

A Comparative Study on Aspects of Multi-Level Marketing and Direct Marketing

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Abstract - In India, direct sale is one of the most rising retail non-store models. Multi-level marketing is a type of business developed in the US in the 1950s. The network marketing strategy (also known as Multi-Level Marketing) consists of hiring manufacturers' individual businesses as distributors of goods of the organization and recruiting dealers and sub-distribution firms to distribute items, typically in their home countries. The sales force is not only paid for sales but also for sales carried out by its hiring, in the context of direct selling is a multi-level marketing. The participants who can have various forms of pay are referred to as this hired sales team. This essay discusses in more detail the method of targeted marketing and multi-level marketing. A comparative research on facets of MLM and direct marketing is discussed in depth in this report.

Index Terms - Direct Marketing, Multi-level Marketing, networks, Management, Business etc.

1. INTRODUCTION

Direct sale is the basis of multi-level marketing. Direct sale historically involved ads at one stage. The device is used to market the goods directly to the customers through workers or commissioned officers. The main purpose of this study is to compare all marketing types.

1.1 NETWORK MARKETING

Over time, innovative trends and concepts occur in many fields of existence, and the marketing industry is no different. The job of experienced, full time marketers who can devote hours and hours designing campaign campaigns has historically been regarded. Network marketing is a fully Partnership Management enterprise. Multi-level marketing is the new 21st century evolving industry of individuals making tremendous income with little ultimate interest. Multi-level marketing, often referred to as network marketing or marketing reference. Network marketing programs, which typically require no effort, just a couple hundred bucks to buy a demo bundle and the

ability to personally promote a product line to mates, families, and others.

Network marketing is a method of transmitting product knowledge across social media networks to customers. And when the buyer has a certain amount of knowledge regarding a good does trading between the vendor and the consumer on the market exist. Companies also invest large sums on their latest goods. Network marketing is a new approach to offer goods leveraging the technologies and networks to advertise their products by verbal marketing that replaces conventional intermediaries which no longer need costly advertisements to accomplish its targets.

1.2 MULTI-LEVEL MARKETING

According to Wikipedia:

“Multi-Level marketing (MLM), is a term that describes a structure designed to create a marketing and sales force by compensating promoters of company products not only for sales they personally generate, but also for the sales of other promoters they introduce to the company, creating a downline of distributors and a hierarchy of multiple levels of compensation.”

See MLM as an alternative many people who choose to work part-time or from home. Whoever has the strength to work hard, skills in communication and determination can hop into this machine. The two key strengths needed in this framework are strong business strategy and team development skills. As the success of network members depends upon the ability of his subordinates, so, it is important to choose good people in the team. Multi-Level marketing is a sort of extension of single level marketing. Multi-level marketing is expediting enlarging business in worldwide. Multi-Level Marketing is a very common business opportunity which is famous with the people who all are looking for spare time or flexi business without any investment. Most of the MLM Company

promises tremendous financial growth and personal freedom.

1.3 DIRECT SELLING

The Indian direct sales industry over the years has overcome the economic downturn, reported remarkable growth, and expanded its horizons as a fast-growing alternative distributive channel in India.

"Direct marketing is a sales and marketing platform for goods and services at the retail level by concept. It is focused on direct people's touch. Direct sales origin can be traced to the origin of transactions itself. The primitive direct sale avenues presumably were 'Barter scheme' and 'Village haats.' Regional advertising is the promotion, through description or evidence by a sales individual, of consumer products and services directly to customers at home (from their homes or at their office or other locations away from the shops). Direct selling is ideal for the easy delivery of high-quality home and personal goods through self-government salesmen. This is a selling technique that is particularly appropriate for goods which are described or illustrated in depth or even proved by their consumer. This is a personal strategy which is seldom seen in highway retail stores.

The direct sales industry has made a major contribution over the years to the generation of self-employment, and this year too the momentum has been sustained. It is also encouraging to notice that the direct sales sector has built itself in the economy and that the business has an improved market value experience, an understanding of the product selection, increased exposure to goods and increasing demand in smaller towns. Distributors bypass supply chain intermediaries to offer goods directly to buyers by direct marketing. Products are marketed digitally or in an online store market, but salespeople rely strongly on direct sales in untraditional environments before buyers.

