



NETWORK MARKETING TRENDS AND DEVELOPMENTS

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Abstract

Network marketing, also known as Multi level marketing, Pyramid marketing & direct selling, is the marketing style & technique, adopted by many companies in India as well as around the worldwide. In this concept, companies focuses not only on sales generation, but also on workforce maximization. The Companies adopt a workforce pyramid of different levels. In multi level marketing, companies sell their products directly through the distributors. They take the distributors from the society. Here, each member of the pyramid is supposed to generate sales & also attach more members or distributors with the company. All these members further generate sales & join more people as distributors. Thus, the sales as well as the workforce would be increased. These distributors are paid the commission on the basis of sales they generate & also by the sale generated by the next level of the distributors, they attach to the company. In Network Marketing a person's job would be to recruit others to sell their product, and in return, receive a percentage of their sales. The next person's job then is to recruit people even more so below them, and receive a percentage of their sales and commissions. Other terms for commonly, the salespeople are expected to sell products directly to consumers by means of relationship through referrals marketing. This paper focuses on the overview and the various theoretical concepts related to the network marketing.

Keywords: *Multi-Level Marketing, Direct Selling, Traditional Marketing.*

Introduction

In the network marketing arrangement, individuals are associated with a parent company as an independent contractor or franchisee and are compensated based on their sales of products or service, as well as the sales achieved by those they bring into the business. This is like many franchise companies where royalties or commissions are paid from the sales of individual franchise operations to the franchiser as well as to an area or regional manager. Network marketing, also known as Multi-Level Marketing (MLM), is a business model where independent contractors buy into a company and earn a commission on the products they sell. The profession appeals to many people because they can be their own boss, set their own hours, and work towards their own success. There are many people who think that they can tap into the world of Network Marketing and immediately can start earning, but end up falling short on their sales because they lack the skills or the ability to find a way to implement or educate themselves on new skills that would help them. This is a business move that requires you frequently learn and update your skills and knowledge about how you run marketing, advertising, and awareness around your offer and company. But there are a multiple benefits to signing up for a network marketing offer and we can find that there are a lot of things that give us tremendous benefits in the network marketing world. The concept of running business operations through Multi-Level Marketing is still a little known business strategy on the Polish market. Companies that want to gain competitive edge and gain a foothold on the market by based on their marketing strategy on Multi-Level Marketing or using some of its elements to obtain particular benefits are attracting more and more attention. Strong, constantly growing interest in such solution for introducing and distributing products draws attention to this area of knowledge and boosts demand for expertise making it possible to work out clever and well thought-out strategy. The revenue of the MLM company is derived from a non-salaried workforce selling the company's products and services, while the earnings of the participants are derived from a pyramid-shaped or binary compensation commission system. Although each MLM company dictates its own specific financial compensation plan for the payout of any earnings to their respective participants, the common feature that is found across all MLMs is that the compensation plans and theoretically pays out to participants only from two potential revenue streams. The first is paid out from commissions of sales made by the participants directly to their own retail customers. The second is paid out from commissions based upon the wholesale purchases made by other distributors below the participant who have recruited those other participants



into the MLM; in the organizational hierarchy of MLMs, these participants are referred to as one's down line distributors.

Review of Literature

Michael G Pratt 2000 focused on The IBOs (Distributors) of Amway, a Network Marketing Organization (NMO) practices and process involved in managing IBOs identification. How organization attempts, succeed and fail to change and how members view themselves in relation to the organization. Amway IBOs have been found to exhibit both strong positive and negative relationship with other people.

