

A Study on the Perception of Distributors towards Multilevel Marketing

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Abstract: Multi-Level Marketing (MLM) also known as network marketing is a business model that seeks directly engage with the consumers as channels of distribution thus eliminating the middlemen and eliminate the defects associated with the traditional system of marketing as regards to distribution channel, promotion and advertising. The products are moved through consumers who become members or independent distributors of the company. They are given an opportunity to introduce other distributors to the business, thus building multiple independent networks. Instead of incurring massive media advertising and sales promotion cost, the savings are passed on to distributor consumers. This paper sets out to understand the demographic characteristics and the perception of the distributors conducting business through multi-level marketing in Oriflame, India (Bengaluru branch). To achieve the objective of the study, questionnaire was used as a source of primary data of the respondents who were selected on a normal basis. A total of 100 respondents was considered in the sample for the analysis. The paper concludes by providing suggestions and measures on how to overcome demographic differences affecting the MLM perception.

Keywords: multi marketing

1. Introduction

Multilevel marketing fosters entrepreneurship to build one's own independent business selling goods and services to consumers and developing through training a network of direct sellers to do the same. Multilevel marketing, brings significant amount of benefits to the marketplace. It provides opportunities to countless individuals who might be ignored or under-utilized in the employment market. It is a simple and economically feasible way for individuals to learn basic business rules and managerial skills. It offers any individual a flexible means to supplement one's income. Additionally, it also allows businesses with new or innovative products or services to bring them into the market without any enormous expense of mass media advertising, issues of competition for shelf space in retail stores etc. One of the notable advantages of MLM is the amount of flexibility it offers in operation while having a considerably minimal amount of initial investment with the incentive form of benefit it passes on to the distributors at the comfort of their homes. Further the crux of an MLM organization is the dissemination of marketing expenditure directly to its distributors or the consumers. Thus this unique business model provides an entrepreneurial opportunity through networking

and selling the company's goods and services.

2. Review of literature

- “A study of motivational factors of Women Entrepreneurs” by Sukhjeet kaur Matharu, Ravi Changle and Arnav Chaudary, published in the IUP Journal of Entrepreneurship volume 8, 2016 describes the factors influencing the growth of women entrepreneurs. Primarily in a developing country like India, motivational factors include a combination of push and pull of societal issues, self satisfaction, search for independence and a source of finance. The study states that women have a robust capacity and potential to become contributors to the overall economic development of any nation. Studying the motivational factors influencing the entrepreneurial growth reveals that small scale sectors and MLM advocacies help fuel a nature of entrepreneurial skills among individuals, especially women. Thus, to achieve the goal of economic development of a country a support through better environment and framework of policies should be implemented to further push the aspirations of women entrepreneurs.
- “A conceptual model of Sociocultural Determinants of entrepreneurship” , a research study conducted by Sayamala Devi Bhoganadam and Dasaraja Srinivasa Rao published in the IUP Journal of Entrepreneurship volume 8, 2016 describes the various sociocultural factors such as caste , religion, education, social networks and family in correlation with mediation variables such as innovation, risk taking and a need of achievement that play a major role in shaping the spirit of the entrepreneurs in any society. Entrepreneurial success is considered as proxy for measuring the success in terms of profit. The study arrived at a conclusion stating that socio cultural factors have a direct influence of entrepreneurship and a indirect effect on traits of an entrepreneur. Thus intrinsic abilities of an individual plays a vital role and accomplishment is further geared by socio cultural factors.
- “Opportunity Recognition process of Indian Entrepreneurs The Role of Social capital and Risk

Perception” by K Nigama and P David Jawahar published in the IUP Journal of Entrepreneurship volume 8, 2016 intends to understand in detail the influence of social capital and risk perception on the opportunity recognition process. Through knowledge acquisition, competitive scanning is performed to formulate business strategy. There is a relationship between these factors. Thus the study is an attempt to derive the significant impact of entrepreneurs risk perception on each sub process of opportunity recognition amongst Indian entrepreneurs in IT and ITES sector. The outcome is that risk perception influences entrepreneurs competitive scanning, proactive searching and innovative behavior in opportunity recognition. Cognitive and structural dimension of social capital significantly influence risk perception. It provides that an entrepreneur believes that he has close relations who provides support to achieve. Thus it's concluded that there is less risk involved when there is a wider array of social capital.