Today, the direct selling market in India is estimated to be around INR72 billion.

1.4 ADVANTAGES

Multi-Level Marketing	Direct Marketing
Huge potential income	Increase in income
Small amount of risk	Strong Customer Relationships
Time Freedom	Access to More Consumers
No employees to hire	Offers an alternative to traditional employment

Allows you earn a passive salary	Cost and Price Control
Huge demand of products	Has positive benefit to the economies
The rate of business growth can be exponential	Offers a distribution channel for businesses

II. REVIEW OF LITERATURE

Muhammed Juman.BK and Dr. J Christopher (2015), A research on "Direct Sales (Amway India Ltd) in Kerala: a Case Study of the Kerala District in Calicut" was carried out. Direct sale is an all-encompassing phenomenon of the 21st century, through which man may directly buy goods from the producers to fulfill everyday needs. Such purchases not only allow the average citizen to minimize expenses for mediums and advertising that have traditionally been invested indirectly, but also help him boost his financial expectations on a long-term basis. The key purpose of the research was to explore existing and potential developments in marketing. To this end, 50 direct sellers will be selected by stratified sampling for an interview. The study concluded that direct sales in our country have been so common because it allows everybody the ability to become prosperous self-employed with the freedom to earn.

Dr. A Hamil and ED Priyadharshini (2016), Has made a report on "Purchaser preferences for Thirunelveli Amway products." The study's primary objective was to find and measure the views on Amway as variables affecting the customer's choice of goods. Data from 70 respondents were obtained using a standardized questionnaire for this reason. The research concluded that the customer likes the goods of Amway. The consistency of the goods is primarily driven by them. Abdul assiskoroth (2011), Explanation of distributors' expectations and effect of the demographic variables of gender, age, marital status, monthly revenue, schooling, and employment status on their view of the multilevel marketing method is described in his research paper "Multilevel marketing relevance in Kerala." He also analyzed the engagement and benefit contributed to their company through distributors in MLM activities. The research concluded that a favorable association existed between goals satisfied in MLM and work satisfaction. The study indicates that many MLM distributors' aspirations remain a

fantasy and have therefore not been fulfilled with their current retail sector.

Any of what Madichie(2009) called “a divide between marketing theory and marketing practice platform” are the concerns around multilevel marketing practice. Muncy (2014) analyzed transactions produced and the downline of sales to sellers of multi-level marketing. This form of direct sales is also known as network marketing.

III. OBJECTIVES OF THE STUDY

The main Objectives of the Research study are stated as follows:

1. To understand the concept of Network Marketing.
2. To study the concept of Multi-Level Marketing and Direct Marketing.
3. To compare different aspects of Multi-Level Marketing and Direct Marketing.

IV. RESEARCH METHODOLOGY

The aspects of Multi-Level Marketing and Direct Marketing were analyzed and compared in reference to different perceptions.

V. ANALYSIS AND INTERPRETATIONS

The comparative study between Multi-Level Marketing and Direct Marketing is stated below:

5.1 IMPLICATIONS

5.1.1 Multi-Level Marketing

Multi-level marketing has been an extensive strategic unit for decades. This led individuals or persons who reside in their financial processes to prosper in wealth, collect from distributors and starve to hunger for this impractical scheme of prosperity at all times. According to John M. Taylor (2000), in his journal article on When Should MLM or Network Marketing Program Be Considered an Illegal Pyramid Scheme, he states that MLM, "have become an insidious, pervasive and corrupting influence in the marketplace and community, causing financial and social harm on a global scale...involving tens of millions of consumers." This is because MLM stands in between the line of legal and illegal forms of network marketing and of those illegal fraudulent pyramid schemes, causing cases of "controversy, confusion and inquiry in many countries," (Taylor, 2000).

Implication on the lives of consumers will be explained thoroughly.

Lives of Consumers.