Peter J. Vander and William W. Keep, 2002, reveals in their research paper „Marketing Fraud: An approach for differentiating Multilevel Marketing from Pyramid schemes“ in Journal of Public Policy & Marketing as mentioned: The researcher focuses how multilevel marketing is different from pyramid schemes. In 1996, the Better Business Bureau in the United States warned the Pyramid schemes of all over the country to terminate their operations. In 1997, a large percentage of Albanians lost their saving in two ponzy schemes, losses prompted citizens to riot, threatening the stability of the national government. During March 1998, the U.S. Securities and Exchange Commission (SEC) filed suit against International Heritage Incorporated, allegedly the largest pyramid schemes in SEC history till date. In May 1998, the Chinese government halted the operations of all direct selling firms because of the government’s inability to stop the growth of Pyramid schemes.

Objectives of the Study

1. To study the significance and overview of network marketing
2. To examine the challenges, advantages, dynamics and recent trends of network marketing

Research Methodology

The paper is based on secondary data. The data has been collected from internet, articles newspapers, Magazines etc.

Network Marketing Schemes

Direct Marketing

Direct selling or direct marketing is also known as “Face to Face marketing” away from a retail store. Direct marketing is not a new concept. Its existence dates back to millennia. Hawkers, peddlers, caravans were part of an ancient tradition of direct selling. Though being an oldest method of commercial distribution, Direct Selling is often misunderstood. “Marketing approach” whereas, Clemente calls it a “Sales approach.” Paul Herbing, Rama Yelkurm identify Direct Marketing with typically two characteristics like Intermediaries are ignored. The salesperson is either an employee or contracted to market on behalf of the company.

Traditional Marketing

It is the process by which goods are made available to ultimate consumers from their place of origin. The traditional concept of marketing corresponds to the general notion of **marketing**, which means selling goods and services after they have been produced.

Single-level Direct Sales

In this type of sales is done one-on-one, such as through door-to-door or in-person presentations or face to face presentations and the Sales can be done online or through catalogs, as well. Generally, income is earned on sales commissions, with possible bonuses.

Party or Host -Plan Sales

This type of sales is done in a group setting, usually involving the distributor or sales representatives are doing a presentation in their home or another person's home. In some cases, a company might sell to individuals in a business. For example, a real estate software sales rep might do a group sales presentation to a group of Realtors (R). Income can come from commissions from sales, and sometimes through the recruitment of other reps.



Multi-level Marketing (MLM)

Sales in multi-level marketing are made in a variety of different ways, including single or party presentations, but also through online stores and catalogs. Income earned through MLM is commission on sales, and the sales made by other business partners the distributor recruits into the company. Sometimes direct sales is called MLM or network marketing, however, these terms are not interchangeable. While MLM and network marketing are a form of direct sales, not all direct sales systems involve MLM. In single-level marketing, the sales representative is paid only commission on the sales he or she personally makes. In this case, there is no recruitment of other sales team members or commissions earned from their sales.

Multi-level Marketing

Multi-level marketing (MLM) is a method of distributing products or services in which consumers dawn many distributors. As said earlier, it involves face to face selling in its simplest form. It involves a method of doing business in which traditional intermediaries are bypassed. The most popular form of Direct Selling is MLM.

Pyramid Schemes

The Pyramid schemes are plans which concentrates on the commissions you could earn just for recruiting new distributors and which can generally ignore the marketing and selling of products and services. Pyramid marketing schemes commonly deceive consumers with the lure of huge potential incomes. Pyramid is known as multi-layered network of subscribers to a Money Circulation Scheme formed by subscribers enrolling one or more subscribers in order to receive any quick or easy money benefit, directly or indirectly, as a result of enrolment.

Naked Pyramid Scheme

Naked Pyramid Scheme (NPS) refers to a blatant pyramid scheme that is easy to detect because no products are offered, merely a participation fee or "investment." Chain letters work on the same principle. A continuous chain of "participants" or "investors" is recruited, in which each pays a fee to participate and receives money by recruiting others into this system. Naked Pyramid schemes are known for money circulation scheme between Multi layered network of individuals. There does not exist any product.