- *“Employee vs Entrepreneurial Mindset”* by Rob Sperry published in robsperry.com on January 4, 2013 provides an insight on the establishment of MLM companies and why employees shift over to these corporations over traditional jobs. Studies show that nearly 70% of Americans don't like their jobs and have an urge to start their own business. But the issue being high start up costs, lack of knowledge, failure statistics, fear of success etc. a major Pro of network marketing is that it hedges most of those risks. In network marketing these obstacles are sought since individuals generally work as a team where in you train someone to be as good as or better than you both win. A shift from the employee mindset to the entrepreneurial mindset requires discipline and the ability to push this business forward. The best question to ask yourself is how many NEW people did you talk to today? IF the answer is none then it just means that you weren't working today. An entrepreneurs aspect is to have long term vision with the strive to make up for the initial dry period. As an entrepreneur one has to learn about delayed gratification. As Jim Rohn teaches “Use your job to pay bills and networking marketing to build dreams.”
- *“A study on Multilevel Marketing as a tool for Socio Economic Development”* by Sreekumar published in the International Marketing Conference on Marketing and Society, IIMK, April 2007 provides an insight on the MLM model in the Insurance Industry and analyzes the reasons for its success so that further improvements in to similar businesses can be considered. The study focuses on Hilife Ltd Company which deals with ELSS Insurance products of a brand leader. A person will get to enter the MLM network

only after purchasing an ELSS policy. The insurance company claims that the investment would double in 6 years' time with the present market growth. It gives a mobile phone free for any client who joins the MLM by purchasing this insurance policy. Company even offers annual incentives in the form of lessening the premium amount along with chances to improve their presentation skills, motivation levels etc. Many people realize their potential and marketing skills after joining a good MLM network. That way, it helps them to enhance and grow. Networks with members numbering in a few lakhs are providing an employment opportunity for the youth and other sections of society. Funds are mobilized through Insurance sales, thus helping the economic progress of the country. With the change in laws relating to contract employment, part- time employment etc, many enterprising youth may embrace it as a source of second income.

3. Statement of the problem

In order to conduct a study on the perception of the distributors towards multi-level marketing, The demographic characteristics of the distributors in the sample are examined along with their perception and the level of satisfaction in working under a MLM business model. The key constituent of direct selling is building a network of distributors, who conduct business independently within the purview of the company guidelines driven by the income and perks based on the length and strength of their network in terms of product sales. Thus, the aim of this research is to identify key differentiating factors in demographic characteristics and their perception towards MLM business model of Oriflame India Pvt Ltd in Bengaluru.

A. Objectives of the study

The overall objective of the present study is to assess the relevance of multilevel marketing in Bengaluru. To achieve this broad objective, the following additional components are examined.

- To examine the demographic characteristics of the distributors in the sample.
- To assess the perception about multi-level marketing as compared to traditional businesses.
- To assess the level of satisfaction of the sample conducting multi-level marketing business
- To provide recommendations on the basis of findings to improve the activities of MLM.

B. Scope of the study

The scope of the study is restricted to Bengaluru north side region. This study will help to know whether there is a significant difference in the demographic characteristics and their perception on MLM business in Oriflame, Bengaluru branch.

C. Operational definition

- Distributors- they are the members of Oriflame(MLM company) who under take network marketing to conduct business
- Multi-level marketing (MLM): It is the business model wherein a company directly sells its products to the consumers eliminating the middle man, thus saving advertising costs.

D. Limitations of the study

- Sample comprises of only 100 respondents from the population
- Time constraint- This project had to be taken in specific time duration which does not permit extensive research report
- The study is restricted to the city of Bengaluru only

E. Research methodology

The present study seeks to assess the perception of the demographic variables (like age, gender, occupation and educational qualification) on multilevel marketing business model of Oriflame in Bengaluru. A survey research design methodology was used for the study. The present study comprises both primary and secondary data. The empirical data for this study was obtained through a questionnaire survey and personal interview conducted among the distributors of Oriflame India Pvt Ltd, Bengaluru Branch.

F. Sampling design

Simple random sampling method is used for sampling design comprising of the Oriflame distributors in the Bengaluru region of age 18 years & above.

G. Sampling size

The sample size is restricted to 100 respondents comprising of Oriflame distributors in Bengaluru.

