

A Study of Multi-Level Marketing Business of Avon India with Reference to Ghaziabad

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ABSTRACT

Multi-Level Marketing is a business model of direct selling which employs the concept of “Recommending and promoting what you like” for distributing products instead of using the traditional distribution channel. MLM industry has shaped the career of millions of people in foreign countries as it is considered as effective source of income but in India this business is not getting so much attention. In India unemployment is the biggest concerns for all stakeholders in spite of that MLM is still in a nascent stage.

This paper focuses on the enlightenment of MLM business and its potential to provide income opportunities for women networkers of Avon India.

Keywords- *Multi-Level Marketing, Networker, Self-employment.*

1. INTRODUCTION

With the development of marketing practices various store based and non-store based retail formats of product distribution has been emerged on different part of globe. The store based retail formats consist of brick & mortar structure or store in which consumers are stepped inside the stores and exchange their benefits. In non-store retail formats the products are sold directly to the consumers without having such brick & mortar type structure for point of sales.

Multi-Level Marketing (MLM) is a business model of non-store retail format in which an individual sold the products through personal efforts and with the help of self- developed sales team. These individuals are known as Networkers or Independent Business Owners (IBOs) and receive commissions for personal sales as well as sales achieved by their downline sales team. To compensate their networkers the MLM companies adopt various types of compensation plans. This concept of marketing is also known as Referral Marketing or Word of Mouth Marketing but most popularly it is known as Network Marketing or Networking.

1.1 Relevance of Multi-Level Marketing

- MLM business provides opportunities to start own business without making big investment hence it poses comparatively low financial risk.
- It provides flexibility in term of working hours and work place so it does not require any “Brick & Mortar Setup.”
- Any literate or even illiterate person can join this MLM business because it is not required any specific non-professional or professional qualification.
- It provides opportunities to earn income for meeting expenses or build residual income.
- It helps in development of Leadership and Management skills among networkers.
- It ensures the availability of quality products at best price by cutting the cost of celebrity endorsements, advertising and distribution.

2. LITERATURE REVIEW

STEVEN W. KOPP (2016) stated that Multi-Level Marketing and other methods of direct selling facilitate employment to interested people to enhance their living standard which result in social and economic development of Nation but there is need of strict regulations against these types of direct selling channels.¹

MEGHA SHARMA AND GURPREET KAUR (2014) found that most people confused with term Multi-Level Marketing but they clearly aware about “Networking” so there is need of developing more awareness among people. It is found that people use product of MLM companies but they are not aware about that particular company and their sales plans.²

V.P. LAU (2007) concluded that general employees’ success and entrepreneurial success are different to each other. Generally there are two dimensions often used to measure career success i.e. Promotion and employment level since that is not sufficient for required purpose. The perception of direct selling specially for MLM is negative in the consumer’s mind. Along with that consumers think the sales people involve in direct selling are aggressive and de-motivated.³

NARAYAN P.N. VYAS (2005) compared Multi-Level Marketing companies with conventional marketing organizations. He found that Multi-Level Marketing is better because it facilitates effective and dual-way compensation to the networkers which is based on their personal and their self- developed sales team contributions.⁴

MUNCY (2004) investigated that in Multi-Level Marketing business the sellers are compensated for sales achieved by personal and their downline sales team efforts. This type of direct selling is also known as

Network Marketing or Referral Marketing and the sellers of the products are known as Networkers or Distributors.⁵

PUNAM (1999) revealed that the business of Amway India was increasing day by day. There were approx 2.5 lakh distributors who promote and use the products of company. Amway India achieved 100% growth annually for last three years which reflects there was a huge scope for MLM business.⁶

COUGHLAN & GRAYSON (1998) stated that in Network Marketing (NM) sales are generated in two ways i.e. sales through own retailing as well as sales generates by downline recruited members or distributors. As the independent distributors continue the recruiting process it increases their network which enhances sales and ultimately gains in commission.⁷

CHONKO AND CABALLERO (1989) explained that the Network Marketing or Multi-Level Marketing is a method of direct selling in which an independent distributors represent and sale manufacturer's products. These independent distributors are known as Networkers or Independent Business Owners. Further Networkers are authorized to sell company's products and can develop their downline sales team to leverage the sales. MLM companies adopt various types of compensation plans to compensate their networkers for sales achieved by personal efforts and by their sales team efforts. Researchers also found that the illegal business schemes were the biggest challenge for legitimate MLM companies⁸

3. SIGNIFICANCE OF STUDY

As we know that India is a developing country and has a lot of potential for development of new business opportunities. MLM is the prominent business model of direct selling which could provide effective source of earnings for women since unemployment is biggest concern for Government of India. The present study is an attempt to elicit information regarding the concept of Multi-Level Marketing and explore the effectiveness of MLM income of Avon.

4. OBJECTIVE OF STUDY

- 4.1 To understand the concept of Multi-Level Marketing.
- 4.2 To explore the effectiveness of MLM income of Avon.

