

## Notes from Conversation with NUS Office in Shanghai and the NUS Service Hotline

Our Chinese contact in Hefei, who has been trying to sign up as a NUS distributor, called the NUS Shanghai branch office. She explained her situation to the NUS Shanghai employee about how she was told she would need to buy 4 spa machines totaling 15,000RMB (\$2,350) in order to become a NUS distributor. Our contact told the employee, she believed the NUS distributor advising her is lying in order to increase her own sales. She also told him, she had a friend in Beijing that tried to sign up with NUS and he only had to buy 5,000RMB worth of product. The Shanghai employee told our contact things must work differently in Shanghai then in Hefei and that there are two different types of NUS distributors in Shanghai. They have what the operator called “normal employees” and “direct sellers.” Li Rong and Li Shanshan are both normal seller. The table below is a list of the difference between “direct sellers” and “normal sellers”.

| Direct Sellers                   | Normal Employees   |
|----------------------------------|--|
| Must pass an exam                | Does not have to take an exam                            |
| Issued NUS ID card               | Not issued NUS ID Card                                   |
| Must wear blue uniform           | No uniform required                                      |
| Must live and sell in Shanghai   | No location limitations where employee must live or sell |
| More favorable commission system | Less favorable commission system                         |
| Does not contribute to an upline | Contributes portion of sales to upline                   |
| No monthly target                | Can be fired if they don't hit their monthly target      |

The Shanghai employee then referred our contact to a NUS service number.

When our contact called the service number, she was told by the service operator that the starting fee to become a “normal employee” for all of China is 5,000RMB. Our contact asked the operator why she was told 15,000RMB in Hefei, but the operator seemed convinced that our contact misunderstood the NUS employees, Li Shanshan and Li Rong. The service employee then suggested to our contact she apply directly through the NUS administration office. Our contact was told every NUS store has an employee in a blue uniform who reports directly to the NUS office in the United States and our contact was instructed to talk this person, in the Hefei office.

According to the service employee, all NUS distributors are required to pay personal income tax. Our contact was given a phone number to an office that advises NUS employees about the tax code.

The service employee then explained to our contact the commission formula for normal employees. The commission formula is as follows:

Normal Employee's monthly commission:  $[(\text{Monthly Sales Total} \div 1.17) * 0.9] * \text{Commission Percentage}$

Therefore, if our contact was making 10% Commission and she sold 10,000RMB in a month then her monthly commission would be 769RMB. The formula below explains how we got to this figure:

$$\begin{aligned}
 & [(10,000 \div 1.17)] * 0.9 * 0.1 \\
 & (8,547 * 0.9) * 0.1 \\
 & 7,692 * 0.1 \\
 & 769 \text{ RMB} = \$120
 \end{aligned}$$

The service employee told our contact that all “normal employees” start there NUS careers at a level called QSR. A QSR’s commission level is fixed at 10%. The next level after QSR is an SR. An SR’s commission can range from 20%-25% of total monthly sales.

**Commission levels for SRs and above:**

|  |     |
|--|-----|
| 10,000~25,000 in monthly total sales   | 20% |
| 25,000~50,000 in monthly total sales   | 21% |
| 50,000~100,000 in monthly total sales  | 22% |
| 100,000~150,000 in monthly total sales | 23% |
| 150,000~200,000 in monthly total sales | 24% |
| 200,000+ in monthly total sales        | 25% |

Contrary to what our contact was told by Li Shanshann and Li Rong, the service operator told our contact all NUS employees in China can ONLY make money off the downlines immediately below them.

Every Nus seller is also required to put money on their ARO (Automatic Re-Ordering) account. The first 1,000RMB of a NUS seller’s monthly sales goes into their ARO account. The NUS seller will only make commission on sales made after the monthly 1,000 ARO requirement is fulfilled. The 1,000RMB in every employee’s ARO account will be counted in their upline’s monthly commissionable sale’s total. If any employee does not fulfill their ARO account monthly requirement then they will risk being dropped to a preferred customer.