H. Statistical techniques

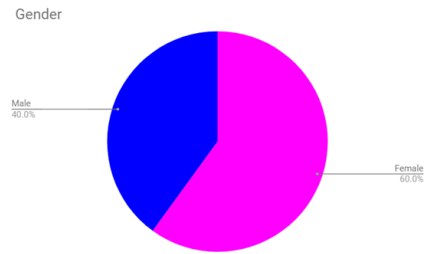
To analyze and interpret the data collected various statistical techniques have been used tentatively such as ANOVA, percentage analysis and testing of means. Software Used For Analyzing the Data- SPSS statistical package, Microsoft Word and Microsoft Excel for showing the graphs and pie charts for the purpose of analyzing the data.

4. Data analysis and interpretation

A. Gender

Table 1
Gender

		Frequency	Percent
Valid	Female	60	60.0
	Male	40	40.0
	Total	100	100.0



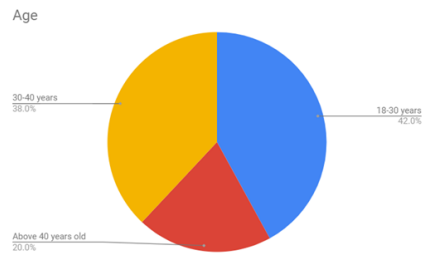
The Table 1 exhibits that there were 60 female and 40 male respondents. This means that that out of total respondents 60% were females and only 40% were males. This indicates a lower participation of male distributors in Oriflame, Bengaluru branch. The present findings also go in hand with a study conducted by DSA of U.S. in 2002, about 73% of the individuals working in MLM were women. The high level of women participation in MLM at Oriflame shows the entrepreneurial culture among the women in Bengaluru. Thus the present study lies consistent with other such researches conducted in the realm of MLM activities.

B. Age of the respondents

Table 2
Age of the respondents

	Age	Frequency	Percent
Valid	18-30 years	42	42.0
	30-40 years	38	38.0
	Above 40 years old	20	20.0
	Total	100	100.0

The table 2 provides the age category of respondents. The table shows that all of the 100 respondents were over the age of 18 years. Of this, 42 percent were aged between 18 and 30 years, 38 percent were aged between 30 to 40 years and 20 percent were aged 40 and over. As 42 percent of the distributors belong to the age category of 18 to 30, it is concluded that they are more fascinated to this new system of marketing than other age groups.



C. Marital status

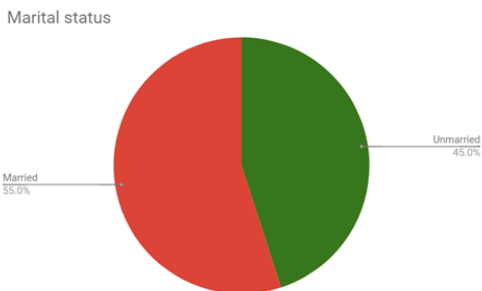
To ascertain whether the family setting may influence in joining multilevel marketing system, the participants involved in this research were asked whether they are married or not. The resultant data is depicted in the table 3

The table 3 exhibits that the majority of respondents (55%) were married. It is further revealed that percentage of married

respondents is greater than unmarried respondents. Thus the flexibility aspect of MLM business model of Oriflame enables married women to embark on business ideals while dealing with the responsibilities of a marriage.

Table 3
Marital status

Marital status	Frequency	Percent
Married	55	55.0
Unmarried	45	45.0
Total	100	100.0



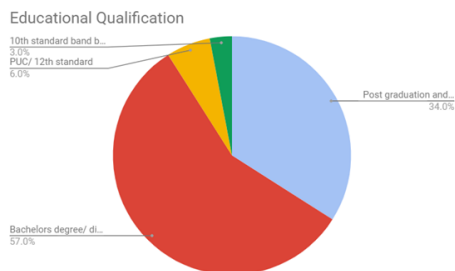
D. Educational qualification

The respondents were asked to fill out their educational qualification as their access to the educational system may provide an opportunity to be introduced to MLM model by Oriflame. The level of education of the respondents is indicated below in the table 4.

Table 4
Educational qualification

Educational qualification	Frequency	Percent
10th standard band below	3	3.0
Bachelor's degree/ diploma	57	57.0
Post-graduation and above	34	34.0
PUC/ 12th standard	6	6.0
Total	100	100.0

Majority of the respondents i.e. 57% of them have a bachelors degree or a diploma qualification, while the second highest percentage is that of a post graduate qualification amounting to 34% of the respondents. While the PUC qualification is of 6% and 10th std and below qualification is a mere 3% of the sample. Thus a staggering amount of the respondents have a sound education which can be attributed to the professionalism in the system of Oriflame.