A product-based pyramid scheme

(PPS) is a pyramid scheme that in most respects resembles a naked pyramid scheme, except that products are purchased by distributors, primarily for resale. Such product purchases, often combined with other incentives, qualifies distributors for commissions in ascending levels in the distributor hierarchy. A pyramid scheme works well for only a very small number of people at the top of the pyramid. Geometric Progression rules the math behind the Pyramid scheme. The Pyramid scheme becomes so wide that it is hard to sustain.

Ponzi Schemes

A Ponzi scheme is closely related to a pyramid because it revolves around continuous recruiting; but in a Ponzi scheme the promoter generally has no product to sell and pays no commission to investors who recruit new "members." The history of Ponzi schemes can be related to Charles Ponzi who organized the Securities Exchange Company in Boston in 1919 and issued promissory notes payable in 90 days with 50 percent interest and kicked off a storm of investment frenzy which duped just about everyone, including politicians, law enforcement officers, and reporters. He tricked speculators by using the money of new investors to pay old investors huge 'profits'. Ponzi took in over \$15 million from this and other schemes before his house of cards collapsed, causing losses for thousands and leading to jail time and his eventual deportation to Italy in 1934. Ponzi and pyramid schemes do have similarities. Both are fraudulent arrangements for the receipt and redistribution of money with early participants winning and those who enter later losing. In each case, it is essential to continue the game with new infusions of money, for if the play ends and there is an accounting, there must be a deficit and cries of pain. But where Ponzi promised a definite return on one's investment-albeit a huge one-the possibilities in a pyramid were almost limitless as new subscribers feed those who joined before.



Evolution of Network Marketing and direct selling

In the past 1930 there was a man by the name of Carl Rehnborg. Whilst in China in between 1917 and 1927 he was first introduced to the advantages of using supplements in your diet and the additional health benefit that it gives people. When Carl got back to America he set up a company called The California Vitamin Company. In 1939 he re-branded the company as Nutrilite. It wasn't until 6 years later that Carl invented the multi-level marketing strategy to help boost the sales of his company. The big turning point came when two new consultants Jay Van Andel and Rich DeVos became distributors of the Nutrilite products and noticed the real power of this business modal as sales were growing at an exponential rate. They set up a competing company called Amway and bought a controlling interest in Nutrilite in 1972. In 1994 Amway then took over full ownership in is one of the largest companies today. Network Marketing is basically just a different way of selling products to the end user. In traditional business as seen above, products are made by the manufacturer, they are then sold to a retail shop and then sold on again to the end user. Network marketing is different as the product gets made by the manufacturer and then sent straight to the end user cutting out the retail shops. The companies then use the money that would have been spent on advertising on paying their customers for recommending the products. It is a much cleaner way of doing business.

In the 5th century A.D., Athens was involved in a great deal of direct selling. Many producers who are selling direct to the consumer without the intervention of any agent or middleman or distributor, continued to sell their goods in this fashion, despite the growing urban population which spawn a new class of retailers. The direct seller of the 5th century either sold his wares about the street or exhibited them for sale on stalls and in shops. Others traveled from place to place, following armies on the march. They visited great festivals and fairs as well, and sold from village to village and expanded their direct selling to the cities. Evolution of direct selling. According to Biggart, direct selling has grown to become a major form of commercial activity in the US, despite encountering opposition from other sectors of the business community during various stages in its development. In particular, as direct selling expanded in the 1920s, small town retailers in many towns across America were concerned that it represented unfair competition. Shopkeepers became increasingly concerned with having to compete with visiting salespeople, whose businesses had neither fixed overheads nor an investment in the community. Local chambers of commerce pressured politicians to institute bureaucratic barriers, in the form of relatively costly trading licenses and other trade restrictions, as a means of combating the perceived commercial threat. Such restrictions, compounded by the subsequent economic problems and depression of the 1930s, created difficulties for many of those engaged in direct selling. However, a combination of greater organization in the sector, an improving economy, and an organized reaction to the restrictions placed upon the industry led to its increasing development in the post-war period. Today, at the beginning of the 21st century, the customer still benefits from a personal and convenient way of purchasing products. The Internet has become an important element of direct selling essentially giving each direct seller a worldwide customer base. Direct sellers have been empowered by use of the Internet and find direct selling to be a rewarding way to improve their quality of life, reach specific earnings objectives, facilitate social contact and sell products they love.

