

Factors Influencing Customers' Buying Behaviour towards MLM Products: A Review Study

Chitra

Research Scholar, Department of Commerce, M.D.U., Rohtak, Haryana (India)

ARTICLE DETAILS

Article History

Published Online: 10 December 2018

Keywords

Multi-level marketing, independent distributors, customers, etc.

*Corresponding Author

Email: [chitrajangra\[at\]gmail.com](mailto:chitrajangra[at]gmail.com)

ABSTRACT

Success of any business depends upon the way how its customers are approached. There are two ways of doing this, first is mass marketing and other one is direct marketing. In former one, everyone is targeted in society, as it has general approach it has less impact on valued customers whereas latter one concentrates on valued customers. Multi-level marketing which is also called network marketing is relatively new industry but its reputation & size are growing rapidly. Network marketing is a method of product distribution in which products are moved through independent distributors. The distributors then got the opportunity to introduce other distributors to business. This review paper studies the factors that influence the consumers' buying behavior and acceptance of direct selling.

1. Introduction

In business circles, recently, multi-level marketing is gaining much attention. Considering the flaws of present system of marketing with regard to promotion, distribution channel, advertising, there is a need of new strategy in marketing area. Multi-level marketing is also known as referral marketing, direct selling and network marketing. It is a new and innovative version of direct channel system. The idea of multi-level marketing is a product distribution method in which products are moved through independent distributors. These distributors got opportunity to introduce other customers or distributors to the business and instead of spending on sales promotion & massive media advertisement, the savings are passed on to consumers and distributors. In traditional marketing, large amount of revenue generally goes to middlemen whereas in network marketing it goes to the distributors and at the same time consumer gets products at wholesale prices. The distributors are also called as associates, independent business owners (IBOs). Direct selling industry is growing rapidly, with huge accounting for sales of US \$ 109 billion, with 58 million direct sales people in 165 countries (WFDSA global statistics).

2. Objectives

To understand the concept of Multi-level marketing and to study the past literature review.

3. Review of Literature

Rezvani, M., et. al (2017). This study tried to look into and identify functions and solutions associated with network marketing of high tech products in microenterprises, for this purpose companies offering micro fibers Nano silver cleaning cloths as a high tech product in Tehran have been selected. Research showed that by providing a favorable reward plan in network marketing, microenterprises offering high tech products can overcome many of their problems & difficulties in presenting, promoting and selling their products in market.

Aaminou, M.W., &Aboulaich, R. (2017).In their study, they explored the dynamic of the MLM business model vs pyramidal schemes. Specifically, it addresses the impact of compensation choices on metrics such as distributors' numbers, turnover and income. The result of simulation showed that the business model gets closer to pyramidal schemes when the number of levels in organization is high.

Lee, K.F., et. al (2016).This study conducted to identify the major factors that will influence the distributors' satisfaction towards MLM companies in Malaysia. The study investigated five antecedents that might impact the distributors' satisfaction in MLM companies. Out of the five factors, only the factor perceived quality of training program had no significant impact on satisfaction of distributors. Other factors namely perceived quality of recruiting process, perception on products/services; method of diffusing business opportunity and up-line support positively impacted the satisfaction of customers.

Tyre, T.A., et. al (2016).The purpose of the study was to investigate the lived experiences of success in network marketing from 10 successful silver & above network marketers within Young Living Essential Oils. The objective of the research was to study the lived experience successful which network marketers had in developing and executing a plan to excel in the network marketing business. The interview process asked the participants to identify the key factors of success from lived experiences. The derived key factors are stepping out of the box, developing & nurturing teams, sharing the business, focus on success are few to mention. The results of study enhanced information to an understudied success in network marketing.

Franco, W. & Gonzalez-Perez, M.A. (2016).The researcher wanted to discover the reason behind the international expansion opportunities for multi-level marketing via personal networks. For this purpose, Colombia was taken as a sample for Latin American country. The data was collected through ethnographic immersion, through participant observation, the recruitment practices or activities of firms.

Through this study, it was observed that Yanbal internationalized by targeted women who did not have employment opportunities and be independent. Moreover, Oriflame and Amway entered the Colombian markets during the period of recession. However, recession raise unemployment consequently size of informal economy rises because of this it was possible that these MLM companies increased their international presence in Colombia and build network through those who lack or lost their formal employment.