**Different Levels of NUS Normal Employees**

**Preferred Customer**

To become a preferred customer, one must purchase \$625RMB of NUS products in one month. On the purchase the customer makes that brings their monthly total to 625RMB, they will receive a 20% discount along with their ARO discount card. With this way, if a customer purchased 625RMB of product then the discount will kick in and they would only be charged 500RMB. In order to keep the ARO card, the preferred customer has to spend at least 500RMB a month at NUS.

**QSR ( 店铺推广代理 )**

This is the first level of being a NUS employee. In order to sign up as a QSR the new employee must purchase 5,000RMB worth of product.

Target: Sell 30,000RMB within the first 6 months.

Commission- 10%

- If a QSR fails to sell at least 5,000RMB worth of products for two consecutive months then they will be fired.
- As soon as a QSR reaches 30,000RMB in total sales then he will be promoted to an SR
- A QSR does not have a 1,000RMB ARO requirement. Instead their upline will make 10% of their total monthly sales.

### **SR (高级推广代理 )**

Target: 11,000RMB in monthly sales (10,000 in commissionable income + 1,000 in ARO sales)

### **SE (销售主任 )**

In order to become an SE, one must successfully train an SR

Downline's target: The SR has to successfully reach 11,000RMB in total monthly sales (1,000 of this will be ARO sales)

Individual Target: 13,000RMB in total monthly sales (this number can include the downline's ARO sales)

#### *Example:*

If an SE hits his target and he sells 13,000RMB worth of product in a month (commissionable sales - 12,000 and ARO sales- 1,000)

And If his SR (downline), hits his target and sells 11,000RMB worth of product in a month (commissionable sales-10,000 and ARO sales- 1,000)

According to the commissions chart above, the SE will make 20% commission on the month

His commission is:

12,000 (his commissionable sales) + 1,000 (his downline's ARO sales) = 13,000

$[(13,000 / 1.17)] * 0.9 * 0.2 = 2000\text{RMB} = \$317$  in monthly commission

### **SSE ( 高级销售主任 )**

In order to become an SSE, one must successfully have 2 people in their immediate downline

Downline's target: Each downline must sell 13,000RMB worth of product a month (1,000 must be in ARO sales)

Individual Target: 13,000RMB in total monthly sales (this number can include the downline's ARO sales)

### **SM ( 销售经理 )**

In order to become an SM, one must successfully have 4 people in their immediate downline

Downline's target: The 4 downlines must collectively sell 50,000RMB per month + 1,000 each (in ARO sales)

Individual Target: 17,000 in total monthly sales (this number can include the downline's ARO sales)

### **SSM(高级销售经理)**

In order to become an SSM, one must successfully have 6-7 people in their immediate downline

Downline's target: The 6-7 downlines must collectively sell 90,000RMB per month + 1,000 each (in ARO sales)

Individual Target: 17,000 in total monthly sales (this number can include the downline's ARO sales)

### SD ( 销售总监)

In order to become an SD, one must successfully have 8-11 people in their immediate downline  
Downline's target: The 8-11 downlines must collectively sell 150,000RMB per month + 1,000 each (in ARO sales)

Individual Target: 20,000 in total monthly sales (this number can include the downline's ARO sales))

### NSD ( 全国销售总监 )

In order to become an NSD, one must successfully have at least 12 people in their immediate downline  
Downline's target: The 12 downlines must collectively sell 220,000RMB per month + 1,000 each (in ARO sales)

Individual Target: 20,000 in total monthly sales (this number can include the downline's ARO sales)

## Commission Formulas

### Commission Formula for a Direct Seller

Direct Seller commission = commission calculation base × commission percentage

Employee's Commission = Total monthly sales ÷ (VAT rate +1) ★ × 90%

★ "VAT rate" in this formula with the Chinese legal and tax policy adjustments are subject to change. *(We are in the process of collecting more data on the current VAT rate)*

The stability bonus is an additional incentive commission. The direct seller will receive the stable bonus if within a period of four consecutive calendar months, their monthly sales averages more than 2,000RMB. The direct seller will receive 5% of the average total sales for the previous four months.