Human beings are primitively attracted to subjects or objects in life which will provide comfort and wealth in life sources. Just like cavemen being attracted to a whole pile of food for the purpose of surviving, people today are attracted to these MLM pyramid schemes. This is because MLM disguises themselves as an "independent business", playing the rules of "important values such as independence, initiative, entrepreneurship, and personal freedom," (Taylor, 2000). People striving to make ends meet are attracted to deals and promises of financial freedom once and for all. And because of this, John M. Taylor describes the resultant force of this attraction is that, "can be induced to spend all their earnings, lose or quit their existing jobs, neglect their families and other relationships and take on great debt in the pursuit of the elusive "dream" they have been deceptively sold". This not only affect the individual personally but also socially. MLM focuses on recruiting new sales distributors and because of the recruitment chain, people are enticed to defraud their own family members and friends or even acquaintances. John M. Taylor describes it to cause social harm that is greater than the financial damage. Furthermore, MLM is never similar to a five-to-nine daily job. They operate as private networks where they stand outside of daily or mainstream businesses. Even social life towards MLM is different. This is because MLM businesses are based on Pyramid schemes, hence they possess hierarchical mentality as they expand. The meaning of this is because there are up-lines and a constant stream or chain of new down line members. Not to forget John M. Taylor's referral to "charismatic leaders" to encourage and prolong the loyalty of the existing sales distributors to continue the process of recruitment. If it is related again to the personal life of consumers of the sales distributors, it is seen that they can never establish a long run trust towards anyone they meet, because all they will normally communicate of, is about recruitment and unrealistic promises. "Consequently, MLM pyramid schemes can gain the power of a cult over people's lives."

5.1.2 Direct Marketing

Due to the way direct marketing strategies and activities are carried out, this strategy tends to invade

into people's data and information privacy. To be more precise, their targeted or current and existing customers using or will use their goods and services. Moreover, these direct marketers or to be more accurate, the strategies of direct marketing had also interfered into people's private timing and duties. According to O'Malley, Patterson and Evans 's study (as cited in Jordaan, 2007), "The volume of direct mail, phone calls and e-mails that individuals receive relates to the physical intrusion of marketing communications into their daily lives". And again, from Curran and Richards (as cited in Jordaan, 2007), "Many consumers complain about direct marketers' unsolicited telephone calls at dinnertime, the junk mail in their post boxes or the spam in their inbox." "In this respect, direct marketers have to understand how consumers feel about the collection, use, storage and dissemination of their personal information," (Jordaan, 2007).

Privacy and purchasing behavior

Several researches had indicated that consumers changed their purchasing behavior willingly, due to privacy concerns. Such as online purchases which later on requires the consumer to register as a new member and they are required to fill in extremely personal details such as credit card number, bank account information and passwords. To safeguard themselves from unwanted risks in the future, consumers then prefer to purchase things from legitimate physical stores. As studied by Cyber Dialogue in 2001 (as cited in Jordaan, 2007), "27% of Internet users stated that they had abandoned an order online because of privacy concerns, while 21% had switched from online purchasing to placing an order offline." Both consumer and companies and their representatives must understand the privacy policies to ensure a safe and trusting bond between customer and the distributor. This is because many customers allow prying eyes to hover over their personal information too willingly, because they were too distracted by promises of receiving a fast return on their income. "For most people, the benefits gained by providing such potentially invasive information far outweigh any of their concerns. Some organizations, however, do not intelligently organize and use the information they collect, much less deliver value to consumers in return for it," (Jordaan, 2007).

The privacy policies are;

- Customers may refuse and disallow the permission to sell, loan or transfer personal information to another firm, company or organization.
- To remove personal information of customers such as sir names, addresses from direct marketing databases.
- Customers may refuse to provide information considered irrelevant or too personal.
- Procedures of information handling must be with customer's consent.
- Customers are allowed to request access to their own information in the company's databases, which are using the direct marketing strategy.
- Customers are free to decline a purchasing opportunity such as promotions, if they are unsure.

5.2 COMPARISON BETWEEN MULTI-LEVEL MARKETING AND DIRECT MARKETING

Direct distribution and multi-tier marketing provide prospects for anyone with a corporate spirit, but minimal start-up resources. Although multi-level marketing functions functionally as a variant of the direct sales business model, all methods vary from one commodity to the other. Direct sales are a selling and delivery strategy where goods and services are distributed by a network of individual dealers or agents. In addition, merchants should not open a store or participate in personal transactions. Many, but not all, direct sellers use a multi-level marketing model that allows dealers to hire and educate new dealers. Most analysts will believe that network marketing is a direct selling concept in which goods or services are marketed separately and distributed directly to the customer by the salesperson. The two methods, though, give salespeople somewhat different advantages.