Direct Selling in India

Direct selling in India Modern direct selling can be considered to have been kick-started in India in 1980s. The industry witnessed major growth post-liberalization with many global players entering the Indian market. Amway was one of the first major global direct selling companies to enter India in the year 1995, which was followed by companies like; Avon, Oriflamme and Tupperware in 1996. Around the same time Modicare was one the first few Indian companies to adopt this channel of distribution.¹ Today, the direct selling market in India is estimated to be around INR72 billion.¹ Our interactions with industry stakeholders suggest that the industry has also created a positive impact on several other social and economic parameters

- Gaining additional income
- Empowerment of Women
- Development of small and mid size business
- Generation of Employment opportunities

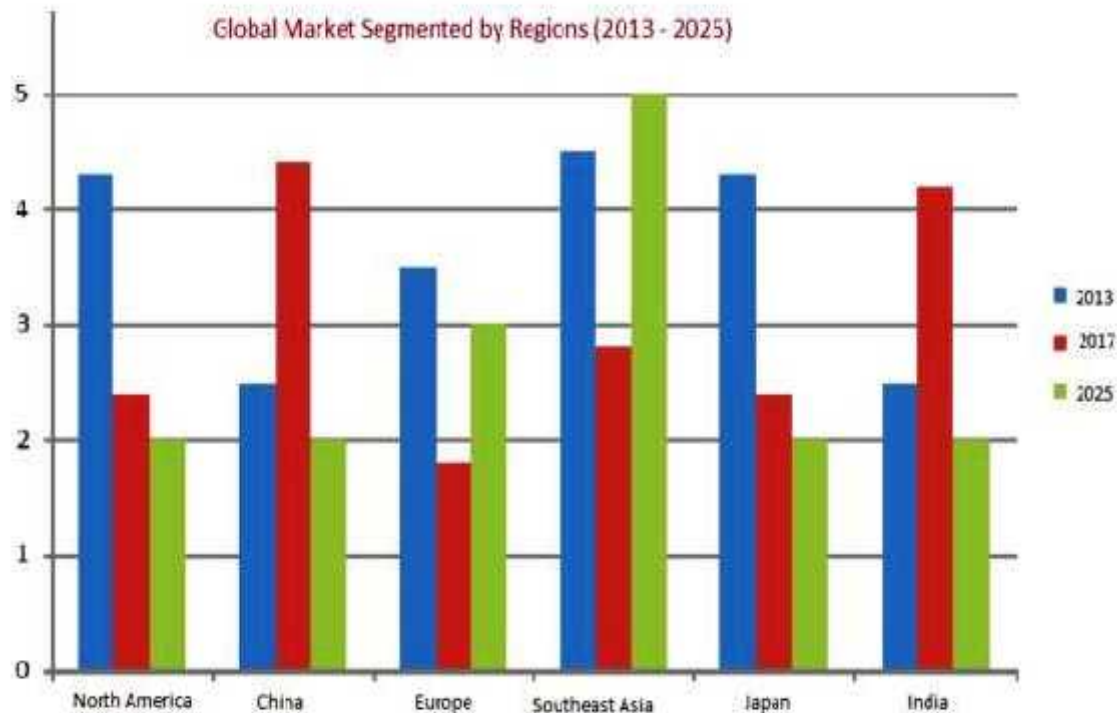


Best Network Marketing Companies In India 2020

- Safe & Secure Online Marketing Pvt. Ltd
- Mi Lifestyle Marketing Global Private Limited
- Amway
- Herb life
- Forever Living Products
- Vestige
- Nazis Retails
- Win Nature International Pvt Ltd
- Modicare
- Radha Madhav Corporation Ltd