5. RESEARCH METHODOLOGY

Research methodology has been adopted for the study as follows:

- 5.1 **Research design-** Researchers has adopted descriptive research design in which cross- sectional study is conducted to get insight of Avon India.
- 5.2 **Scope of research-** Collected the required data from Networkers or Beauty and Fashion Advisors (BFAs) of well known MLM company i.e. Avon from Ghaziabad, Uttar Pradesh, India.

5.3 Sample size-More than 250 questionnaires were distributed but the shortlisted questionnaires were 200.

5.4 Source of Data-

Primary data was collected through a self- structured questionnaire and secondary data has been collected from various journals, magazines, articles, books and reports published by various competent authorities.

5.5 Sampling Techniques- Convenience sampling and snowball sampling techniques have been applied in order to achieve the required sample size.

6. ANALYSIS AND INTERPRETATION OF DATA

6.1 Demographic profile of the respondents:

Demographic profile of Networkers or BFAs of Avon includes age, marital status, education, occupation, monthly income from job/business, monthly income from MLM and years of MLM business. The frequency distribution is as follows:

TABLE 1: Demographic Profile of Networkers

Demographics	Level	Frequencies (%)
Age	20-30 Years	29 (14.5)
	30-40 Years	115 (57.5)
	40-50 Years	56 (28)
	Above 50 Years	0 (0)
Marital Status	Married	180 (90)
	Unmarried	20 (10)
Education	10 th	0 (0)
	12 th	20 (10)
	Graduation	86 (43)
	Post-Graduate	94 (47)
Occupation	Job	42 (21)
	Business	90 (45)
	MLM only	68 (34)
Monthly income (Job/Business)	Upto 10,000	21 (10.5)
	10,001-20,000	92 (46)
	More than 20,000	19 (9.5)
	Income from MLM only	68 (34)
Monthly income (MLM)	Upto 10,000	78 (39)
	10,001-20,000	88 (44)
	More than 20,000	34 (17)
MLM Years	1-5 Years	66 (33)
	5-10 Years	94 (47)
	More than 10 Years	40 (20)

Figures in bracket denotes percentage

Interpretation- Table: 1 depicts that 14.5% of networkers belong to age group of 20-30 years, 57.5 % networkers were belong to age group of 30-40 years and 28% networkers were belong to age group of 40-50 years. Since there were no respondents belong to age group of more than 50 years. Marital status of respondents' shows that 90% networkers are married and rest were unmarried. Along with that mostly networkers were graduates and post-graduates. Occupational status shows that 21% networkers are doing job, 45% networkers are doing business and 34% networkers are involved in MLM business only. Further it is found that 39% networkers earn upto 10,000, 44% networkers earn 10,001-20,000 and 17% networkers earn more than 20,000 from MLM business. Along with that 33% networkers are belong to 1-5 years, 47% are belong to 5-10 years and 20% networkers are belong to more than 10 years of doing MLM business.

6.2 Hypothesis Testing:

H₀₁: Income from MLM business and years of doing MLM business is independent to each other.

TABLE 2: Chi- Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	178.312	4	.000
Likelihood Ratio	166.835	4	.000
Linear-by-Linear Association	116.135	1	.000

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.80.

TABLE 3: Directional Measures

	Value	Approx. Sig.
Ordinal by Ordinal Somers' d Symmetric	.714	.000
Income from MLM Dependent	.711	.000
Years of MLM Dependent	.716	.000

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

Interpretation:

At 5% confidence level with 4 degrees of freedom, the table value for chi-square is 178.312 at p< .05. Hence, it falls in the rejection region. Thus, the researcher rejects the null hypothesis and concludes that income from MLM business and years of doing MLM business is dependent to each other. Further

Somers'd test statistic (.714) reveals that the association between MLM income and years of doing MLM business are strongly associated with each other.

7. CONCLUSIONS

- Multi-Level Marketing has a lot of potential to provide employment to women in India and Avon India plays significant role for income generation for women.
- It is found that mostly youths were involved in MLM business of Avon India.
- The study reveals that only 34% of women were generate their income from MLM business solely and rest of them were involved in other professions also.
- After analyzing the data statistically it is found that income from MLM business and years of doing MLM business is dependent to each others.

8. RECOMMENDATIONS

There is a need of sharing knowledge about real facts of MLM business which help the public at large to understand what actually MLM business is and how one can see his/her future in this field. There are lots of negative vibes for MLM business among people although it is just a way of selling products with the help of self developed team and for which an individual receives monetary benefits.

The MLM companies should organize time to time awareness programs which should be helpful to motivate people for joining this concept as like other business because it has lot of potential to provide employment for workable humans.

9. LIMITATIONS OF STUDY

Due to time constraint this study has conducted for only one MLM company within one city. Also in this study researchers have cover only one or two aspects of Network Marketing with relatively small sample size of 200.

10. SCOPE FOR FUTURE RESEARCH

The study should be extended to other MLM companies to get more insight of this business. The study will be more enriched if it considers the feedback of inactive networkers or who left out from this business due to various reasons.

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