The following is the commission chart for direct sellers

| Direct Seller Sales      | Commission Percentage | Stable Bonus |
|--------------------------|-----------------------|--------------|
| 0 RMB to 999 RMB         | 0%                    | 0%           |
| 1,000 RMB to 1,999 RMB   | 10%                   |              |
| 2,000 RMB to 4,999 RMB   | 10%                   | 5%           |
| 5,000 RMB to 9,999 RMB   | 15%                   |              |
| 10,000 RMB to 49,999 RMB | 20%                   |              |
| More than 50,000 RMB     | 25%                   |              |

### Legend

ARO (Automatic Re-order) Sale - The first 1,000RMB an employee sells a month is credited to their ARO account. The money in an employee's ARO account is the only money an up-line can make off a downline. The money in an employee's ARO account is added to their uplines commissionable income.

Employee

In this example, Rose can count 22,000 to her monthly commissionable income.

$$20,000 + 1,000 + 1,000 = 22,000$$

20,000 = Rose's personal commissionable sales, her ARO sales are not counted

1,000 = Susan's ARO sales

1,000 = Tammy's ARO sales

Penny's ARO bill is part of Rose's personal commissionable income

Leon is a QSR, so Rose will only get 10% of Leon's total sales, including his ARO sales.

Rose's commission formula:

$$\{[(20,000 + 1,000 + 1,000) \div 1.17] * 0.9\} * 0.2 + [(10,000 \div 1.17) * 0.9] * 0.1$$

$$\{[(22,000) \div 1.17] * 0.9\} * 0.2 + [(10,000 \div 1.17) * 0.9] * 0.1$$

$$(18,803 * 0.9) * 0.2 + [(10,000 \div 1.17) * 0.9] * 0.1$$

$$(16,923 * 0.2) + [(10,000 \div 1.17) * 0.9] * 0.1$$

$$3,384 + [(10,000 \div 1.17) * 0.9] * 0.1$$

$$3,384 + (5847 * 0.9) * 0.1$$

$$3,384 + (7692 * 0.1)$$

$$3,384 + 769 = 4153\text{RMB} = \$659$$

SSE, Rose

Total monthly sales: 21,000

Personal commissionable sales: 20,000

Rose's ARO sales: 1,000

SR, Tammy

Total monthly sales: 11,000

Personal commissionable sales: 10,000

Tammy's ARO sales: 1,000

QSR, Leon

Total monthly sales: 10,000

Personal commissionable sales: 10,000

Preferred Customer, Penny

Penny's ARO bill: 1,050

This means she spent 1,050

this month at NUS. This

amount goes into Rose's

commissionable sales total

SR, Susan

Total monthly sales: 16,000

Personal commissionable sales: 15,000

Susan's ARO sales: 1,000

Leon is a QSR so he gets 10% commission on everything he sells; he does not have an ARO requirement.

His commission formula is:

$$10,000 \div 1.17 * 0.9 * 0.1$$

$$= 769\text{RMB} = \$122$$

Penny is a preferred customer; she can't make any money from NUS. Preferred customers must spend 625RMB in one

month to get the ARO 20% discount card. The 20% discount is included into the PC's purchase that takes her them the 500RMB

threshold. Once the PC has the card she must spend 500RMB a month in order to keep the

card.

Susan is an SR, so she will

make 20% commission on

everything she has sold in a

given month minus the

1,000RMB in ARO sales

Susan's commission formula is

$$15,000 \div 1.17 * 0.9 * 0.2$$

$$= 2,307\text{RMB} = \$366$$

Tammy is an SR, so she will

make 20% commission on

everything she has

sold in a given month

minus the 1,000RMB in

ARO sales.

Tammy's commission formula is

$$10,000 \div 1.17 * 0.9 * 0.2$$

$$= 1,538\text{RMB} = \$244$$