

# A Comparative Study on Aspects of Multiple Level Marketing and Its Concepts

Dr Manjunath Koliwad

*MBA PhD (MCom), Associate Professor – AIMS IBS Business School (affiliated to Bangalore University) Bengaluru – 560099, India*

**Abstract**—Multilevel marketing (MLM) is a retail distribution channel that has a poor reputation among many people and is increasingly being scrutinized by government regulatory bodies throughout the world. Multilevel marketing organizations are commonly accused of being unlawful pyramid schemes and unethical businesses. The degree of so-called internal consumption is becoming a major source of concern. This study discusses the qualities of multilevel marketing that have been attacked, arguing that assertions that MLM organizations are fundamentally pyramid schemes and unethical are mistaken from an analytical, not emotional, standpoint.

**Index Terms**—Multi, Level, Marketing, Conceptual

## I. INTRODUCTION

Multi-level marketing (MLM), also known as network marketing or pyramid selling, is a contentious sales strategy in which the MLM company's revenue is derived from a non-salaried workforce selling the company's products or services, while the participants' earnings are derived from a pyramid-shaped or binary compensation commission system. A multilevel marketing technique could be construed as a pyramid scheme. The compensation plan in multi-level marketing normally pays money to participants from two different revenue streams. The first is paid out from commissions based on wholesale purchases made by other sellers whom the participant has recruited to also sell product; the second is paid out from commissions based on wholesale purchases made by other sellers whom the participant has recruited to also sell product. Recruited participants (as well as those whom the recruit recruits) are referred to as one's down line distributors in MLM firms' organizational hierarchy. MLM salespeople are expected to sell products directly to end-user retail consumers through relationship referrals and word-of-mouth marketing,

but they are also incentivized to recruit others to join the company's distribution chain as fellow salespeople, with the goal of them becoming down line distributors. According to a survey published on the Federal Trade Commission's website that looked at the business methods of 350 MLM organizations in the United States, at least 99 percent of those who join MLM companies lose money. Nonetheless, MLM firms work because down line members are encouraged to cling on to the assumption that they may make significant profits, despite the statistical improbability of doing so. As just variations of the standard pyramid scam, MLM organizations have been either illegal or otherwise highly controlled in several places.

Companies utilize multi-level marketing as a distribution technique to get their product to customers. They use sales associates to distribute and sell their items instead than directly offering them to consumers online or in brick-and-mortar locations. Salespeople usually operate from home and purchase items to sell at in-person or online parties. Instead of being considered workers, each sales representative owns their own company. The capacity of each representative to recruit and train other representatives to start their own firm is referred to as the multi-level element. Each individual above them earns a commission as recruits make sales and recruit their own reps. The commissions received on personal sales and a percentage of the sales earned by other reps recruited by you are the two sources of income in MLM.

Multilevel marketing (MLM) is a business strategy in which non-salaried, hierarchical sales teams sell products directly to customers while also recruiting new corporate sales representatives. Multilevel marketing is also known as network marketing or referral marketing. An MLM company's existing members sell and promote its products to a

community of potential clients. They are frequently required to recruit new members to help the corporation meet its ever-increasing sales goals. There is usually a hierarchy of positions or levels inside the framework of a multilevel marketing organisation that can be ascended through successful sales or recruiting, which is related to awards and promotions for the associates.

## II. MULTILEVEL MARKETING'S ADVANTAGES:

a) High Income Potential: Some people believe that once they start participating in multi-level marketing, they will become wealthy rapidly. However, as with any great business enterprise, making these strategies work takes time and effort. The basic line is that your earnings are entirely dependent on you. You are not bound by a strict work schedule or a low wage. When you need to, you can work longer hours and earn more money. For individuals want to save money or get out of debt, this is a fantastic alternative. You can work as much as you want at one meet.

b) There Are No Basic Business Costs: You might come out ahead if your business starts slowly. Your money isn't spent on the same issues that stymie most businesses. There is no money allocated to the rental of office space or the hiring of more personnel. Each individual is self-employed. While it requires a group to organize the pyramid, these people do not all work in the same area every day. Consider all of the expenses associated with running an office, such as utilities, equipment, and insurance.

c) Have Fun with Your Family: Multi-level marketing requires a lot of effort, but you are in charge of your time. You can begin your workday late so that you can have breakfast with your children before driving them to school. You can also go to the park when they get home from school if you start working early. You do not need to seek approval if you require a few days off due to illness. When it comes to various company structures, flexibility grows with time. To reap the benefits later, you may need to work longer hours at initially.

d) Low Startup Costs: When it comes to starting a business, many people put it off. The amount of money required for a company is frequently staggering. It is quite easy to get into debt in order to start a business that may fail. Multi-level marketing

has a far lower failure rate. You can spend some time learning about the product or service before you begin so that you're prepared. You can typically get started for a few hundred dollars with little maintenance expenditures. This is far superior to making a large single investment. Working with others as well as working alone is combined in multi-level marketing. You are reliant on others, but you are not required to work with them on a regular basis as you would in an office. Everyone in the pyramid has a role to play or is in charge of their "level." When you're first getting started, you can devote as much or as little time as you like. Once you've made a name for yourself, it's time to expand.