Vahidi, T. (2016). This research paper aimed to review the age groups by identifying their needs & requirements and the role of different age groups in expanding network marketing business specifically in Iran. Additionally, it discussed the opportunity & challenges of network marketing. It concluded that network marketing caters the needs of various age groups worldwide. These companies work under the supervision of Ministry of industry, mine & trade. It involves all age groups including adults, young adults, and youth. As soon as teenagers entered in 18 years & are able to register as networker, they start doing job in interested network marketing company.

Khare, A.&Verma, P. (2016). This research paper tried to find out the reality of multi-level marketing and how it performs its role in personal & social development. To conduct this study primary data was collected from the MLM distributors who have been working as distributors since at least two years in districts of Madhya Pradesh. Snowball technique was used and 154 completed questionnaires were received. This study concluded that MLM distributor working for long time (for at least two years) will get opportunities regarding improvement of communication skills, interpersonal skills, presentation skills and motivation levels. They realized their true potentials and it helps them in empowerment, achieving good social position & improving social competence. Therefore, MLM provides opportunities to distributors to earn, self-development and good social life for all sections of society.

Kalra, S., et. al (2016) The objective of the study was to understand the factors which affect consumer attitude towards network marketing. This is a descriptive study and is purely based on facts, figures and data collected from various research articles, journals, magazines and websites especially from top corporates and accounting firms of the industry. The study extends to the people who have been involved in multi-level marketing or network marketing only. Large problems which network marketing companies face were depicted in this case study, which lead to customer dissatisfaction and skepticism. Order history and transactions made are things that customers keep in mind and wish to be fully aware of before investing their time or money in an organization promoting multi-level marketing/network marketing.

Makni, V. (2015). The study was conducted to examine consumers' perception of network marketing in Bulgaria and on this basis to make recommendations to the industry in the country. The survey was conducted in the form of online questionnaire sent to Bulgarian customers via e-mail & social media. 219 respondents were involved who were divided

equally for the purpose of analyzing non-purchasers & purchasers. The questionnaire includes three sections, exploring several aspects of network marketing. It turns out that women are more active users of MLM products in Bulgaria than men. Age, education and employment do not affect the consumption of MLM products. Both groups are rather inclined to assume that network marketing is a way of earning additional income. It is known that certain characteristics of network marketing stand out as positive features while others are seen as inherent shortcomings. Based on results of other studies we have defined four important perceived benefits of MLM and four perceived shortcomings (Peterson, 1989; Jones &Kustin, 1995; Brodie et al., 1996). Perceived benefits of network marketing are: product quality, competitive prices compared to other similar products on the market, convenience of purchase, ability to examine products. Perceived shortcomings are: pushy salespeople, pressure of the moment, distributor's professionalism or lack thereof, after-sales service.

Girish, S.N. &Dube, D. (2015). This study analysed the concept of direct selling, multi-level marketing & illegal Ponzi pyramid schemes. It discussed about the fastest growth of non-store retail formats. Being a branch of direct selling, MLM has contributed 9869 million INR to exchequer in form of various taxes. MLM has removed the middlemen and reduced the cost of transaction, consequently reducing the gap between consumer & manufacture price. This paper showed the need to legitimise valid MLM schemes. The need of establishment of a registration & regulatory regime, mandatory requirements for adherence to the code of ethics, would help in driving out fear of illegality and help these MLM schemes grow & contribute to the economy.

Aggarwal, B.&Kumar, D. (2014). They analyzed the major problems involved in the business of multi-level marketing and offered measures to overcome them. Certain problems discussed are market saturation, pyramid structure, lack of proper legal regulations, morality & ethics relationship issues and lack of proper training. They suggested some measures to overcome these problems such as provide training to MLM distributors, lack of knowledge about pyramid structure, consideration to morality and ethics, build relationship based on trust and choose a reputed company.

Arya, K. & Arya, M. (2014). This study described the meaning of multi-level marketing, its usage and its limitations. The research paper discussed about the distributors' better performance at MLM in business environment. They concluded that network marketing has bright future in India. After few years network marketing is the company which gives the job to the other to fulfill their dreams.

Ramaniya, A. (2014). The study on "The tendency among University Students in choosing Multilevel Marketing as a career option: Moderating role of Socially Undesirable" focuses on the factors which influence the trend of adopting multi-level marketing as a career option. This study was conducted in Indonesian University in Jakarta. The survey was conducted in selected universities with a total of 570 respondents. This study found that stable income, flexible time and entrepreneurial spirit have a significant influence on the trend of adopting MLM. This

study contributes in understanding more about the way university students see MLM industry. As the number of graduates among increases steadily, MLM should be seen as an employment opportunity rather than embarrassment.