Best Network Marketing Companies In India 2020

Company Name	Country	Turn Over USD (Billion)	Products
Amway	USA (Michigan)	8.80	Health, Beauty & Home care
Avon	United Kingdom (London)	5.70	Beauty, Household & personal care
Herba Life	USA (California)	4.5	Nutrition & weight control products
Natura	Brazil	4.4	Beauty products, Household & personal care, hair care products
Vorwerk	Germany (Wuppertal)	4.20	Household appliances, fitted kitchens or cosmetics
Mary Kay	USA (Texas)	3.50	Cosmetics & personal care products Cosmetics & personal care products
Infinitus	China	3.4	Health products
Perfect	China (Guangdong Province)	3.06	Health care, household, personal care & skin care products
Quanjian	China (Tianjing)	2.89	Herbal medicine
Fore ever living	USA (Arizona)	206	Drinks, cosmetics, nutritional supplements & personal care products
Pola	Japan (Tokyo)	2.44	Skin care & cosmetics
Nuskin	USA (Utah)	2.28	Personal care products & dietary supplements
Tupperware	USA (Florida)	2.26	kitchen & home products
Melaleusa	USA (Idaho)	2	Nutritional, pharmaceutical, personal care, facial care, home hygiene products
Premerica	USA (Georgia)	1.69	Insurance & financial services



Social Network Marketing Market dynamics

Recent Trends in Network marketing

- Hosting Parties on Social Media. You don't have to spend a lot of money hosting parties as a network marketer. ...
- Expanding to Global Markets. ...
- Automating Marketing with Chat bots. ...
- Connecting with Influencers. ...
- Serving Your Down line is the Key to Success
- Hosting online social parties
- Fast turnaround payouts
- A shift toward premium life style products
- Transformation and Innovation
- Expansion of network marketing base
- Network Marketing is now a Full-Time Career.
- Brand awareness.
- Global market
- Low sign up costs
- Negotiable products prices
- Product-centric companies
- Anti-aging concepts
- Increasing break over
- Exotic products
- Decline of the house party
- Health and wellness companies



Advantages and Disadvantages Network Marketing

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Build the network ▪ Developing Marketing skill ▪ Developing Industry ▪ Portability ▪ Low operating cost ▪ Freedom ▪ High potential Income ▪ Low risk factor ▪ Earn Residual Income ▪ Control Business schedule ▪ Potential Income ▪ Modernization 	<ul style="list-style-type: none"> ▪ Low Income ▪ Negative perception ▪ Discourageness ▪ Difficult to convince ▪ Short run business ▪ No legal frame work ▪ Dependence on others ▪ No clear rules and regulation ▪ Uncertain future ▪ Depending on sponcers ▪ Difficulty to trust the schemes ▪ Uncomfortable channels

Conclusion

Network marketing is a direct selling method in which independent agents serve as distributors of goods and services. They are encouraged to build and manage their own sales force agents and teams. Direct selling does have distinct advantages and benefits. Network marketing executives are merely depends upon their relatives and friends for extending their business activities. No longer can a biased press influence the opinions of the average thinking of common man. The Network Marketing companies play a great role in influencing people's thinking to expand its activities. This is a great responsibility and focus on the importance of quality Network Marketing education for company executives as well as their distributors regarding ethical behavior in business practices. Network Marketing is proven to be the most cost effective measure to spread information or messages about a certain goods or services or promotions directly into a circle of targeted audiences which are potential customers of firms or companies with low advertising budgets. Due to the fear of misuse of personal information by dishonest companies using the Direct Marketing strategies, it has become really hard for educated customers to take risks of purchasing products, especially after weighing the costs of the risks over the things they purchase, even if the item was cheap. However it is not a successful one in India, it has also not a flop one. It may do well with some more innovative & technical steps. We just need to improve the model a little in the Indian contact. It may be a successful marketing model in the future.

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