## III. MLM'S PRIMARY OBJECTIVES:

1.Mindset: Develop a positive attitude toward progress and a visionary mindset. Boost your self-assurance and that of the MLM Company with which you're affiliated. Hard work, concentration, and effort are all required in the MLM industry. You'll see an improvement in your potential.

2.Competencies: In order to be successful and earn a reasonable income in the networking sector, you must master the abilities and principles of the industry. As MLM is a numbers and network game, developing aptitudes demands some effort and a good learning mindset. You can keep proper records with MLM software. There are numerous MLM firms in Delhi that may meet your need for the best MLM software.

3.Strategy: You must translate your aims into commercial objectives. Make a fantastic plan and stick to it. Work to build a large network of people who are interested in joining the MLM business. Companies that use the Multilevel Marketing platform are friendly and have a lot to offer people looking for a rewarding career. There is no limit to how much money one can make, and one can even make money simply by referring others. Look for a reputable MLM Software Company in Delhi that can provide you with valuable advice and services.

## IV. MULTI-LEVEL MARKETING TYPES

a)Uni-level Plans: Uni-level plans are rather straightforward. The initial tier of sellers is the emphasis. This first tier allows you to enroll as many

people as you like. To put it another way, there are no width restrictions. Everything they buy or sell earns you money. However, there are depth restrictions. Up to a particular tier, some companies allow you to earn from those enrolled by your recruitment. Some businesses just do not, and you are limited to the first tier. Because of the plan's limitations, it's more popular as a part-time job for people trying to make a quick profit.

b) Binary Plans: A binary plan, on the other hand, has no depth restrictions but does have width restrictions. They normally only let you have two direct recruits at a time. These new recruits can then recruit two more persons directly beneath them. The earnings of both streams are calculated by the corporation, and you are paid based on the money earned by the lower-performing stream.

c) Forced Matrix Compensation Plans: This plan restricts both the width and the depth of the matrix. A 4-by-5 matrix is commonly used by businesses. This implies you'll need four individuals on your frontline and earn your money timeline.

d) Breakaway Plan: This plan allows you to break away from your up line if you as a distributor achieve a particular degree of success. This means that you will be paid more and your recruiter will be paid less. Payments to your recruiter do not stop entirely, but they do decrease in size.

#### V. PROCESS OF MULTI-LEVEL MARKETING

a) Training: The first step in starting an MLM business is to become a distributor for the company you are considering or have decided to join. Because the business entails selling and recruiting distributors, the company you are joining or your sponsor will offer you with comprehensive product and sales training.

To assist you in getting started with the business, the Company supplies you with thorough product information as well as promotional items such as advertising materials and macro tools. You'll learn about the intricacies of your company's product line, as well as the quality and safety standards that it adheres to comparison to competitors, as well as what types of queries to expect from consumers and responses to frequently asked questions, and so on.

Not everyone is a natural salesperson. People who are considering MLM as a side business in addition to

their primary occupation are likely to require an orientation as well as extensive training in order to sell. As a result, in addition to product training, most companies give you with sales training. If you don't have access to sales training, it's a good idea to attend a brief workshop or course to learn how to sell. Because the MLM industry is based on meeting new people, you'll need a lot of soft selling skills to help you conduct your business professionally. Selling concept and helping others expand the network; you'll need a lot of soft selling abilities to help you conduct your business professionally.

b) Selling: You are ready to begin working when the Company has instructed you on selling, product knowledge, and equipped you with the necessary tools and supplies, as well as a startup kit. Your sponsor will be available during your training and will also assist you in getting started with the business. Prospecting or making a list of prospects, qualifying the prospects, making an appointment with the prospects, meeting them and making a presentation of the MLM business proposal, answering questions and assisting them in making a decision to join the network, and following up with them on a regular basis for a positive decision will now be part of your sales process. Getting them to join up as a distributor is the next step in the process, giving product and sales training, as well as supplying tools, marketing materials, and a startup kit, as well as inspiring and working with them to assist them grow the network

It is unrealistic to expect you to be flawless and accomplish the intended objectives straight soon. As you begin working, you will make mistakes and learn from them as well as from your experience.

You'll strive to increase retail sales in addition to hiring and developing your distributor network. Making a list of prospects for retail sales includes your family, friends, neighbors, and the local community, as well as your coworkers, your firm, and other companies with which you have known contacts. Many MLM distributors, particularly to businesses, place a strong emphasis on retail sales. Selling to companies and other users is a one-time effort, but you'll find that recurring orders come in on a regular basis without your involvement. Then all that's left is to devote time to monitoring the relationship and providing any necessary service support.

