

LEGITIMATE OF MULTI-LEVEL MARKETING IN INDIA

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ABSTRACT

Now a days in India and many more countries adopting multilevel marketing as a business for individual and for their families security and to fulfil their more than the basic needs, as multilevel marketing is a cup of tea business i.e. mean to say one more option their diet in their business; by taking concern of Indian population the opportunity of job is decreasing in every sector so those who are concern for their life security they are adopting multilevel marketing business for part time business as well as some of them are taking as full time business for their livelihood, those who are all aware of network marketing they can differentiate between "LEGITIMATE and NON LEGITIMATE" network business model and network marketing, the training and the trend people are rarely defined in this business so the concern of peoples have to go through the all suggested guidelines issues in public interest of the individual legitimate organisation which is exist in network marketing ad direct selling and the terms and condition may vary with various companies so need to go through one by one in for the future security; as in we are taking reference of Indian market and their direct selling market strength as per government issued direct selling companies guidelines are found in all companies as in fact some of the companies violates the rules and it will affect the independent business owners who are associated in this business; the present deals on the point of legitimate business model in India and also helping the interested persons to choose legitimate multilevel marketing companies to work with.

KEYWORDS: Legitimate multilevel marketing, Pyramid Scheme, Amway business in India, Direct Selling.

Introduction

Just think of a person ringing your doorbell and you are busy in your daily routine schedule and you get up and open the door and saw a person with some product and brochures in his hand and trying to convince you to sell his products which is manufactured by some companies and rarely you believe him and this is trend which is going on in India and this the actual direct selling where company sells its product directly to consumers without long chain of intermediates persons. Multilevel marketing has its origin from direct selling, traditionally in India direct selling included single level marketing strategy or hired person in the basis of salary or commission as per the sales volume where one agent sales his company products directly to consumers and hence the multilevel marketing came into picture which can be named as extended version of single level marketing, but as discussed earlier of a sales person where he use to sell products door to door but not giving opportunity to get into his place because of that most of the persons not getting into the sales matter i.e. to buy the product if the same thing happened in direct selling then the scenario changes because the multilevel marketing started giving an opportunity to do the same as the same which came home to sell company products and the same is termed as "Referrals marketing" persons are now named as various name as independent agents, distributors, independent business owners associates, product consultants etc. now these have to do only two tasks which is major i.e. first to sell the products which is made by associated manufacturing company and on the basis of selling they use to get commission or you may state as profit of individually, and the second is to build team as a single handed person in association can't form marketing in multilevel for that purpose one have to form team or in marketing word you may state as to form network where individual

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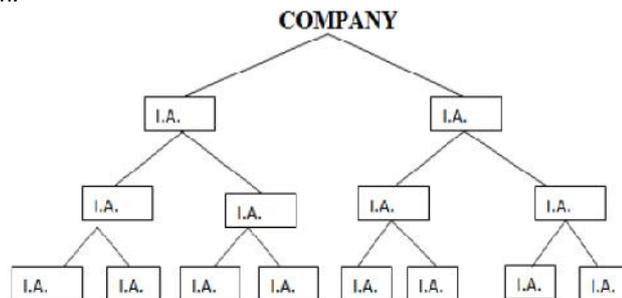
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has to perform his business but profit is distributed in all the team but as the evolution come in the multilevel marketing the legitimates are often loosed in the market which hampers the trust of the associates, after sometimes pyramid scheme came into picture which meant as single handed profit and worked by the team in an organization, some of the authors always use to compare between pyramid scheme and multilevel marketing scheme which means a lot for independent business owner who is giving his time to organization to make his and his company profit. Moreover where we are discussing yes, we are about to discuss about the legitimate network market, as all of you aware about the network marketing which is sometimes referred as legitimate network marketing and somewhere non legitimate as this is depend upon the specific companies rules and terms and condition, as in network marketing earlier we discuss about the team yes for a successful huge selling you need a team of well organized people who are capable to sell the product and moreover they can also use the product and they are getting some cash back money and they can retail their products to their known people in his/her circle . Now the question is what is profit over here is the answer along with the commission of the sales of his team members this is the reason to get higher level of income generated in his team and for his team, collectively we can say that down line organization and now this process go on and on and forming a team of his individuals down lines for sales and getting profited making for his and hid his team along with some rate of interest giving to his associated company.

Some of the legitimate network companies issued some level of achievements in his organization in that commission and profit are distributed in his team or down lines, in this way there becomes a network members and in this network there are various levels as discussed earlier in this paragraph that why it is called multilevel marketing or network marketing or referrals marketing.

