

Multi Level Marketing (Mlm): A New Era of Social Selling and Self Employment



Alimpiya Bordoloi

Abstract: Multi level marketing (MLM) is a new concept though it is deep rooted in the age old civilization. In India it is still in nascent stage, however has become popular among the masses. Since its entry in India in the mid 90s, it has attracted more than 5 million people. Through this study, the researcher tries to highlight the factors which persuade a person to join MLM business. With the growing trend of unemployment and lack of job avenues, the paper also focuses on the effect of MLM business on employment generation.

Key words: MLM, unemployment, job avenues, employment generation.

I. INTRODUCTION:

MLM or Network Marketing as it is popularly known, is a new panacea for marketers in the modern world. It is one of the fastest growing markets in the world and has gained huge momentum in countries like USA, Canada, Germany, Japan and Taiwan. It is often regarded as the modern successor of direct selling which is as old as civilization itself. Earlier there were peddlers who used to sell their products by going from home to home. In the early 2000 BC, there was the Code of Hammurabi, a Babylonian Law that protected the welfare and integrity of the Babylonian direct sellers who were then known as 'peddler'¹. MLM is a marketing strategy wherein some companies directly sell their products through salesperson that are known as distributors. These distributors sell their products through relationship referrals and word of mouth marketing. However, this strategy does not end in selling the product only but also to encourage others to join the company as distributors so as to facilitate the sale of goods and services. The new recruiters are known as 'down lines' of the distributor and the distributor will be the 'up line'. Now the distributor will be compensated not only for the sale that he has affected but also a percentage of sales revenue that his down line has generated. MLM emerged as a concept of marketing in today's world with the establishment of California Vitamin Company in 1934 in the US. This company proposed a plan of selling their products without recruiting direct salesman but persuading their customers to become their sales representative. This concept attracted their customers as it had promised to pay some amount for selling the products as sell for recruiting more sales

representative. This seemed to be lucrative offer for the customers as the income generated from this activity was a substantial income. In 1943, the company changed the name to Nutralite Corporation which implemented for the first time the MLM compensation plan. Everyone involved in the company got paid on multiple levels of sales made. In 1949 Jay Van Andle and Richard M DeVos joined Nutralite and after working with them for 10 years they started their own venture of MLM company. In 1959 they founded Amway (American Way). Amway had to fight legal battle too, to prove them as a legal business. They won the battle and paved the way for many MLM companies to enter into this industry. In the early 80s, the term MLM was replaced by Network Marketing as it always emphasised in creating a network of people who would market the products. Network marketing entered India when India's Foreign Investment Promotion Board (FIPB) approved Network Marketing Industry in India. Since then there has been a sea change in the industrial sector. Modicare was first to be launched in 1996. Amway India Enterprise, though established in 1995, started its operation in May, 1998. Avon was also launched in 1998 and then Herbalife started its operation in 1999 (Goyal, 2003)². Now in India there are 30 Direct selling companies out of which only 19 of them are members of Indian Direct Selling Association (Bhattacharjee, 2016)³. However it is difficult to find out who first brought this business to North East India but started its operation from the year 1996 to 1998. India being the second largest country in terms of population and existence of huge middle class with highly entrepreneurial culture and attitude, it has a great potential to generate employment and engage in MLM business. By 2025, it will be offering self employment to 18 million people and employment to 2.5 million people bt allied activities (Kumar and Satsangi, 2018)⁴. If this is the potential of MLM business the researcher wants to explore the MLM business scenario in Guwahati city, the hub of North east India.

II. OBJECTIVES OF THE STUDY:

The researcher in this study proposes to-

² Goyal, Malini. (2003), 28th July. India Today "with nearly six fold rise in turnover and ten times increase in distributors network in past 5 years, it is boom time for direct selling business in India", pp 30-32

³ Bhattacharjee, Deepali (2016); "Problems and Prospects of Network Marketing in Assam", International Journal of Business and Management Studies, ISSN 2158-1479::05(02) pp 167-182.