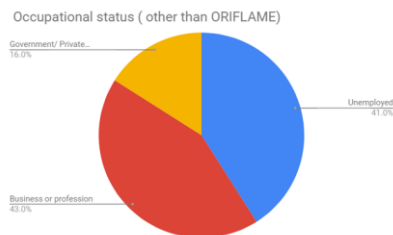
E. Occupational status

The occupational status of the respondents is another variable considered in the study as it may have attributed to the success and access to the MLM business model of Oriflame. The table 5 below represents the occupational status of the sample.

Table 5
Occupational status

Occupational status	Frequency	Percent
Business or profession	43	43
Government/ Private company employee	16	16
Unemployed	41	41
Total	100	100.0

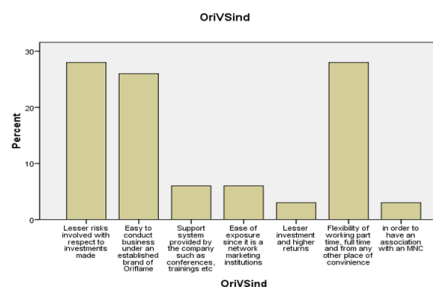
A majority of the respondents are carrying out either business or profession resulting 43% of the total sample. However almost nearing to the staggering amount of respondents fall under the unemployed category (41%) and only 16% are government or private company employees.



F. Perception about multi-level marketing

Table 6
Perception about multi-level marketing

Perception towards MLM	Frequency	Percent
Lesser risks involved with respect to investments made	28	28
Easy to conduct business under an established brand of Oriflame	26	26
Support system provided by the company such as conferences, trainings etc.	6	6
Ease of exposure since it is a network marketing institutions	6	6
Lesser investment and higher returns	3	3
Flexibility of working part time, full time and from any other place of convenience	28	28
In order to have an association with an MNC	3	3
Total	100	100



From the above table, 28% of respondents who feel that MLM businesses provide higher degree of flexibility of conducting business and believe that lesser risks are involved with respect to investments made. Thus more than 50% of the respondents fall under these categories, while 26% feel that its easy to conduct business under an already established brand of Oriflame. Thus we can infer that flexibility and the nature of lesser financial risks foster the success of MLM.

G. Comparison of means between gender and level of MLM perception

Table 7

Comparison of means between gender and level of MLM perception

Gender	Mean	N	Std. Deviation
Male	3.20	40	2.003
Female	3.30	60	2.227
Total	3.26	100	2.130

There is significant difference in mean between males and females regarding their perception of benefit of conducting business under Oriflame than traditional business. The main cause of this difference is due to the cultural norms in the city and the country that foster traditional business and are still in the process of understanding the new concept of MLM. Also the % of female respondents have been higher thus, we can infer that it is a female dominated venture.

H. Comparison of means between age and the level of MLM perception

Table 8

A. Comparison of means between age and the level of MLM perception

Perception	Mean	N	Std. Deviation
Age			
10-30 years	3.05	42	2.219
30-40 years	4.05	38	2.039
Above 40 years old	2.20	20	1.542
Total	3.26	100	2.130

From the above table it is clear that there is significant difference in means of the perception of benefits of MLM as compared to traditional businesses. The younger generation is more accustomed to change and are readily adaptable to different business models like MLM. Further, the fact that Oriflame provides flexibility in conducting business is a source of extra income to the younger working generation. The older generation are still accustomed to traditional business, which explains a lesser % of respondents in the sample as well.

I. Comparison of means between the marital status of the sample with the level of perception on MLM benefits as compared to traditional business

Table 9
MLM perception

Marital Status	Mean	N	Std. Deviation
Married	3.47	55	2.098
Unmarried	3.00	45	2.164
Total	3.26	100	2.130

There is significant difference in the means of the marital status and the level of perception on MLM of the sample mainly because multi-level marketing allows a degree of flexibility to conduct business thus enabling even home makers with no corporate or business exposure to undertake network marketing, which also explains why the mean of the married status higher than that of unmarried. Thus MLM fosters business opportunity to Indian married households as well

J. Comparison of means between the educational qualification and their perception on MLM benefits as compared to traditional business

