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## Multilevel Marketing Approach : Evaluation of Satisfaction of Stakeholders

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### Introduction

You will be told that you can top-up your salary with a few hours' work a week or, with more commitment, become financially independent within a few years. You will be assured that this can be true and that there is no catch. It all sounds too good to be true; therefore you feel that there must be a catch somewhere. Certainly, there are many people who have made some money and a select few who have made lots of money from MLM. But there is a catch, a big one, and it is the aim of this study to point out just what it is. No book or article confronts this harsh reality head-on and certainly no MLM distributor will tell you - they may not even have thought it through themselves.

The problem, in general, is that the activity of recruiting people into MLM schemes is socially and psychologically unacceptable to most people in our society. In other words, the process of network marketing brings with it some situations, attitudes and types of behavior that are highly problematic in ways that will be described below. People promoting multilevel marketing praise it as an opportunity of a lifetime. The conventional process of promoting this so-called opportunity to friends and virtually everyone else in someone's circle of acquaintance is, for the most part, unacceptable. The big draw card is that commission is paid not only for direct sales you have made yourself, but from sales made by your recruits as well. Theoretically, you can make a fortune as this process expands in a sort of multi-layered network which, when drawn on paper, fans out into a pyramid-like structure. It offers great advantages to company itself, distributors and members. The advantages vary in nature and from company to company. Companies involved claim they are different than others. But the ethical association of human values results into discontent and break down of relationships as eventually the plan fails. In terms of the Fair Trading Act, MLM frequently treads a very fine line between genuine marketing of goods and an attempt to sell a pure investment or moneymaking scheme. Thus, an attempt is made to explore factors that mitigate the pyramid. These may include the plan itself, recruitment, ethnic and legal aspects.

### Objectives

The objective of this study is to find out the general modus operandi, offered benefits, and impact of association with Multilevel Marketing and their implication on human psychology, physiology and society. It includes

- To study the general practices followed in Multilevel marketing (MLM) and the benefits offered.
- To study the satisfaction level of those who are actually involved in MLM.
- To understand the impact of MLM on interpersonal relationships of the promoters.
- To find the reasons behind the high drop-out rate in MLM
- To find out measure to be successful in MLM, if any.

### Limitations

This study does not deal with any particular firm but with the concept and practice of multilevel marketing or network marketing in general. There is no intention to deal with MLM firms that are

considered as legal. Those which are really just pyramid schemes or perilously close to being so, are a separate issue, and while worthy of discussion, fall outside the bounds of this study. The authenticity of data collected lies itself on the responses of participants.

### **Research Methodology**

The present study was conducted at three levels viz. Prospective customers, members of MLM (recruits) and executives of the firms. Students and housewives were treated to be the representatives of the prospective customers' group and a sample size of 150 was considered. From the class of recruits and executives, a sample size of 25 each was selected by convenience and judgement sampling. The data was collected through a self-administered questionnaire and interviews of the experts. The area selected for the survey was Jalgaon and Dhule districts of Maharashtra State. However, interviews were conducted with experts and prominent people from all over the state.

### **Data Interpretation and Findings**

#### Benefits of Multilevel Marketing

MLM certainly offers its distributors many advantages. Anyone can get involved and it can be done with as much or little time commitment as one likes. The minimal capital costs, autonomy and potential for earning are indeed for real.

#### Approach in Multilevel Marketing

According to MLM marketing principles, you need to approach everyone, and never prejudge whom you think would be likely or unlikely to be interested, because you just never know. This is of course true, you do not know in advance, and indeed, by a MLM operative, "It's a number game." If you are willing to set aside your scruples and wade ruthlessly through every person on the planet that you know and eventually those you do not, you will develop a "down line" and make money. You are advised to compile a list of every person you know, friends, acquaintances, colleagues, old school friends and just about every person who can actually be contacted. They must then be told over the phone or personally, one way or another, which in practice ranges from quite open and honest to downright devious, about a "business proposition" or "once-in-a-lifetime opportunity."

#### Response Evaluation

Once a person is contacted and a proposal is put forward, what happens then is the crux of the problem. Between nine and nine-and-a-half out of ten responses range from :

Not interested, but a neutral response, i.e. they do not mind being asked, but they will not do it; (53 %)

Moderate disapproval; (27 %)

Serious disapproval, i.e. some combination of upset, annoyed, offended or horrified. (13 %)

It is also observed that, 77 % respondents already knew about the proposal. They were already told about similar, if not the same, business ideas. Those (students, housewives, servicemen, executives etc.) who just know, superficially, about MLM shows that they are always come to know about various schemes from their friends, relatives or acquaintances. Though they don't have in-depth knowledge of the schemes, they tend to be reluctant and refuse clearly at the first instance. As they are all aware about the risk associated with the scheme.

Apart from this the condition of actually involved is not rather different. They deny revealing the correlation between being involved in such activity with self-actualization needs. Most of them are dissatisfied or less satisfied with monetary benefits they received. They also presume that such involvement does not accrue their social values. They just try to conceal the fact that they are just treading the beaten path on the cost of just forced to involved. Along with that they compel others to follow the same just because they and/or their up line will get returns and benefits from his business.

### Impact on Interpersonal Relationships

Most of the respondents (84 %) admitted that involvement in MLM activities affected their interpersonal relationships adversely.

