

A REVIEW STUDY ON THE CONCEPT OF MULTILEVEL MARKETING

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ABSTRACT

Business prospects are expanding all the time in today's environment. The multilevel marketing business is gaining popularity since it offers a wide range of business options, but the opportunities vary from one company to the next. Multilevel marketing, also known as network marketing, is a contentious marketing plan in which the MLM company's total revenue comes from non-salaried workers selling the company's products while the participants' earnings come from different compensation commission plans of the MLM company. Though it is a very popular marketing strategy, many people are not yet aware of this new marketing concept in India. This paper is an effort to shed light on the concept of multilevel marketing from past studies and find a conceptual gap for further research.

Keywords: *Multilevel Marketing, Participants, Compensation Commission Plan, Network Marketing.*

Introduction

Multilevel marketing is a trending business approach these days. It is a new dimension of direct selling. In this marketing approach, products or services are distributed through independent distributors to the customers. These independent distributors are known as networkers or independent business owners (IBOs). This marketing system is different from the traditional concept of marketing. The traditional system of marketing is costly as compared to the multilevel marketing system because, in the traditional system, there is an extra cost for the advertisement, sales promotion, middleman, etc. Multilevel marketing companies do business in many fields, like cosmetics, health products, insurance sectors, etc.

Review of Literature

Gerald Album and Robert A. Peterson (2011) According to this paper multilevel marketing as a retail distribution channel is neither illegal nor unethical. As a result, this study tries to portray a positive view of Multilevel marketing. Individual enterprises and distributors in many types of businesses cross the line between legality and ethicality. As a result, in order to avoid major mischaracterizations, it is necessary to distinguish between a distribution channel and the particular entities that populate it.

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Chee Choy (2012) this case study was conducted to learn about the long-term viability of MLM in Malaysia. For research, an in-depth interview method was used. The study's main goal is to learn about the challenges that MLM companies face and to analyse the factors that influence MLM sustainability in Malaysia. According to the study's results, the major challenges for the MLM industry are the recruitment of young distributors, poor brand recognition, and inactive distributors. This study sheds light on the factors that have enabled the long-term survival of MLM businesses. These elements are the economic downturn, the cost of living, and personal independence.

F. MARY MERLIN (2012) This paper describes multilevel marketing as a part of direct selling. In direct selling, products are sold directly to the customer, which is a cost-saving activity because in direct selling, there is no middleman who can charge some extra amount from the customer. In a multilevel marketing system, the sales persons are compensated for not only their sales but for their recruits also.

Dhiraj Jain and Neelam Sachdev (2012) The aim of the study is to learn about the concept of multilevel marketing, to identify the perception of MLM participants with regard to its future prospects, and to understand why this business model appears attractive. From the study, it was found that products from MLM companies are more expensive as compared to conventional products. Though MLM products are better, respondents regretted joining MLM. MLM marketers are trained better, but the attrition rate in this business model is high. After becoming part of this business model, almost all MLM marketers refused to exploit their friends and relatives for business because they felt that MLM business is sustainable and various moral and ethical issues are involved in MLM.

Dr Abdul Assis Koroth and Dr. A.K. Sarada (2012) This study addresses the issues and establishes a research paradigm to explore the role of relationships in network creation, which is necessary for distributors to perform better in multilevel marketing in Kerala and their impact on business outcomes. For this study, the survey research design method was used. A data collection questionnaire was created by the researcher.

Rajendra W. Bhadale, Sachin A. Borgave (2012) This study focuses on network marketers as well as their attitudes towards multilevel marketing, career advancement, and job satisfaction. The information was gathered from Amway India's current members in Pune. From the study, it was concluded that the MLM business is commission-oriented and incentive-earning-oriented. It benefits MLM enterprises by eliminating intermediaries and lowering promotional costs, while IBOs can use it as a source of secondary income through profit margins on product sales as well as commissions or incentives on point earning (recruiting IBOs) and ultimately consume the products for themselves.

Bogdan Gregor and Aron-Axel Wadlewski (2013) The main focus of the study was to describe MLM and its practical benefits for participants. This paper also explains the system of commission calculation. It is concluded that in the MLM business, revenue growth is very fast compared to other businesses, and it also removes the risk of initial investment by associates. The author suggested that while choosing this business model, various environmental factors should be deeply analysed by associates.

Dr. Abdul Assis Koroth (2013) This study outlines the issues and establishes a study framework for examining the impact of demography on multilevel marketing distributors' perception levels. A positive attitude toward multilevel marketing is required to establish a large network and, as a result, improve performance in the industry.

Rekha Choudhary (2013) The concept of multilevel marketing is discussed in this article as a tool for a country's social-economic growth by offering business prospects to unemployed people, raising people's living standards, and mobilising substantial amount of money. MLM also increases people's personal skills, communication skills, and motivation level, allowing them to realise their own potential. Many MLM companies work in the insurance industry to collect long-term funds, which supports the country's economic growth indirectly.

Vivek Tripathi (2014) In this paper, the author tried to explain the impact of social relationships on the MLM model. Qualitative research methodology has been used for this research. The aim of the study is to investigate the process of making networks with the MLM model. A case study has also been conducted by a researcher to explain the relationship between MLM associates and society. It is concluded that new relationships with strangers are stronger than old social ties for developing a multilevel marketing model.