There is significant differences in the means of the educational qualification of the distributors and their level of perception on MLM benefits as compared to traditional business. The main reason is the extent of exposure as a result of education. From the above table we can see that the mean of bachelor degree/ diploma is the highest. It is because the

Table 10

Comparison of means between the educational qualification and their perception on MLM benefits as compared to traditional business

MLM perception	Mean	N	Std. Deviation
Education			
below 10th std	3.00	3	2.646
PUC/ 12th std	3.33	6	2.160
Bachelor's degree/ diploma	3.44	57	2.212
Post-graduation and above	2.97	34	2.007
Total	3.26	100	2.130

youngest members of the sample fall under this category and there is a lot of fresh exposure and opportunity. Besides MLM offers flexibility in operation which makes it all the more convenient and accessible by the members.

K. Comparison of means between the occupational status and their perception on MLM benefits as compared to traditional business

Table 11

Comparison of means between the occupational status and their perception on MLM benefits as compared to traditional business

MLM perception	Mean	N	Std. Deviation
occupation			
Govt./ private company employee	3.44	16	1.965
business/ profession	3.12	43	2.084
Unemployed	3.34	41	2.276
Total	3.26	100	2.130

There is significant difference in means in the occupational status with respect to their perception on MLM. The main reason is that there is varying responsibilities for different occupations. Thus different views are attributed to different factors supporting the benefit of MLM.

L. Anova analysis to determine the level of satisfaction between males and females conducting business under multi-level marketing model of oriflame

H0- there is no significant difference in the level of satisfaction between the males and females conducting business under multi-level marketing business model of Oriflame.

H1- there is significant difference in the level of satisfaction

Table 12
 Anova analysis

Descriptives								
Level of satisfaction	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
Gender					Lower Bound	Upper Bound		
Male	40	3.3333	1.09778	.17357	2.9822	3.6844	1.33	4.83
Female	60	3.6389	.82634	.10668	3.4254	3.8524	1.67	5.00
Total	100	3.5167	.95096	.09510	3.3280	3.7054	1.33	5.00

ANOVA					
Level of satisfaction	Sum of Squares	df	Mean Square	F	Sig(p).
Between Groups	2.241	1	2.241	2.516	.116
Within Groups	87.287	98	.891		
Total	89.528	99			

between the males and females conducting business under multi-level marketing business model of Oriflame.

The level of significance taken to compute is 0.05

According to one way ANOVA test null hypothesis (H₀) is to be rejected if $p < 0.05$

From the above table we can see that $p = 0.116$

Therefore, since $p > 0.05$ null hypothesis (H₀) is to be accepted
Inference: We can conclude saying that there is no significant difference in the level of satisfaction between the genders (male and female) conducting business under Multi-level marketing business model of Oriflame.

H₀ is accepted

M. Findings

- From the above study we can say that the MLM business is mostly female dominated mainly due the benefit of conducting business more flexibly with lesser investments and associated risks.
- Multi-level marketing business model of Oriflame gives married households an opportunity to contribute additional income into the family
- It comprises of a higher percentage of youth due to the level of exposure of networking and innovative business knowledge.
- There is significant differences in the means between the demographics (gender, age, education, occupation and marital status) and the level of perception on MLM benefits compared to traditional business
- The major benefit of conducting business under Multilevel marketing model is mainly due to the degree of flexibility of operation it offers while keeping a low investment with lesser risks as opposed to traditional business.

N. Suggestions

- It is more of a female dominated venture. Therefore, awareness and the benefits of Multi-level marketing can be communicated to the male counter parts by conducting meeting say for example, exclusively for the spouses of the married women, giving recognitions to the males in the households of the women distributors etc.
- It is highly dominated by the youth of ages 18-30, thus promotional incentives and introduction of products suitable to older generation should be incorporated in the market mix.

5. Conclusion

Every industry is a dynamic component in the economy with innovations and high competition. Business entities are coming up with whole new extreme and different strategies to sustain which completely oppose the norms of traditional business. The multi-level marketing spectrum in India has been successful with lot many companies of various sectors taking part. Thus giving every individual an opportunity to kick start business administered by the MLM Company. The main driving force for the success of MLM strategy as seen in the present study is the sense of flexibility to conduct business in any convenient place with a lesser risk on investment. However, there is quite a lot of variation in the demographic characteristics of individuals undertaking a MLM business. Thus, companies undertaking this business model have an opportunity to diversify their market mix to capture all demographics.

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