

OUTLOOK ON MLM SYSTEMS DEVELOPMENT A MARKETING APPROACH

Marius BĂLĂŞESCU¹

Abstract: *Multi-level Marketing (MLM) or also called Network Marketing refers to network marketing or multi-level marketing. Multilevel marketing is a direct sale in which the sales force is compensated not only for the sales that a person makes, but also for the sales made by recruiting other subscribers. Starting from the problem regarding people's continuousness towards network marketing, but also to study an MLM model on the Romanian market, we made a short analysis of the literature, followed by a focus group marketing research to find out the opinions, the attitudes and behaviours of the partners of company X regarding the sale in MLM system.*

Key words: *Multi-level Marketing, Marketing research, Network Marketing.*

1. Introduction

In the past, network marketing was viewed with caution, with consumers having negative perceptions of these organizations. Aggressive sales techniques, exaggeration of recruiting facts, and resemblance to pyramid fraud have been the basis for these ideas. Today, the situation has changed, demonstrating a significant increase in the positive opinions of the population regarding multi-level marketing.

Companies with multi-level marketing (MLM), such as: Avon, Oriflame, LR, Amway, Herbalife, etc. are growing industries worldwide. The steady growth rate throughout these years suggests one important thing. The industry is well accepted as a global business model. The shift of paradigm in revenue income among the continents varies year after year. In 2018, the direct selling industry has made sales of about \$192.9 billion. A total of \$35.35 billion in revenue made in the U.S market from retail sales in 2019. (<https://www.epixelmlmsoftware.com/blog/100-mlm-statistics-2019>).

With the transition to the online age, the methods that can promote the benefits of products, but also the advantages of entering an MLM business have changed. In the online environment you can provide fast, high quality and relevant information at the same time.

This is the virtual context in which buyers and sellers are discovered and trade goods and services due to the Internet. Electronic commerce is one of the most important

¹ *Transilvania* University of Braşov, marbalasescu@yahoo.com

aspects of the Internet. It allows people to buy instantly without prohibitions in terms of time and distance (Neacsu, 2016).

After the first step, that of the consumer, when buying the products only for his own use, for family or friends, one proceeds to the step in which the products can be sold with the help of catalogues (in physical format or online catalogues). Thus, Network Marketing or Multi-Level Marketing (MLM) is a strategy that allows you to earn from direct sales, or earn commission from sales made by other vendors you have recruited.

Given these aspects, we considered it interesting to study this sales system and the motivations for developing such a business. The primary motivational factors that determine the entry into a network are: supplemental income; financial independence; having your own business; more free time; Personal Development; helping others; meeting new people; retirement; leaving an inheritance, etc. (Pease, 2001).

2. Brief History of MLM (Multi-Level Marketing)

Multi-Level Marketing systems appeared in the United States in 1940, when California Vitamins was the first to allow its direct distributors to recruit other distributors and be rewarded with a commission for their sales. The company was successful, later changing its name to Nutrilite. (Dumitraş, 2003)

MLM practices began seven decades ago in developed countries. The main procedure was applied by Dr. Carl Rehn Bourgh, a famous American chemist who, after inventing Vitamin Neutrilitite followed an innovative procedure by avoiding the traditional way of marketing. In this procedure, by winning a customer, he began to attract many others through the word of that customer. With the help of the first customer, many customers came to him for purchase, thus making a good profit, and out of that amount of profit an advantageous part was offered to the first customer and to other team members. (Hossan, Ahammad and Ferdous, 2012).

Multi-level Marketing (MLM) or also called Network Marketing refers to network marketing or multi-level marketing. Over the past 50 years, multi-level marketing (MLM) has become an important business strategy. The business is built by creating a network of independent distributors on levels. For any distributor who participates in MLM activities, the task is to sell the product and / or recruit new distributors or participants. (Maxime, 2013)

John Kalench, in his paper, presents the factors that govern the MLM principle, these being:

Factor 1: Multi-level structures are predestined for distribution;

Factor 2: In any multi-level structure, power comes from the ground up;

Factor 3: Multi-level structures only work when responsibilities are taken over by the lowest level. (Kalench, 2004)

MLM has two distinctive features, namely: the presence of the sponsorship line that creates financial links between distributors, these links become the basis of intense social relations between them and the existence of many levels of recognition. A complete series of honorary titles by levels of recognition, each with a unique title and benefits. (Girish and Dube, 2015).

The multiplier effect of multi-level marketing in recruitment or sponsorship function, makes the marketing network quite different from other types of direct sales. (Chaudhari and Snehal Kumar, 2010).

MLM companies claim that they offer business opportunities to those who believe in their goods or services and want to participate in their sale. (Epstein, 2010). There are two ways for a network distributor to make revenue, based on the sales profit and net commissions from the sales of the distributors registered by it. This compensation plan encourages both the sale of the product and the growth of the network. (Daquis, Castaneda, Nelson and Abgona, 2013)

3. Research Methodology

The qualitative focus group research conducted in this paper aims to study the opinions, the attitudes and behaviours of the partners of company X regarding the sale in MLM system. The research focused on the following main objectives:

- ✓ Identifying the general impression of the participants regarding company X;
- ✓ Identifying the reasons behind the option to be part of Team X as a registered partner in this MLM sales system;
- ✓ Identifying the current level of the X partners' career and the future development intention;
- ✓ Identifying how the trainings helped the partners of company X to become active and the importance of these trainings in their activity;
- ✓ Determining the factors or advantages of the company that helps the participants in the sale, in building the MLM network within company X;
- ✓ Identifying the changes proposed by the subjects, regarding company X.

