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A PERCEPTUAL STUDY OF AGENTS UNDER MULTILEVEL MARKETING.

Commerce Subject

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Abstract

Multilevel Marketing is a developing concept in the area of marketing. MLM giants like Amway, Avon, FLP, Oriflame etc. are working well all over the world and are connecting a large workforce with them. Even the biggest marketing corporate Hindustan Unilever Ltd., has set up an additional unit called Hindustan Unilever Network which promotes some special products under this concept. But this system always has been criticized for incurring losses to agents and cheating them. The present paper makes an effort to measure the perception of agents under this system. The tool employed for generating responses will be questionnaire based survey of agents to their perception regarding Multilevel Marketing Concept, Companies and products. This study indicates that, actually, agents are having positive perception for MLM concept, company and products.

Keywords: *Multilevel Marketing, agents.*

Introduction

With the passage of time, new concepts and ideas emerge in every sphere of life and the field of marketing is no exception to it. Traditionally marketing was considered to be the work of professional, full time marketers but there is a new concept called “Multi Level Marketing”



which is making marketing every body's cup of tea. Many people, who want to work from home or work part time, take a look at MLM as an option. **“Direct selling is a mode of selling whereby a company sells its products directly to consumers without a long chain of intermediaries.”** Multi Level marketing has its origin from Direct Selling. Traditionally Direct Selling included single level marketing only hereby either salaried persons or commission based agents used to sell the products directly to consumers. Multi Level marketing is an extended version of single level marketing. Now take the earlier example once again. If the person at your doorsteps is one of your relatives, friends or any other person known to you instead of an entirely unknown person. This is the basic idea of multi level marketing structure. You will welcome him, offer him a seat and most probably you will believe his claims regarding products. This is the reason it is also called as “Referrals Marketing.” Now we talk about the “Multi Levels” of this system. This is a system whereby initially some persons join hands with the company. These persons are known by different names in different companies. These are known as agents, independent agents, distributors, Independent business owners, associates, consultants, product consultants, sales consultants, dealers or franchise owners etc. and many other names. Now these independent agents have two major tasks to do. The first is to sell the products/services manufactured/provided by the company. These agents get a commission/Profit on the products they sell. The second important task is to build a team. A person alone can't think of make huge profits and also he has limited contacts in the society. For this purpose they need a team to sell the products. Now there arises questions why to build the team? What is the prime agent's motive? What's his profit? Now here comes the answer. Along with getting commission on his own sale he gets a particular commission on the sale of his team members. This is the reason that to achieve higher levels of income he introduces other agents to the company who are collectively known as his down line organization. Now this process goes on and on. Down line members bring more members making it a network of members. Not only this, persons achieving a particular target gets additional incentives both financial and non financial depending upon the incentive plans of the company. In this way there becomes a



network of members and in this network there are various levels. That's why it is called Multi Level Marketing or Network Marketing or Referrals Marketing.

According to Wikipedia “Multi Level marketing (MLM), is a term that describes a structure designed to create a marketing and sales force by compensating promotes of company products not only for sales they personally generate, but also for the sales of other promoters they introduce to the company, creating a downline of distributors and a hierarchy of multiple levels of compensation.”

MLM began life in 1886, (as cited in article “The New Multi Level Marketing Model” by Pareena Kawatra in Business today, September 22 – October 6, 1996), when door to door salesman David H. Mc Connel founded the California perfume company and set up a sales team using the concept. His first sales lady, Mrs. P.F.E. Albee, not only vended the little Dot Perfume Set, but also recruited other women to her team. McConnel's next Company, Avon, Set up in 1928, followed the MLM System faithfully and continuously using this till date. It is also believed that the first formal MLM Plan was introduced in 1945 (as cited in Wikipedia) by the California Vitamin Company which was renamed ‘Nutrilite’. In 1959, Rich Devos and Jay Van Andel – distributors with the same company broke away to set up the MLM giant **Amway**. It was not till the advent of Glen W. Turner Enterprises in the US in 1967, however, that MLM came under the scrutiny of law.