According to Wikipedia “multilevel level marketing is the term that describe a legitimate structure designed to create a marketing sales force by the promoters which is called as associates of company and company products not only for sales they personally generate, but also for the sales of the promoters they introduce to the company creating a down line of distributors and hierarchy of multiple level of compensation”.

Let us understand how the hierarchy work in a legitimate network marketing in multilevel format first of all there is a company which offers independent associates to distribute its product through multilevel system, firstly company organises initial meetings and seminars and out of these there is generated the first level of independent agents these agents sales the products and introduce some new members in his team to generate the sales commission for his team. The new agents will be known as down line organization of the prime agent as prime word for the sales person as he/she created his/her team for the selling of product for organisation. In the below mentioned pictures depicts the legitimate view of network marketing, where it is in balanced format with for the generation of sales force and commission orientated team.



I.A is as Independent Agents

Statement of problem for the legitimate multilevel marketing as multilevel marketing is often criticized for similarity with illegal pyramid schemes, as abstracted above pyramid schemes are such schemes where the prime motive of the members to bring new members to their team then sale the product and the up line get benefited by that new members sales force and by taking some entry fees of that new member as the capped the entry fees to join the business in that way the up lines have share the entry from its lower order. Now here the choices of legitimate multilevel marketing plan, as direct selling through multilevel compensations brings you many benefits for the marketplace as its provides opportunities to various individuals, it is fairly simple and economic way for individuals to learn basics

business and management skills and moreover it provides simple and economics way for individuals to learn basics business management skills, additionally it allows business with unique or innovative products or services to bring in market without the huge expenses for media advertising or without compete for the shelf in retail stores as well, due to so many benefits it is obvious that people will attracted towards systems and its originated products, but here they have to every care in selecting multilevel company for themselves, following are the some points to remember while deciding to become part of the multilevel marketing organization which is given by world federation of direct selling associations:

- **Identify the company and the product that appeal to you.** i.e. first of all one should consider the company and the product that appeals to himself, i.e. the products can be used by themselves then only they can refers to others as awareness or product quality is well known to him.
- **Take your time for decision and for joining.** A legitimate opportunity wont disappears overnight so take your time for the findings of the organization i.e. whether to join the network or not and never take decision in pressure by any others.
- **Ask question.** It is the healthy practice to ask question in this business about the company and the terms and condition as discussed in earlier as in above paragraph, its leadership, return policies, average earnings, is there any start-up cost etc. it is to be very sure about the network whom you are going to join.
- **Get copies of all companies' literature.** Collect all relevant details of the Network Company and read it carefully it will give you insight of the company and its vision, goals, history, compensation plans, products quality etc.
- **Consult with others who has past experience with the company and its products quality.** You should be very sure about the products or services offered by that company which you are thinking about to join so you should to the joined people it's like little pre survey of the company and its products quality and its cost range.
- **Investigate and verify all information.** As this business is yours when you joined because the profit will be yours but the loss will hampers yours dignity so you should investigate and verify all information as sometimes official documents are not real as they written in the blogs.
- **Need help to evaluating a company?.** If you need any kind of help you can directly contact to direct selling association of India, Indian direct selling association (IDSA) works in India in the same way in the other countries.
- **Don't make a costly mistake!!.** Always keep in mind no legitimate multilevel marketing requires high start-up cost, a lot of persons have lost their hard money in the pyramid and ponzy scheme. So be aware of expensive plans.

Meaning of pyramid schemes: pyramid schemes are basically frauds to be said in one words i.e. in this schemes the stress is given on bringing more members in the system rather than selling the products, either there is no products or products has no value or sometimes the products are highly priced the compensation of the members depends on the new recruiters but ultimately market saturation happens and the newest recruits remain losers in the organization. The top of the pyramid are the only gainers.



Illegal Pyramid Scheme and Legitimate Multilevel Marketing

The legitimate multilevel marketing can be easily differentiated from illegal pyramid schemes on the below mentioned basis:

- Legal multilevel system would offer you a genuine business opportunity for selling products which are on high quality and stress is on consumer, consumer are given chance to return the goods and get refund if they are not satisfied whereas in pyramid scheme the stress is on bringing new recruiters rather than sales of products.
- Legal multilevel marketing system will never encourage the stress on taking orders from consumers and then place orders and they provide chance their recruiters to leave the system when they wish to return the unused products the company can give eighty to hundred percent of their cost. In pyramid schemes overstocking is normal practice and at the end recruits are left with a kind of unused stock which they neither sell in the market nor return to the company.
- Legal multilevel marketing provide opportunity of business at minimum or zero cost where as start-up cost of pyramid scheme is very high.
- Legal multilevel compensation plan is promotes the sale of the product for example in India the Amway India is one of the best example suits more, on the other hand compensation plan of pyramids stresses upon bringing new members.