The topic of direct sales relative to network marketing is focused on the incentive package provided by the direct sales business. The network marketing is another MLM term. Any direct sales firms are only willing to receive a fee on sold goods. Others provide a multi-level incentive package which encourages salespeople to carry on the sales of the agents they hire. Direct sales define the business process where independent vendors (or dealers or representatives)

directly distribute the goods and/or services of a corporation to customers. You may do that by door-to-door transactions, the Internet or party in your house. No set retail locations are open, while direct sales sometimes leave their residences. It is also a market concept in which individual manufacturers directly market their goods and/or services to customers. The distinction is that the private workers earn profits by hiring people to work with the organization in the MLM business model. Many MLM firms, like Amway and Avon, are direct sales companies. When you work for an MLM business, you earn money from sales, but also from the recruiting and recruitment sales – your downline. (So, the expression 'multilevels')

5.2.1 Organizational Structure

Direct distribution firms usually partner with a centrally produced retailer. In general, the firms hire freelancers who offer door-to-door work. Procurement is given to salespeople depending on the amount and scale of their own sales. Multi-level businesses adopt the same system but tweak: a single salesman will hire others into the business, thereby providing a 'downline' distribution and revenue stream. The recruiter is then entitled to earn a share of profits from the downstream people. As long as downline participants continue to sell, in addition to revenue produced from their own purchases, the upline earned residual profits.

5.2.2 Products

In general, a variety of durable products, such as steak knives, are supplied by Direct Sales firms, which bear considerable prices and are used for a particular operation. A second and third range of steak knives or any durable option can be bought by few consumers. In comparison, multi-level businesses also supply commodity goods such as natural additives or dairy products, which are less costly but are vulnerable to repetitive sales. If a herbal supplement works as announced or impresses with the food, a consumer can again buy.

5.2.3 Considerations

Compared with pyramid schemes, multi-level marketing also happens when the payment system is identical to a pyramid. You should differentiate between pyramid schemes and two-dimensional multilevel marketing. Multilevel marketing entails offering an individual product or service for net sales income, not hiring new products like with pyramid

scams. The amount of lines that may be obtained on a given sale where scams are not such cap, is restricted by legal multi-level systems.

5.2.4 Costs

Multilevel marketing projects seem to have lower costs although start-up costs may differ considerably from business to company. The low cost of the goods usually leads to a lower initial expenditure. Multilevel marketing systems also demand that salespersons keep a small to no on-site stock, such that salespersons are able to store and substitute items. Direct sales can need to retain supplies at higher cost, generating higher upstream costs and recurrent costs.

VI. CONCLUSION

The expectation of this study is to provide the business community, academic and social understanding of the work system, direct selling and marketing Multilevel Marketing. Direct selling industries has crossed almost 50 years span. In 1934 California Vitamin Company is the first one who was the first company that come with the concept of Network Marketing. Thus, MLM company in full swing with new joined distributor who us the product also sales the product to their friend & relative for their use and earn extra income per month which was as on to add on to their current income. Now their friend & relative also started liking the product and referring the product to others and started earning the extra income. Both MLMs and direct sellers sell products or services using person-to-person sales (direct-selling). Instead of selling products in a retail store, they are sold directly to the consumer, from one friend, co-worker, sister, or acquaintance, to another. MLMs come with a bad reputation, so do pyramid schemes and most people do not know the difference between the three. They all get lumped together and since most people are super annoyed by MLMs and pyramid schemes are illegal, it is not great for the direct sales reputation. Now that you know a bit more about the similarities and differences between direct selling and MLMs you can decide if one (or none) is right for you. While people often use the terms “direct selling” and “multi-level marketing” interchangeably, they are different. Bottom line, if you want to sell a product or service but you do not also want to recruit everyone you know to join your MLM, then stick to direct sales.

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