

## Network Marketing: A concept of self employment

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### ABSTRACT

Network Marketing is a business model of direct selling. It employ the concept of "Recommending and promoting what you like" for distributing products instead of using the traditional distribution channel (distributors-retailers-consumers). Network Marketing industry has shaped the career of millions of Indian but this business is not getting so much attention in India. Although in our country unemployment is the biggest concerns for Government and unemployed workable human resource.

This paper focuses on the enlightenment of Network Marketing business in the Indian context and its potential to provide self employment opportunities to workable human resource to raise their living standard.

**Keywords-** Career, Direct Selling, Employment, Networkers, Network Marketing,

### 1. INTRODUCTION

Network Marketing (NM) is an alternative form of direct selling in which the business is developed by creating a tiered network of independent distributors or networkers. The distributors of the products make money not just from their own sales but also get commissions for the sales done by sponsored distributors into the Network Marketing business. There are various types of compensation plans adopted by Network Marketing organizations to compensate their networkers.

According to FICCI (Federation of Indian Chambers of Commerce and Industry) and the global consulting firm KPMG (KLYNVELD PEAT MARWICK GOERDELER), the direct Selling market is estimated at INR 8000 crores and is projected to grow up to INR 34000 crores in India since 2020.<sup>1</sup> So it has lot of potential to provide self employment opportunities by direct selling of products (as a Networker) and employment opportunities by other allied activates like production, supply chain management. But the core objective of direct selling is to develop network of distributors or networkers to sell products. Network Marketing is also known as Referral Marketing or Multi Level Marketing.

#### 1.1 Relevance of Network Marketing

- Network Marketing provide the opportunities to started own business without making large investment and due to that there is comparatively low financial risk.
- It provides flexible working conditions i.e. no office hours and work from anywhere. It does not require any "Brick & Mortar Setup."

- For Network Marketing there is no need to possess any special or professional qualification. Any literate or even illiterate person can easily join Network Marketing.
- It provide opportunities to earn extra income and residual income.
- It helps in development of Leadership and Management skills among networkers through training programs organised by companies.
- It ensures the availability of quality products at best price by cutting the cost of celebrity endorsements advertising and distribution channels.

## 1.2 Literature Review

Network marketing is a type of direct selling usually performed by independent distributors representing the manufacturer or franchisor of the products (Bauer and Miglautsch, 1992).<sup>2</sup>

In Network Marketing sales has developed solely and through sponsored distributors. For that sales, network marketing companies have paid commissions (Cheung 1993).<sup>3</sup>

The Network Marketing organizations can be defined as the organisations that depend heavily or exclusively on personal selling and the sales agents rewarded for (a) buying products, (b) selling products, and (c) finding other agents to buy and sell products” (Coughlan & Grayson, 1998).<sup>4</sup>

The distributors (members of the network) may receive compensation in two fundamental ways: First, the compensation for their personal sales of products and second, the compensation for sales done by sponsored persons into the network (Poon, 2003).<sup>5</sup>

NARAYAN P.N. VYAS (2005) found that Network Marketing is better because it gives effective compensation which is based on efforts and contributions made by individuals.<sup>6</sup>

(JAYDIP CHAUDHARY 2010) conclude that the Network Marketing company Amway has Popularized this business. Many consumers have negative perception regarding this business due to scams and pyramid schemes Researcher had also found that there is often relationship exploitation in developing downlines.<sup>7</sup>

(ATTRI 2011) showed in her study that the Network Marketing is a form of direct selling in which commission paid for sales done by self and downline teams. She revealed that there are various ethical issues involved in MLM business. Often people have perception regarding Network Marketing like “get rich in no time.”<sup>8</sup>

MEGHA SHARMA AND GURPREET KAUR (2014) explained that “the people use products of MLM companies but they are not aware about that particular company. Also if an individual know about the companies, it is more likely that he fails to understand the plan of those companies.”<sup>9</sup>

Network Marketing may facilitate economic development first by employing people who may have little business experience and by making products available to consumers in markets where few other retailers may be unable to reach (STEVEN W. KOPP (2016).<sup>10</sup>

## 1.3 Significance of study

As we know that India is a developing country and has a lot of potential for development of new business opportunities. Network Marketing is the prominent business model which has wide canvas for development of

self employment opportunities. The present study is an attempt to elicit information regarding the basic concept of Network Marketing and analyze the networker's perception regarding their career.