Review of Literature

The studies carried out by chan(1993), wotruba(1995) and Berry(1997) cocentrated on the image of multilevel marketing in people's mind. All found out that there was a negative image of multilevel marketing in people's mind. Hans W. Micklitz, Bettina Monazzahian & Christina Robler (1999) in their study “Door To Door Selling – Pyramid Selling – Multilevel Marketing”, made an attempt to differentiate the three concepts as stated in the title. They concluded that MLM combines the features of both Single Level Marketing with the recruiting structure of Pyramid Selling. The studies done by Faramarz Ghorbani(2006) & P. Sreekumar(2007) unveiled the positive aspects of MLM businesses. They presented MLM as a



means of development of business, economy and society. Camilla Braneryd & Tobias Friberg(2007) in their case study of TNI studied the extent of education and training provided by the company to their consultants. Earlier they were not taking this aspect very seriously. Indirectly the responsibility of education and training was transferred to upline PCs which resulted in varying level of performance. Realizing the importance of proper education & training a more comprehensive education plan has been evolved. Earlier, bonus plan was only motivational force behind the performance of PCs. Camilla Braneryd & Tobias Friberg(2008) in their another study on network marketing studied the relationship management by sponsors with their recruits. According to the study it is essential for the sponsor to know the motive of the recruit to join the MLM so that recruitment strategy can be adjusted to meet the needs of recruits. Neena Vyas and Savita Batish (2009) studied the involvement of women in Network marketing and found out that women were attracted towards MLM for various reasons. First the nature of products dealt in was feminine, second, they saw their friends succeeding in the system, third, the amount required to start the business was not much and fourth, they could easily earn money ranging from Rs. 5000 to 15000 per month. The study conducted by Xiaohua Lin & Derek N. Hassay(2009) on minority participation in direct selling gave out similar results as by Neena Vyas and Savita Batish and concluded that it is good opportunity for minority immigrants to participate in the direct selling activities if they lack financial resources and physical activities required for labour market. Visut Charoenrungs-iri & Umaporn Oonsuphab(2010) studied the Multilevel Marketing Products In Thailand and found out the successful MLM products' features. According to the results of study Cosmetics, consumer, household and skincare product are successful in both the markets. Nutrition supplement and health machine are successful only in MLM market. Medicine and vehicle are successful only in store retailing. The target of MLM companies launching new products should be non-durable shopping goods.

Research Objectives

1. To introduce the concept of multilevel marketing.



2. To measure the perception of agents under Multilevel Marketing regarding MLM concept, companies and products.

Research Methodology

The research design is descriptive in nature. To achieve the objective 1, extensive review of available literature was done. In order to achieve objective no. 2 a questionnaire was structured and was administered over 210 agents in NCR region of India. Judgment sampling technique was used to select the suitable respondents. Frequencies, percentage, mean and std. deviation was used to analyze the data.

Findings

Demographic profile of respondents:

There were 210 respondents out of which 110 are males, i.e. 52.4 % of total and 100 are females i.e. 47.6% of total. Out of total 210 agents, the agents who are upto the age of 18, are 2 who are 1%, who are of 18-30 are 81 i.e. 38.6% of total, who are of 30-50 are 101 i.e. 48.1% and the agents who are of above 50 are 26 i.e. 12.4%.. There are four categories of annual income. 39(18.6%) agents have annual income less than 1 lac. 67(31.9%) agents have annual income in the range of 1 lac-2 lacs; 71(33.8%) agents have annual income from 2lacs -5 lacs and 33(15.7%) agents have annual income above 5 lacs. 27(12.9%) agents are full time agents while 183(87.1%) agents are part time agents. This thing is also seen in practical life that mostly people adopt MLM as a part time business opportunity. Occupation of part time agents was asked. Out of 183, 41(22.4%) are professionals; 65(35.5%) are employees; 30(16.4%) are housewives; 31(16.9%) are Businessmen; 14(7.7%) are students and 2(1.1%) are others. There are 157(74.8%) agents who are married and 53(25.5%) are unmarried. Out of 210, 6(2.9%) are qualified upto matric; 33(15.7%) upto senior secondary; 88(41.9%) are graduated; 32(15.2%) are post graduated and 51(24.3%) are professionals. Out of 210, 20(9.5%) have no income till now; income of 88(41.9%) is less than 5000 per month; income of 64(30.5%) is 5000-10000; income of 38(18.1%) is more than 10000. Out of 210, there are 145(69%) who like this work and never



thought of quitting their job; 49(23.3%) sometimes think of quitting the job and 16(7.6%) are ready to quit.