⁴ Satsangi, Akshay and Kumar, Ashok, "A study of Multi-Level Marketing Business with special reference to Amway India", International Research Journal of Management Science and Technology, Vol 9, no. 3, ISSN 2250-1959, pp. 101-108.

<https://directselling.org.au/history-direct-selling/>

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* Correspondence Author

Alimpiya Bordoloi*, Assistant Professor in the Department of Accountancy, Gauhati Commerce College.

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- Identify the factors persuading to join MLM business.
- Examine MLM business as a medium of employment.

III. RESEARCH METHODOLOGY:

The following research methodology has been adopted for the study-

Source of data: Both primary data and secondary data have been used.

Data Collection Technique: Primary data have been collected using questionnaire technique. Well structured questionnaire having both close and open ended question was prepared and distributed among Distributors. Secondary data have been collected from host of websites, journals and articles.

Population size and sample size: The universe of the study is all the people working as distributor of MLM business in Guwahati city. A sample of 100 distributors is selected from the universe.

Sampling Technique: The distributors are selected using snowball technique.

Statistical tool: weighted average and chi square test at 5 % level of significance with 4 degrees of freedom has been used for the study.

IV. DATA ANALYSIS AND INTERORETATION:

Table 1: Table showing demographic profile of the Respondents (Distributor)

Items	Parameters	Frequency	Percentage
Gender	Male	54	54%
	Female	46	46%
	Total	100	100
Age	18-25	20	20%
	26-30	34	34%
	31-40	30	30%
	Above 40	16	16%
	Total	100	100%
Marital Status	Married	60	60%
	Unmarried	23	23%
	Separated	5	5%
	Widow/ Widower	12	12%
	Total	100	100%
Educational Qualification	Under matriculation	2	2%
	Graduate	56	56%
	Post Graduate	18	18%
	Diploma	12	12%
	Professional Course	12	12%

	Total	100	100%
Employment Status	Unemployed	12	12%
	Govt. Employee	17	17%%
	Private sector employee	38	38%
	Business	23	23%%
	Professional	10	10%
	Total	100	100%

Source : Field Study

Interpretation :

Table 1 gives a clear picture of the demographic profile of the respondents. Both male and female are actively involved in network marketing. The table also depicts that the age group of 31-40 has the highest number of respondents. Private sector employees are more engaged in network marketing than government employees or professionals and businessmen.

Table 2: Table showing respondents information regarding their MLM business

Particulars	Parameters	Frequency	Percentage
Association with MLM business (in years)	Less than 6 months	8	8%
	6 months – 1 Year	20	20%
	1 Year – 2 Years	25	25%
	More than 2 Years	47	47%
	Total	100	100%
No. of down-lines	1 – 10	5	5%
	10 – 15	6	6%
	15 – 20	29	29%
	More than 20	57	57%
	Total	100	100%
Income (Strictly from MLM business)	Less than 5,000	20	20%
	5,000 – 10,000	23	23%
	10,000 – 15,000	14	14%
	More than 15,000	43	43%
	Total	100	100%

Source: Field study

Interpretation:

Table 2 shows the condition of the distributors of MLM. 47% of the respondents are associated with network marketing for more than 2 years and have more than 20 down lines. 43% of the respondents have income more than Rs. 15,000.

Table 3: Table showing factors joining MLM business

	Strongly disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly agree (5)	Weighted Average
Monetary benefit	2	4	9	20	65	4.42
Low capital and Minimal risk	3	5	4	34	54	4.31
Persuasion	9	6	6	35	44	3.99
No special qualification required	6	14	30	31	19	3.43
Building relationship	10	18	22	38	12	3.24
Personality development	16	9	15	35	25	3.44
To have own business	9	17	6	43	25	3.55
Love challenges	21	27	14	19	19	2.88
No Boss	8	17	6	44	25	3.61
Proper utilisation of free time	6	14	25	30	25	3.54
Flexible work schedule	9	10	17	39	25	3.61

Source: Field study

Interpretation :

The table shows that monetary benefit tops among the factors that persuade a person to join MLM followed by low capital and minimum risk then persuasion while challenges facing attitude is the least one to persuade a person to join MLM.