Choudhary, R. & Kamal, H. (2013). Amway India, Avon, Tupperware, Oriflame and Modicare are the chief multi-level marketing companies in Indian market. They revealed that network market has multiple effects & will expand when there will be a continuing recruitment or sponsoring efforts by the distributors. The crucial element in sponsoring or recruitment is the multiplying effect which makes network marketing different from other direct selling types. The authors also found that there are some attention-grabbing factors like there is freedom of working in flexible hours and place which creates a bonus income that promises gradual and sure success which made referral marketing very popular. The study also revealed that women came out as better multi-level marketer than men.

Korothe, A.A. (2013). This paper assessed the perception level of distributors towards MLM business and influence of demographic variables on it. Study made usage of both primary and secondary data. A survey was conducted among 614 distributors of selected companies namely Amway, Modicare, Avon & DXN India in three regions of Kerala. The results of the study showed that more than half of the distributors belong to low perception level, it also showed that male distributors perceived the MLM concept in a better way than female distributors.

According to the study, marital status & perception to MLM carries no relation, significant correlation is there between education & level of perception. Respondent who is employed by government or private perceived well the concept of MLM rather than unemployed. The study also shows that higher level of income tend to have a higher level of perception.

Rani, R. & Kumar, N. (2013). This paper studied the multi-level marketing, how it works and attempted to differentiate MLM from pyramid schemes. The study is descriptive in nature and on the basis of review of literature it tried to achieve the objectives. It differentiated in the context of product involvement, compensation plan. It concluded that MLM is an attractive business opportunity but needs hard work as nobody becomes rich overnight. MLM company should be selected patiently keeping in mind all the pros & cons of it.

Constantin, C. (2009). This paper focused on the issues related to authenticity of MLM techniques in context of US & EU regulation system. The result of research stressed on main characteristics of legal referral marketing and a person who wanted to become distributor could avoid an illegal pyramid scheme. It concluded that as a tool of relationship marketing as the downline for every member expands, it lead to rapid expansion in market. Its products were promoted using 'word of mouth' technique, and companies invest almost nothing in promotional campaigns. This generated high level of confidence among customers, because promoters are relatives or friends. Additionally product should be of good quality and consumable.

Alturas, B., et. al (2005). In research paper "Determinants of Consumers' Satisfaction and Acceptance of Direct Selling", the factors which influence the acceptance and consumer satisfaction regarding direct selling were studied. This study observed that the most considerable factor is direct selling's experience, followed by product's specificity, convenience, marital status, experience with sales person, group purchases, trust & gender. Results indicated that consumer's earlier experience is the crucial factor that leads to acceptance & satisfaction of direct selling.

Brodie, S., et. al. (2004). This study on "Public Perceptions of Direct Selling: An International Perspective" showed that the main reason of purchasing goods & services through direct selling industry is due to convenience, value for money and product need and appeal. Customers had high viewpoint of the products which are sold through referral marketing. It resulted in progressive perceptions of direct selling and there is high dependence of person's perception on buying behavior and decision making.

Chen, D.R. & Jeng, L.J. (2000) This research surveyed 200 customers in the area of Taiwan regarding their motivation to buy from MLM company, their attitudes towards MLM products and their demographic features. Additionally, the study also compares the consumer satisfaction of MLM products with the similar products in traditional market. The results depicted that the main factor of motivation of purchasing MLM products are special functions of MLM products, the pressure from friends & relatives. The study also found that main reason for the consumers to purchase MLM products again is effectiveness and high price is the key factor of not purchasing. It showed that the consumer satisfaction is more positive for MLM products than for similar products of traditional retail selling on some attributes such as high quality product, payment variety, after sales services, likeable salesperson, etc.

Kustin, R.A. & Jones, R.A. (1995). In this paper, researcher investigated the consumer perception of direct selling in network marketing form in Melbourne and greater Sydney. General consumers were divided in two distinct focus groups and were questioned to discuss their beliefs, perception and attitude regarding network marketing, which was organized through an organized questionnaire. Further, the sample was distributed equally comprising of purchasers and non-purchasers of service or product bought during last year from a direct seller. The sample constituted of 324 females & 166 males. Consumer perception of selected cities put forward that there are three prominent factors that help in influencing the product purchase, these are product quality, price and prior network marketing knowledge. Although, network marketing appears to be properly growing in the form of non-store retailing, the sample of selected consumers had a negative perception of multi-level marketing. This study consequently recommended that there is a need that marketer should try to find out the reasons for the consumers' negative perception regarding direct selling and particularly network marketing before being involved in the operation in Australian market.