The selection of participants was made by phone, based on a list of partners of company X in Brasov County, the recruitment activity was based on a selection questionnaire that included questions on age, sex, identification of persons who participated in other research in the last 6 months, asking them to confirm their presence. The focus group was held with the participation of 8 subjects, partners of company X. The research took place on November 12, 2019, between 16: 00-19.00, in the conference room of a hotel in Brasov.

At the beginning, the subjects were thanked for accepting the invitation to participate in the focus group, then the moderator was introduced, the purpose of the meeting and the topics to be treated were presented. The subjects were informed that they can respond freely, without restraint in order for everyone to be able to clearly understand what they have to convey. Participants were asked to introduce themselves, then the group discussion began developing according to the interview guide, by applying simple knowledge questions, followed by the main topics of discussion (7 topics) depending on the objectives pursued.

4. The Research Results

The analysis of the answers received from the 8 participants of the focus group was performed both horizontally and vertically, and the final results were as follows:

At the first question regarding a few words about company X, all 8 participants appreciated that it is a top company; an attractive business model; sells innovative products of excellent quality; a new experience; German quality; financial independence; trust and responsibility; benchmark for a balanced lifestyle and a healthy body; a chance to change your life.

According to the following topic of discussion in the interview guide, regarding what a person would look like if the respondents associated him with company X, the answers were: a responsible person; an intelligent person; a healthy and beautiful person. Another answer was: a mature, intelligent and very creative person. A person with an open mind, confident, optimistic and ambitious; balanced, transparent and serious; a mature and stylish person.

When asked about the information sources through which they heard about company X, six of the eight subjects stated that they found out about this company through a friend, the rest found out from the online environment.

For the next question about the reasons why they chose to be part of Team X, the answers were the following: the company deals with all aspects of life, puts life at the centre; no registration fee, provides training and development support; the quality of products; unlimited opportunities; the opportunity to build a business, change life and fulfil dreams; curiosity, to buy products of very good quality at a lower price, to learn new techniques of promotion and contacts with new people.

When asked about the reasons why they initially signed up, the participants stated that the main reason was for their own consumption, to try the products and to solve their health problems and then to sell and develop the MLM business. Only three subjects said they signed up from the beginning to develop MLM sales.

Regarding the stage of their career at the moment and how long they have been part of Team X, five of the respondents reported that they have been partners for about a year, two or a maximum of three. One subject has the qualification of Junior Manager and has been registered for two years, another has the qualification of Manager, registered since February 2017 and one person is a Team Leader, registered since 2010. Thus, there is a beautiful evolution of the partners' career, over time.

For the seventh question related to the factors that influenced the partners of company X the most in their activity, the following answers were received: money, personal development, seminars, academies, travel; the right, unlimited reward method and the fact that you can earn as much as you want, socializing and the company of successful people, reward grids, recognition of merits, the raise you can have over time, excellent product quality and the desire to support partners.

5. Conclusions

Multi-level Marketing (MLM) is also called Network Marketing and refers to network marketing or multi-level marketing. In this MLM system, in order to make a profit you have to sell, but the most important thing is to recruit new members who will work under your supervision. The registered member, in turn, gains by enrolling its members, thus expanding a multi-level marketing network.

The time required to achieve real success differs from one company to another, but certainly, the realization is done by creating a stable structure and not by selling products. Some programs offer very good earning opportunities by selling products, but true wealth and true success is achieved only by building a structure, as the main objective of the activity. In Network Marketing there are some essential steps for those who work for such a company, such as: using the products and loving them; to recommend and offer the products to others and, finally, yet importantly, to support people to get into the business

Company X, proposed as an example in qualitative research, is a company with a multilevel marketing, prosperous for over 30 years that offers products for health, nutrition and cosmetics.

The model can be applied in terms of practical implications, by the management of other companies such as multi-level marketing.

Future research directions involve conducting quantitative research based on the concept of the paper.

It is important to analyse how the MLM sales system will evolve in the current health and economic crisis (COVID 19).

Network marketing has emerged in the offline environment as an alternative form of sales, using elements that the classic forms of sales used too little. Here we refer especially to the use of relational marketing tools and sales techniques based on mechanisms for understanding and using behavioural psychology, thus using presumption and persuasion as fundamental elements of MLM sales strategies. Given that important components of consumers' lives (online work done from home, online home purchases, etc.) move almost exclusively online, the question naturally arises as to what the future of MLM sales systems will be in the context. marked at present by the crisis but also by the post-crisis evolutions that will largely have an irreversible character (from the point of view of acquisition and consumption behaviours). How will MLM use in the online environment presumption and persuasion as central elements of competitive strategies sales and relational marketing? We believe that the fundamental principles of personal selling (empathy, dialogue and trust) defining for any successful MLM system, offline, can be successfully used online by MLM companies as long as they adapt to new technologies and innovation. (for example: the transformation of physical MLM networks into online networks and even their much easier expansion thanks to online marketing tools)

In conclusion, we can say that the profound changes that are manifesting at the moment, represent challenges but at the same time opportunities for the transformation and development of MLM systems.

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