Hypothesis testing to examine the MLM business as a medium of employment:

H0 : There is no significant effect of MLM business on employment generations

Table 4: Table for hypothesis testing

Continuation in MLM	Employment Generation				
	High Chance	High	Medium	Low	Total
		55 (39.63)	2 (8.82)	6 (14.49)	63
Medium	5	7 (3.22)	11	23	

m	(14.49)	(5.29)		
Chance				
Low Chance	3 (8.82)	5 (1.96)	6 (3.22)	14
Total	63	14	23	100

Source: Field study

(Figures in the bracket denotes expected frequency)

For calculating Chi square value, the following formula is used:

$$x^2 = \sum (O - E)^2 / E$$

Where, x^2 = Chi square

O = Observed frequency

E = Expected frequency

$$x^2 = \sum (O1 - E1)^2/E1 + \sum (O2 - E2)^2/E2 + \sum (O3 - E3)^2/E3 + \sum (O4 - E4)^2/E4 + \sum (O5 - E5)^2/E5 + \sum (O6 - E6)^2/E6 + \sum (O7 - E7)^2/E7 + \sum (O8 - E8)^2/E8 + \sum (O9 - E9)^2/E9$$

Where, O1 = Observed frequency of cell 1 and E1 = Expected frequency of cell 1 and so on

$$x^2 = \sum 5.96 + 5.27 + 4.97 + 6.21 + 4.43 + 6.16 + 3.84 + 4.71 + 2.4$$

$$x^2 = 43.95$$

At 5% level of confidence with 4 degrees of freedom the value of chi square is 9.49. The computed value is 43.95 which is greater than the critical value. Hence, the null hypothesis is to be rejected and conclude that there is significant effect of MLM business in employment generation.

V. FINDINGS AND SUGGESTIONS:

- The study reveals that the middle aged adult group are more prone to MLM business. These group of people are ever enthusiastic than the older group and are more prone to undertake risk and face challenges.
- Married people who have family to run are more engaged in MLM business. They consider that MLM provides them with some monetary benefits. Moreover, on analyzing the factors it is seen that MLM business does provide financial security and financial assistance.
- It has also been revealed from the study that no qualification as such is required. Any person having communication skill and patience can succeed in this business by earning a fair amount of money.
- Employment generation can also be sought through MLM business. Both the genders have equal chance of participation and success if done with dedication and full knowledge of the business.



MLM business is sometimes confused with pyramid schemes business where the introduction of people in the business is the underlying aspect. Building a team or network is the essence of MLM but it should not emphasise only on joining new distributors. Proper training programmes should be imparted so as to penetrate into all age groups of people. Compensation plan should be simple and proportionate earning should be available so that no one recurring income is possible. However, government should also intervene with strict regulations so that no interest is harmed.

VI. CONCLUSION:

MLM has gone through various criticism since its inception. No doubt, it has been under critical evaluation of everyone. However, surpassing all these MLM business has emerged as a medium of employment and income generation. People join MLM business because of some of the inherent prospect that this type of business has got. With minimum capital and almost low risk anyone can be benefitted. All required is patience and hard work.

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AUTHOR'S PROFILES



Mrs. Alimpiya Bordoloi, Daughter of Late Amio Kumar Bordoloi and Wife of Mr. Sudipta Nayan Bhardwaj, resident of Beltola, Guwahati-28, Assam. She did her Master of Commerce under Gauhati University in 2011 and currently pursuing her Ph.D work under the guidance of Dr. Ashima Sarma, Associate Professor, K.C. Das Commerce College. She had work as an Assistant Professor in the Department of Accountancy, Gauhati Commerce College for 6 years and is currently working in NEF College in the same position. She has published 7 research papers in various reputed International and National journals. She has also presented 7 seminar papers in various International and National seminars held at different city of India.