4. Conclusion

From the above study it can be concluded that MLM is a great marketing strategy which targets valued customers. The study of literature shows that there are various factors which influence customers buying behaviour, product quality, price, prior network marketing knowledge, special functions of MLM

products, pressure from friends and relatives, convenient, value for money, experience with sales person, experience with direct selling, credibility of MLM company's products, generates employment opportunity, improves quality of life of people, enjoy products at discounted prices, etc.

References

1. Rezvani, M., Ghahramani, S., & Haddadi, R. (2017). Network Marketing Strategies in Sale and Marketing Products Based on Advanced Technology in Micro-Enterprises. *International Journal of Trade, Economics and Finance*, 8(1), 32.
2. Aaminou, M.W. & Aboulaich, R. (2017). Understanding the Dynamics of Multi-level Marketing using Agents-Based Simulation. *International Journal of Applied Business and Economic Research*, 15(4), 1.
3. Lee, K. F., Lau, T. C., & Loi, K. Y. (2016). Driving distributors' satisfaction in multilevel marketing (mlm) companies. *International Journal of Academic Research in Business and Social Sciences*, 6(2), 105-122.
4. Tyre, T. A. (2016). *Network marketing essence of success: An interpretative phenomenological analysis* (Doctoral dissertation, University of Phoenix).
5. Franco, W., & Gonzalez-Perez, M. A. (2016). International Expansion Opportunities for Multi-Level Marketing Via Personal Networks: An Ethnographic Study from Colombia. *International Journal of Business and Society*, 17(1), 28.
6. Vahidi, T. (2016). An examination on Age Groups and Network Marketing: the opportunities and challenges. *Research & Reviews: Journal of Social Sciences*, 2(2), 1.
7. Khare, A., & Verma, P. Multilevel marketing a way for achieving good social position by personality development.
8. Kalra, S., Kondepudi, M., & Sridharan, A. Consumer Attitude Towards Network Marketing in a Global Scenario.
9. Makni, V. PUBLIC PERCEPTIONS TOWARDS NETWORK MARKETING IN BULGARIA.
10. Girish, S. N., & Dipa, D. (2015). Multi-level marketing: comparative perspectives and Indian Dilemma. *International Journal of Advanced Research in Management and Social Sciences*, 4(5), 105-123.
11. Aggarwal, B., & Kumar, D. (2014). Multi Level Marketing—Problems & Solutions. *International Journal of Research (IJR) Vol-1, Issue-6*, 76-82.
12. Arya, K., & Arya, M. (2014). Multilevel Marketing (MLM). *International Journal of Management and Commerce Innovations*, 2(1).
13. Ramaniya, A. (2014). *The tendency among University students in choosing multilevel marketing as a career option: Moderating role of socially undesirable* (Doctoral dissertation, University Utara Malaysia).
14. 14Choudhary, R., & Kamal, H. (2013). Multi-level marketing (MLM) for socio-economic development. *International Journal of Reviews, Surveys and Research*, 2(1), 45-55.
15. Koroth, A.A. (2013). The Influence of Demographics On The Perception Level Of Multilevel Marketing Distributors, *The International Journal of Management*, 2(1), 1.
16. Rani, R., & Kumar, N. (2013). Multilevel marketing versus pyramid schemes. *International Monthly Refereed Journal of Research in Management and Technology*, 2, 13-23.
17. Constantin, C. (2009). Multi-level marketing—a tool of relationship marketing. *Bulletin of the Transilvania University of Brasov. Economic Sciences. Series V*, 2, 31.
18. Alturas, B., Santos, M. D. C., & Pereira, I. (2005). Determinants Of Consumers' Satisfaction and Acceptance of Direct Selling.
19. Brodie, S., Albaum, G., Chen, D. F. R., Garcia, L., Kennedy, R., Msweli-Mbanga, P., & Wotruba, T. R. (2004). Public perceptions of direct selling: An international perspective. *Westminster Business School Research Report, 2004*, 18-2004.
20. Chen, D. F. R., Jeng, L. J., & Chou, C. C. (1998). A study of consumers who buy from MLM channel in Taiwan. *Chinese Academy of Direct Selling Management*.
21. Kustin, R. A., & Jones, R. A. (1995). Research note: a study of direct selling perceptions in Australia. *International Marketing Review*, 12(6), 60-67.
22. www.rroij.com
23. www.emeraldinsight.com
24. www.garph.co.uk
25. www.ijtef.com
26. www.theijm.com