But the price is that for most people, the whole thing is incredibly unpleasant and distasteful. Plus, you jeopardize your entire network of friends and acquaintances to a greater or lesser degree. The logical conclusion is that MLM distributors run the risk of having a circle of friends that comprises only the other people in the network, all others having, as the saying goes, fled for the hills.

They are also very well aware of the fact that promoting MLM, you are, not only putting yourself through some major rejection stress, but asking your prospective down line to go through the same. The selected few who can cope and go on to make a fortune may well thank you for it, but the vast majority will not. The friend/ acquaintance is also put in the unpleasant, and arguably unfair position of having either to turn you down or go along with it so as not to offend. In so many cases the relationships are totally came to an end.

### Success in Multilevel Marketing

But at a substantial cost, and the cost is not just plain old-fashioned hard work. The one thing you need is strength of character. To make it big in MLM is one of the hardest tasks you can undertake. Well, you certainly need strength. Often, you must push on despite the insults and discouragement of friends, relatives, and even spouses.

### Discussion

If this is such a wonderful way to make money, why exactly, will most people have nothing to do with it and even of those that do initially, why is the drop-out rate so high?

Success in MLM means finding other people who want the business too; this is often translated as using these people so that you gain while they somehow lose out. This is simply not the point or the issue at stake. There is a big difference between MLM and ordinary selling, even for something relatively similar, like selling insurance, or any other direct selling from person to person. The difference is that an insurance salesperson sells you a contract, earns a commission and that is the end of it. It is something else altogether if the salesperson then suggests that you phone everyone you know including your friends and try and sell them a contract as well and that both of you would then get a commission. Yet, this is precisely what MLM is all about. The issue is not whether your friends will make money or not, but the entire psychological set up and in particular the fact that you would make money out of your friends, and more often than not, under the pretext of "helping them."

### **Recommendations and Suggestions**

The code of conduct could indeed prevent major abuse, but the basic nature of recruitment is unsatisfactory for all the reasons discussed here. As soon as someone tries to recruit a friend or acquaintance, implicit pressure is exerted on that person. This does not fall foul of the code of conduct, but remains the essence of the problem.

Similarly, a lack of openness and frank disclosure of what is really being proposed to potential recruits is evidently all too common. Therefore, when complaint is raised, there must be full clarification of the whole picture.

If people find MLM fundamentally distasteful, this is because they do not understand it. That is why the people relating to same interest group or class must be involved rather than everyone you know. It will reduce the risk of drop out adverse publicity.

In addition, public relations work and some contributions to society will eradicate the negative image of MLM.

Some issues that are discussed earlier such as that there is nothing wrong with selling and posed the question about the difference between MLM and selling insurance! So it is interesting to note that they were defending MLM in what can only be termed the standard defenses. These rationalizations really do

not come to terms with the interpersonal problems to which I have drawn attention. They provide a convenient justification for those in the industry, but outsiders are unlikely to find them particularly convincing. Furthermore, the success of the company and the numbers of people involved are merely an indication that there is money to be made, and not that this is done in way that is acceptable to the public as a whole. In other words, the people that count are those who have been approached and were not impressed. I would argue that no amount of public relations work will eradicate the negative image of MLM, because it is a fundamentally problematic way of doing business.

If companies are producing good products, which might sell well through more traditional routes, then they must avoid the MLM way, as it is by no means a cheap distribution channel. This is true that self-employed distributors carry the distribution costs. In effect, the company continues to sell its products through a pyramid distribution system, at the bottom of which are distributors who fail at their own financial cost. In most distribution systems the failure of a distributor represents a cost to the company.

Subtle changes to the MLM model. In the case above, free demonstrations on a “party plan” basis enhanced the distributor approach. Although it did not, the company could argue that it is not an MLM organization but a “party plan” company (as if “party plan” is a dramatic improvement).

When somebody becomes a “distributor,” they are obliged to develop their own network which means approaching people they know and asking them to make a financial commitment - not just any old financial commitment but one from which the introducer stands to profit. Not surprisingly, many people soon find that this exploitation of friendship for profit is disliked. MLM exploits one of the baser instincts of man - the belief that there is an easy way to make lots of money. Millions are gulled out of susceptible people by the producers of self-help books, homeworking schemes, party plan and MLM. With MLM, and systems like it, the problem lies in the failure of most people to succeed at it.

## Conclusion

What does all this mean? Does this mean that MLM is ethically wrong and that you should not do it? People need to decide for themselves what is acceptable and what is not. Intention is to inform people about the full picture. Those having anything to do with MLM in the past, present or future ought to be aware of what it really involves and the full implications of trying to recruit people. The MLM road to financial independence is a rocky one. The highway is there all right, but it is not as painless as switching on a computer and plugging into the Internet.

People are doing very well, that MLM provides a good service in terms of informing people about products and so on. The essence of MLM or related organizations is that they alleged each other in a way or two. For instance, they do not operate like the others in terms of telephoning friends and so on. Point is that telephoning people you had not seen for months, pretending that this was a social call and then hitting them with the MLM “plan” is unethical. The standard MLM way of doing things was unacceptable and that people were being “sold a dream that did not correspond at all with reality.” The basic modus operandi of MLM is socially unacceptable to most.

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