At the end of the day, remember that MLM can be a great success for you if you regularly spend your time and concentration over a long period of time. To be successful in any business effort, you must remain dedicated and focused. This is also true in network marketing. As you continue to work, you will reap the benefits in the form of increased wages and new relationships, not to mention the fact that you will grow as a person with new and expanded skill sets.

## VI. VARIATIONS OF MULTI LEVEL MARKETING SCHEMES

Letters in a Chain: Following the popularity of the MLM Networking concept, several sorts of networks and concepts has circulated in various nations at various times. The concept of the Chain Letter Network is one such scheme that continues to circulate, in which you receive a letter instructing you to send a small amount of money, such as \$5, to the five people listed in the letter, and then make as many copies of the same with your name on top of the list and send it out to others, repeating the same instructions. People who read your letter will send you \$5 and circulate more letters with their names added to the list. As a result, as the network grows, you will continue to get money. This is merely a money-making scheme, with no actual product or sales taking place. Despite the fact that many people are aware that such a system does not produce any actual revenue in the long run and does not entail any trade, many are still duped, and the scheme continues. Different versions of such systems can be found, and they all appear to comply with the countries' trade restrictions.

Such methods may work in principle due to multiplier effects and other factors, but they will not receive any moral or ethical backing from the community. As a result, it's critical to fully comprehend the MLM scheme before deciding or selecting one that's genuine and most suited to your needs.

## VII. MULTI-LEVEL MARKETING IS EFFECTIVE

1.Enrollment: To begin with, you will be approached by an established distributor who is attempting to recruit you. When you sign up, you will be entering into a contract with the main firm whose products

you will be marketing. The distributor that referred you will now be referred to as your sponsor. The sponsor or the Company will provide you with intensive training on the product lines as well as selling strategies and other sales-related operations, as well as hiring and building your distribution network. You will need to invest a small amount of money (about \$100) to get a beginning kit for selling.

2.Selling at Retail: You will essentially have two major goals that you will focus on in MLM business. The first step would be to purchase things for yourself and your family's consumption. At this point, you will discover that if you purchase things worth \$100 per month, for example, you will be entitled to a 15% discount off the Maximum Retail Price. As a result, you stand to save \$15.00. Aside from purchasing stuff for yourself, you may also purchase items for your extended family and friends in order to increase your sales volume. As your sales volume increases, your discounts increase in accordance with the slabs, and you might end up claiming up to 45 percent reductions on a case-by-case basis.

3.Recruiting and Developing a Distributor Network: The next thing you'll want to do is find other distributors to work with you. You will become their sponsor as you start chatting to known and new people and getting them to sign up as distributors. As you begin to build your network, you will be able to make money from the sales made by your distributors in the form of incentives, discounts, bonuses, and royalties, among other things.

Assume you've developed five distributors who place \$500 in orders with you. You will receive a 30% discount from your sponsor, and each of your distributors will receive a 20% discount from you. As a result, you will be able to keep 10% of the revenue generated by each distributor. As your network expands and the business volumes of your distributors and their networks expand, you begin to benefit from higher slab discounts. However, when your first level distributors and their network reach a volume where they begin claiming the maximum discount that you have been receiving from your sponsor or directly from the company (When you grow in size, you detach from your sponsor and deal directly with the Company), it is time for that group to detach from you and your next level distributor to begin purchasing directly from the Company. At this

point, you will begin collecting a royalty or bonus based on a proportion of the business volumes generated by each of your delinked distributor groups.

Though it appears to be a simple task on paper, you must keep in mind that in order to increase sales volumes and create distributor networks, you must invest the necessary time and dedication. At this point, you will most likely need to priorities your objectives and determine whether you want to pursue MLM on a full-time basis. Those who have committed their time in MLM on a full-time basis have become billionaires.

### VIII. CONCLUSION

This study proposes an economic model that examines how a multilevel marketing company operates in a competitive market. The model looks at distributors and considers that they want to optimize their profits and that they can select how they spend their time between direct sales and recruiting down line distributors. The model focuses on the lowest-level distributor, whose actions have a cyclical effect on the behavior of distributors higher up the chain. Finally, I consider the scenario of a multilevel marketing company with market dominance at both the firm and distributor levels. Individual enterprises and distributors like most sorts of businesses

Operate outside the bounds of legality and ethics. To avoid excessive mischaracterizations, it is vital to distinguish between a distribution channel and the unique things that populate the channel. In this study, it is argued that multilevel marketing as a retail distribution channel is neither illegal nor unethical by definition. As a result, this study tries to show MLM in a good light.

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