#### 1.4 Objective of study-

1.4.1 To understand the concept of Network Marketing.

1.4.2 To analyze whether the Network Marketing Business is career oriented or not.

## 2 RESEARCH METHODOLOGY

The following research methodology has been adopted for the study:

### 2.1 Source of Data-

2.1.1 Primary Data-A well structured and pre-tested questionnaire has been developed and distributed randomly among more than 250 active networkers.

2.1.2 Secondary Data- The secondary data has been collected from various journals, magazines, articles, books and reports published by authorities.

2.2 Sample Area- Researchers have collected the required data from well known Network Marketing organization i.e. Amway in Agra, Uttar Pradesh, India.

2.3 Sample size-More than 250 questionnaires were distributed in order to get 200 responses but the shortlisted questionnaires are 150.

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

2.5 Statistical Tools- Chi-square along with calculation of association coefficient- Phi, Cramer's V and Contingency Coefficient.

## 3. DATA ANALYSIS AND INTERPRETATION

### 3.1 Demographic profile of the respondent

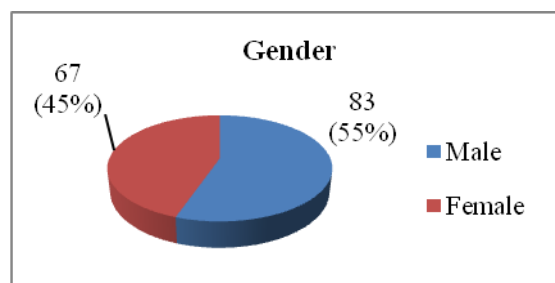


Figure: 1

Fig.: 1 shows that 55% respondents are male and 45% are female. It indicates that there is almost equal participation of male and female in Network Marketing Business.

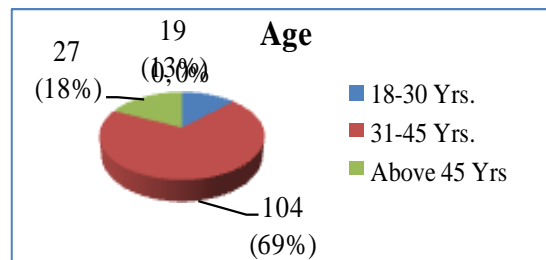


Figure: 2

Fig.: 2 depict that 13% of respondents are between the age of 18 to 30 years and 18% of respondents are above 45 years in age. Most of the networkers belong to 31 to 45 years (69%).

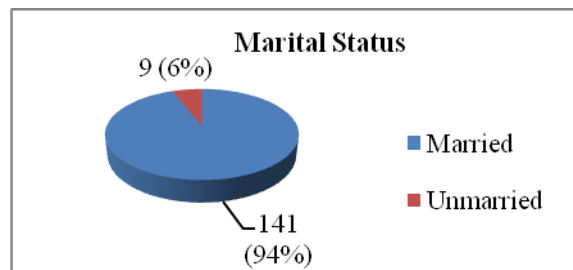


Figure: 3

Fig.: 3 shows that the 94% of respondents who involve in Network Marketing are married and only 6% respondents are unmarried.

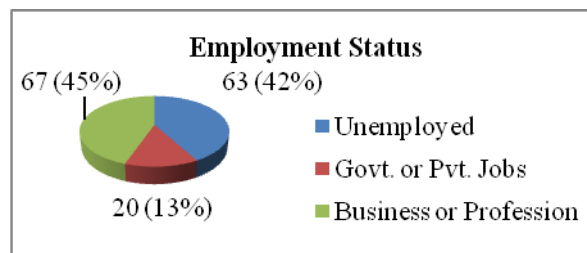


Figure: 4

Fig.: 4 shows the employment status of networkers. Only 13% networkers are doing govt. or Pvt. Jobs. 42% respondents are unemployed and engaged in Network Marketing only. It shows that Network Marketing plays an important role for providing employment opportunities. Also 45% of the networkers are doing other business or profession along with Network Marketing.