Dr. Megha Sharma and Gurpreet Kaur (2014) From this paper, it was found that the majority of people are aware of "networking" but they are confused by the term "multi-level marketing." There is a need to raise people's awareness of networking. It has been discovered that people use MLM companies' products, but they don't know about that specific company and their sales plans.

Bindu Aggarwal & Deepak Kumar (2014) This article analyses the major problems in multilevel marketing and offers counter measures. In India, some companies introduced MLM on a very large scale, quoting and promising big profit. Many Indian middle-class people have joined this business by paying entrance fees. MLM distributors several problems. MLM's success lies in a member's ability to convince customers about contract employment laws, part-time work, etc. Many entrepreneurs use it as a second income source.

Sourav Jain, B.B. Singla and Shashi Shashi (2015) From the study, an attempt has been made to recognise the motivational factors that have a great contribution to joining the MLM business. Aside from that, a number of other motivating factors have been identified, including product quality, low investment, no work constraints, ease of starting a business, and no boss pressure. The researcher recommended that MLM companies give special attention to their distributors and make satisfactory financial policies in such a way that they perceive this system as financially secure and can work freely.

ValeninaMakni (2015) The purpose of the study was to analyse customers' perceptions of network marketing in Bulgaria and give recommendations to the industry based on the findings. The survey was conducted using an online questionnaire that was sent to Bulgarian customers via e-mail and social media. In Bulgaria, it turns out that women are more active users of MLM products than males. Age, education, and employment have no bearing on the consumption of MLM products. Both groups believe that network marketing is a source of earning additional money.

Deepali Bhattacharjee (2016) The importance of network marketing or direct selling in producing revenue and employment in Assam, a state in India's north-eastern region, is examined in this article. The challenges and opportunities of direct selling in Assam are also highlighted in this paper. The findings show that women do more business than men, and direct sellers are more accepted in society and satisfied. The number of direct selling success stories in Assam has been determined to be quite low. However, distributors, consultants, and agents are radically attempting to enhance their socioeconomic standing through direct selling.

William Franco and Maria Alejandra Gonzalez-perez (2016)The purpose of the study was to determine why there are so many prospects for multi-level marketing via personal networks to expand internationally. For this study, Colombia was chosen as a representative of a Latin American country. The information was gathered through ethnographic study, participant observation, activities of firms, and recruitment practices. According to this study, Yanbalinter nationalised by targeting women who did not have career opportunities and wanted to be independent. Furthermore, during the recession, Oriflame and Amway entered the Colombian market. However, as unemployment and the informal economy increase, so too does the MLM industry. As a result, MLM companies expand their international reach and build networks through those people who don't have or have lost their formal job opportunities.

TaghiVahidi (2016) This study was conducted to review the age groups on the basis of their needs and requirements and to identify the role of different age groups in expanding network marketing business specifically in Iran. It also examined the benefits and drawbacks of network marketing. From the study, it is concluded that various age groups have found network marketing as a business that meets their requirements. These companies are regulated by the Ministry of Industry, Mines, and Trade.

Kwee-Fah Lee, Teck-Chai Lau, Kai-Yin Loi (2016) This paper identifies five major factors that will affect the satisfaction level of distributors towards MLM enterprises in Malaysia. These influencing factors include the study's method of disseminating business opportunities, upline support, perceived quality of the recruiting process, and perception of the product and services. It is found that the perceived quality of the training programme doesn't have a direct impact on the distributor's satisfaction, but the remaining 4 factors have a positive impact on the distributor's satisfaction.

M. Rezvani, S. Ghahramani and R. Haddadi (2017) The purpose of the study was to investigate and find functions and solutions related to network marketing of high-tech items in microenterprises. Firms specialising in micro fibers and nano silver cleaning cloths have been chosen as a high-tech product in Tehran for research. According to research, microenterprises delivering high-tech items can overcome from many obstacles and problems in presenting, promoting, and selling their items in the market by establishing an attractive compensation plan in network marketing.

CHITRA (2018)The researcher attempted to describe two marketing tactics in this paper: mass marketing and multilevel marketing. Multilevel marketing (MLM) is a novel and unique marketing strategy in which items are sold by independent business owners known as "associates." The goal of this research paper was to examine the concept of multilevel marketing as well as existing literature reviews of MLM. According to the findings, MLM is a marketing strategy in which a company focuses on valuing customers, and there are a number of factors that influence consumer buying behaviour, including product price and quality, prior knowledge of network marketing, value for money, credibility of MLM products, business potential, and so on.

Data Collection

For this study, secondary data such as research papers, articles, and MLM-related websites were used.

Objective

- To understand the concept of Multi-level Marketing from past studies.
- To explore the role of network marketing.

Conclusion

From the above study, it was concluded that many people know about network marketing or direct selling but are not aware of multi-level marketing. People use the products of MLM companies, but they are not aware of the company, brand, and marketing strategy. It was found that network marketing offers several benefits like new job opportunities for youths, women's empowerment, early withdrawal option, secondary source of income, contribution to national income, focus on small and medium-sized enterprises, government sector enhancement through tax generation, etc.

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