Descriptive Statistics

Responses of the agents were taken on the 5-point Likert scale. Mean and Standard deviation of the responses was calculated. The following Table 1 is showing the perception of agents regarding Multilevel Marketing Concept. Under this head 4 statements were asked from the respondents and were asked to give their responses as strongly Agree or Agree or Neutral or Disagree or Strongly Disagree

Table 1

Perception of agents Regarding MLM Concept.				
S.no.	Statements	N	Mean	Std. Deviation
1.	This is a good system to earn extra income.	210	4.52	.636
2.	This system provides me flexible work schedule.	210	3.96	1.104
3.	This system improves my confidence level.	210	4.38	.736
4.	This system provides me opportunity to improve my social circle.	210	4.36	.686
	Valid N (listwise)	210		

Source: Primary Data.

The above table is showing that the agents fairly agree on all the statements regarding MLM concept. Except statement no. 2 the mean score of all the statements is above 4. The std. dev. Of statement 2 is also high which implies there is higher deviation from mean regarding this statement. This may be because some agents claimed that it is actually not flexible schedule for them because they have to work according to timings of customers. We can say that overall the



agents agree that MLM is a good system to earn extra income. Also it provides flexible work schedule, it improves their confidence level and it also provides them the opportunity to improve their social circle.

Table 2

Perception of agents regarding MLM Companies.				
S.no.	Statements	N	Mean	Std. Deviation
1.	I trust the company for which I work.	210	4.44	.670
2.	The company has good reputation.	210	4.41	.645
3.	Claims made by company are genuine.	210	4.36	.746
4.	The company provides me appropriate training.	210	4.11	1.065
5.	My company is a fair dealing company.	210	4.33	.733
6.	The company's compensation plan provides me earnings in proportion to the efforts made by me.	210	3.50	1.435
7.	Product features are never overstated by the company.	210	4.12	.959
	Valid N (listwise)	210		

Source: Primary Data.

Table 2 is presenting the perception of agents regarding MLM companies. In the above table also the perception of agents seems to be fairly positive except statement no.6. overall agents trust the company for which they work. They believe that the company has good reputation and company makes genuine claims. They also agree on the facts that the company provides appropriate training, it is a fair dealing company and never overstates the product features. The only problem seems to be with the compensation plan. It seems that agents feel that they are not earning in proportion of efforts made by them. Also the std. deviation is high in case



of statement 4. So there are agents who think that training is not appropriate. So company should concentrate on training and compensation plan and try to make these better. Overall the sentiment is really positive for the company.

Table 3

Perception of agents regarding MLM Products				
S.no.	Statements	N	Mean	Std. Dev
1.	These products provide better performance (than regular products).	210	4.30	.766
2.	The products are of very good quality.	210	4.37	.695
3.	These products serve certain special needs which other products can't serve.	210	3.88	.975
4.	I find unique features in these products.	210	4.23	.867
5.	The products offered are reasonably priced.	210	4.31	.768
6.	The quality of the products confirms to price.	210	3.86	1.006
7.	These products are a symbol of status.	210	3.54	1.137
8.	There is sufficient variety to choose from.	210	3.40	1.268
9.	Similar products are not available in local market.	210	3.35	1.094
	Valid N (listwise)	210		



Source: Primary Data.

Table 3 is showing the perception of agents regarding MLM products. The mean score for 6 statements out of nine is more or less near 4 which means they agree that provide better performance than regular products and are of good quality. The products also serve some special needs which other products can't serve. The price is also reasonable and confirms to the quality. But there are some issues also. They don't agree on the facts that these products are symbol of status. They also believe that variety is not sufficient and similar products are available in local market. Company should concentrate on increasing the variety to attract more consumers.

Table 4

Are you overall satisfied with the MLM system, company and products?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	183	87.1	87.1	87.1
	No	27	12.9	12.9	100.0
	Total	210	100.0	100.0	

Source: Primary Data.

On asking them about overall satisfaction, 183(87.1%) out of 210 said Yes and 27(12.9%) said No. So most of the respondents are satisfied with MLM Concept, Companies and Products.

Conclusion

The perception of MLM is fairly positive in the minds of agents which is very important for the future of these companies. There are some problems also i.e. compensation plan, training and variety which should be taken care by these companies. So that these can present a good employment opportunity for unemployed youth of India. Overall the sentiment seems to be positive.



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