are indoctrinated of MLM business ideology from bad side such as need hard working with division of work collectively and unlimited working hours together with active up line until achieve monthly group omzet. Based on Marx’s perspective, MLM business ideology from good side can be said as ideology of a set of system. Working hard makes MLM members feel uncomfortable and cheated because their initial affirmation when learn about MLM business from good side it feels easy to be done. However, according to informants, when they recruit new members, it is not as easy as what indoctrinated to them. Based on Marx’s perspective, MLM business ideology from bad side can be said as ideology of false awareness. To change their life, MLM members are still doing MLM business with implementing MLM business ideology. Without marketing plan, members doing MLM business are like corporate without culture. Rewards are the target of MLM members in doing MLM business. Several informants have received their rewards such as motorcycle, car, luxury car and house, yacht, personal jet, and money.

MLM companies is exploiting MLM members with marketing plan and promos in order to achieve their target. Several informants have received their rewards such as motorcycle, car, luxury car and house, yacht, personal jet, and money. Without marketing plan, members doing MLM business are like corporate without culture. Rewards are the target of MLM members in doing MLM business. Several informants have received their rewards such as motorcycle, car, luxury car and house, yacht, personal jet, and money.

Companies’ culture is developed continuously form doctrine of MLM business ideology by support system and MLM companies. MLM members’ mindset is indoctrinated by marketing plan and promos in order to achieve their target. There is a case of millionaire who work 2 hours per day and 600-5,000 members of his/her network groups work 2-3 hours per day, therefore, there is a multiplication effect of working hours which is 2 hours plus 1,200 – 10,000 hours per day is equal to 1,202 – 10,002 hours. When MLM members work more than 8 hours per day which is overtime comparing to normal working hours. Some of them present individually, assists prospective members/new members in a seminar until 15 hour per day. They also work during holiday or weekend. MLM companies get added value from over working hours because they give MLM members bonuses when they can closing (buy minimum product per month) and achieve group omzet. Bonuses that are not given to members who can not closing are taken by companies. Emically, several informants who are in high level/millionaires/billionaires, they do not feel exploited. With over working hours, they believe they can get income tens/hundreds millions per month and they managed to prove it collectively.

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Support system can be said support “exploiting” system. Support systems also do business politics to gain profit with “forcing” MLM members to subscribe tool products (motivation CD from each seminar/training) with the lure
free recreation abroad when selling target of tool products can be achieved in certain period. Support “exploiting” system behaviors show that they maintain and increase millionaires/billionaires position so that their network groups’ omzet is stable or over the target. Another type of exploitation is forcing network groups’ members to continuously come to seminar and training of MLM business. However, support systems help MLM companies to give special training to MLM members about MLM business ideology.

MLM companies also get added value through manipulating member card fee and starter kit for new members. Cost of mass production of member card and starter kit is relatively cheap. But, starter kit fee per person is expensive. MLM companies get its first profit from member registration fee. MLM members do not care with registration fee, because they said is cheap. Furthermore, when members do not closing in one year, MLM companies will delete their membership. Amway, Tianshi, and UFO decide that minimum closing fee is 200,000 rupiah per year. It shows that MLM companies only care about members buying products and get profit. It also shows that MLM companies force and exploit its members to continuously buying products.

CONCLUSION

Legal MLM business as global entrepreneurial in marketing field from MLM large industry is still interested and occupied by most of Surabayans until now even though some of them have been fooled by fake MLM business. MLM business and fake MLM business are relatively similar in recruiting new members by presentation and allurement to gain more income and become rich faster than other jobs. Legality and commissions of MLM companies are always become important issues when similar nutritional products from non-MLM companies are being sold to public. It can be concluded that there are people (including Surabayans), who are MLM members or not, they have been cheated by fake MLM companies because they can not differentiate legal MLM business and fake MLM business/money game. This condition becomes controversy in society and negative perspective to MLM business. To ensure smooth MLM operation and protect their members, direct selling/MLM companies apply manipulative cooperation politics by establishing related international (WFDSA) and national (APLI) association in response to MLM business controversy, indirectness, and competition arising from fake MLM companies and non-MLM companies. Unfortunately, information about the differences between legal MLM business and fake MLM business is not well socialized to society; therefore some of them are cheated by fake MLM business.

Exploitative and manipulative cooperation politics is done by MLM companies along with support system by exploiting and manipulating MLM members through doctrine of false awareness ideology and marketing plan of MLM business/corporate culture, asking membership fees and buying starter kit, and requiring MLM members to closing point every month to get surplus value by utilizing unlimited working hours of MLM members. MLM business needs to be done by manipulative collective tactics / “keroyokan” working politics where MLM members with their network groups members working together for 2-15 hours per day during 5-7 days per week based on false awareness ideology to obtain groups’ omzet. This working culture has collectively multiplication effects of commissions, because MLM members need to make their members become rich first. MLM companies through APLI are also doing the other exploitative and manipulative of cooperation politics such as making commissions standards from utilizing MLM members individually or together with their groups, controlling APLI members so that they will not do fraudulent things to gain more profit.

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