Objectives

The assigned paper will attempt, to attempt the concept of multilevel marketing, to introduce the concept of pyramid schemes, to differentiate multilevel marketing from pyramid schemes, to find the basis to choose a legitimate multilevel marketing plan.

Key characteristics of network marketing business is as its involves a growing network marketing company and it is developing in nature with good concept of goods packaging and furnished services and a distributor organization consists of independent sales people, distributors, selling the products direct to end consumers and establishing and expanding the organisation. The distributors also referred to sales organization which fulfil marketing functions which can be divided into direct selling and network marketing functions. Direct selling is a method or marketing consumer goods and services directly to the consumers where sales achieved personal contacts between salespersons and the consumers. Product sold directly to end customers vary from home to home, family to family and for personal uses.

Summary

Network marketing contracts generally allow independent distributors to recruits other sales representative and earn commission from the sales of the those recruits in addition to their personal sales of the distributors, network marketing compensation plans defines the level of which define bonuses can be derived from that, network marketing cannot demand any specific selling or network marketing activities from distributors, but instead of they usually strict define the activity level to distributors they have to achieve in order to get fruitful commissions.

Network Characteristics in Network Marketing Organizations

First of all distributors introduce new potential distributors to the network marketing company but the formal agreement between new distributors and the company thus the relationship between distributors and the company is not based on the written agreement a new distributor is a sponsorship of that organizations. While giving the guidelines to the new sponsored students (newly joined Distributors) there are some questioned are framed for that which may be asked by them during their learning stages.

How the Money being Made?-Legitimate multilevel marketing companies compensate their salespeople for selling products or services to ultimate consumers and not for simply recruiting people. This is the primary distinction between a legitimate direct selling opportunity and an illegal pyramid scheme, in a pyramid scheme, representatives are paid for recruiting not for selling products or services. For example, say I am recruited into a plan where every recruit pays a fee to get involved and that fee is used to pay people for recruiting. This is illegal and any operation such as this must absolutely be avoided. As soon as it is discovered by the appropriate regulating officials, it will be shut down.

Are the Products are Legitimate?-Newly joined distributors should ask themselves if the products they will be selling are legitimate products. Will they be able to benefit the lives of the people who buy them or will they have to push low-value products on friends and family in order to receive compensation?

How much does cost to be involved? - it should not cost much to become involved with a direct selling organization. The more money required to be involved, the higher the chances that money is primarily made from recruiting and not from the movement of products. There are three types of costs a person must consider when evaluating a multilevel marketing opportunity, registration, inventory, & training.

How much is work required? - Most of the new distributors experience these two conditions: they are short on money and they are short on time. Distributors are often looking for ways to increase their money that will not take much time which makes them easy targets for get-rich-quick schemes. They show up at a meeting where a lot of people are excited.

Findings

The meaning of multilevel marketing has been described above in detail. Multilevel marketing is not marketing in real sense. It is a system of organizing and compensating the sales force of the company. It may be explained as an organizational structure in which members will be compensated in two ways. First they will receive commission on the product they sell and also they will receive the commission on the products sold by their down line. As we have explained above that MLM companies are generally compared with illegal pyramid schemes. So first we should know the meaning of pyramid schemes.

Conclusion

In this article, several ethical and legal issues were discussed which involve multilevel marketing. Because so many potential ethical problems exist in this industry, educators may be tempted to advise students to avoid multilevel marketing all together. Is that really what should be done? Should students be told to skip the process of identifying and evaluating ethical issues in marketing? Direct selling provides a great framework for the classroom within which to evaluate ethical issues in marketing. If one were to systematically look at the ethical issues in any other area of marketing, they may be as plentiful as they are in direct selling. Any field that our students go into will have ethical issues they must be able to identify and evaluate. Marketing educators should be teaching students how to evaluate such ethical situations through real life examples such as direct selling. Multilevel Marketing presents an attractive business opportunity. But people must remember that nobody becomes rich overnight. A lot of hard work is required to set up and maintain a team. If any scheme is promising riches overnight then don't take the decision in a hurry and over confidence. It may be a wolf in the sheep's clothing. Relax and take your time in evaluating the plan. You should be sure before joining a network. It is well known to all, "Better Be Sure than Sorry."

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