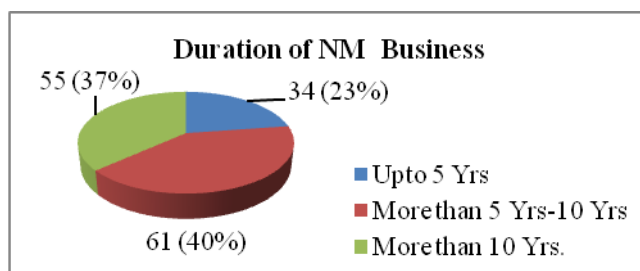


Figure: 5

Fig.: 5 depicts that 40% networkers are associated with Network Marketing since 5 to 10 years. Along with that 37% networkers are engaged with Network Marketing since more than 10 years. Only 23% networkers are doing Network Marketing since last 5 years.

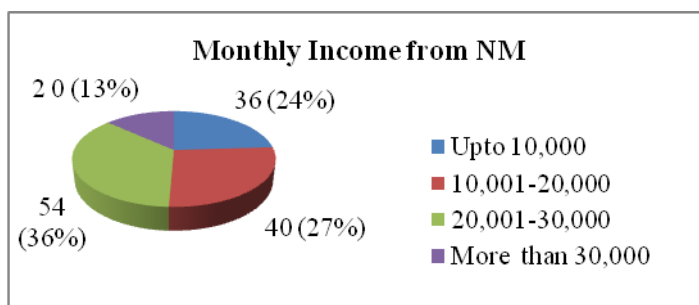


Figure: 6

Fig.: 6 Reveals the Income of networkers from Network Marketing. 24% of networkers earn upto 10,000 per month. Along with that 27% of networkers earn 10,000 to 20,000 per month. Also here we can see that 36% of networkers earn 20,000 to 30,000 per month. And last but not least only 13% networkers have income more than 30,000 per month from network Marketing.

### 3.2 Hypothesis Testing

TABLE: 1

Hypothesis Table

<b>Objective</b>	To analyze whether the Network Marketing Business is career oriented or not.
<b>Hypothesis</b>	H <sub>02</sub> : Duration of association with Network Marketing business and opting Network Marketing Business as a Career is independent to each other.

TABLE: 2  
Chi Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	28.746*	4	.000
Likelihood Ratio	26.864	4	.000
Linear-by-Linear Association	17.425	1	.000
N of Valid Cases	150		

TABLE: 3  
Symmetric Measures

	Value	Approx.Sig.
Nominal By Nominal	Phi	.438
	Cramer's V	.310
	Contingency Coefficient	.401
N of Valid Cases	150	

### 3.2.1 Interpretation of Table: 2 and Table: 3

Table: 2 shows that the calculated Chi Square value is 28.746 (5% significance level with 4 degree of freedom) which is much greater than the table value of Chi Square (9.49). Hence it false in rejection region (P-Value is 0.00001 which shows that the result is significant at  $p < 0.05$ ). Thus, the researchers strongly reject the null hypothesis and conclude that the experiences of networkers and opting MLM as a Career are dependent to each other.

Table: 3 show Phi, Cramer's V coefficient and the contingency coefficient along with their associated p-values. The coefficients are significant this indicates that the relationship is moderate between experience in Network Marketing and opting Network Marketing as a career

## 4. CONCLUSIONS

- According to the study Network Marketing has a lot of potential to provide employment to workable human resource in India.
- In the study it has been found that there is equal participation of both males and females in Network Marketing so it is extremely useful for women empowerment.
- The study reveals that 42% of people are unemployed i.e. they generate their income only from Network Marketing hence it could be a better option of self employment.
- After analyzing the data scientifically with the help of statistical tools it is found that experience in Network Marketing has significant effect on opting Network Marketing as a career.

## 5. RECOMMENDATIONS

There is a need of sharing knowledge about real facts of Network Marketing which help the public at large to understand what actually Network Marketing is and how one can see his/her future in this field. There are lots of negative vibes for Network Marketing among people due to illegal Pyramid or Ponzi schemes. It is necessary to reveals that the Network Marketing is just a way of selling products with the help of self developed team and for which we get compensation.

The Network Marketing organizations should organize time to time awareness program for peoples. These programs should be helpful to motivate peoples for joining Network Marketing as like other business because it has lot of potential to provide employment among workable human resource.

At last but not least the policy makers and authorities of the companies should develop more effective strategies to strengthen the Network Marketing business and to avoid its present pitfalls.

## 6. LIMITATIONS OF STUDY

Due to time constraint this study has conducted for only one Network Marketing organisation within one city. Also in this study researchers have cover only one or two aspects of Network Marketing with relatively small sample size of 150.

## 7. SCOPE FOR FURTHER RESEARCH

The study should be extended to other Network Marketing organisations 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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