

ANALYZING THE APPROACH OF MULTI-LEVEL MARKETING AND ITS DEMAND AMONG INDUSTRIES

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Abstract

In Multi-Level Marketing, they promoted their brand and service through their dealer who sale their products, service to the customers. They educate and allow their new dealer to do the same service. This study highlights the several protocols and legal problems facing multi-level marketing, although it appears to be a development and we focus on those issues and help us understand why a Multi-Level Marketing latest version continues to occur. even though it has many negative comments, soon it was implemented. The features of Multi-Level Marketing were (a) multi-level marketing function (b) the regions in rules and regulations and (c) why now employed and implied counter measures May not detract. Furthermore, based on our long comprehension of MLMs and also their issues, we propose additional countermeasures.

Keywords: Company Image, Distributors Rewards System, Distributors Training System, Product Innovation, Leadership, Multi-Level Marketing, Sustainable Competitive Advantage.

1. Introduction

MLM is commonly referred to us as direct selling, referral marketing, and network marketing. (Cardenas & Fuchs-Tarlovsky, 2018) MLM prevailed from 1945 with the dual purpose of sponsoring and distribution of goods and services. But in recent times this is most common in all countries. It was found that many foreign business investors have started to choose Malaysia and South indiaas the main hub of opening MLM.

(Cardenas, 2015)In Malaysia, MLM is mainly directed by DSAM (Direct Selling Association of Malaysia). Malaysia is one of the top global markets which tops the list of global marketing. Malaysia has been chosen by many investors, international MNM, and other business sectors.

(Aggarwal & Kumar, 2014) Wellness devotees were chosen from many international companies who were very successful in bringing up global revenue which is illustrated in table 2.

In recent times companies related to fitness and healthcare have gained more attention among people. Especially companies like Usana and Herbalife are the companies specialized in selling dietary supplement for weight loss and they also sell products such as make-up, skincare. Cookware, etc. on seeing such companies many other companies also started to sell dietary products but not all of them can maintain the same amount of quality and lifestyle for people. So these healthcare products cause side effects and other health defects for those who consume them more frequently.

There are some companies who make illegal products in the name of nutritional supplements by saying it is a cure for all kinds of disease. The survey made by the Watchdog organization proved that almost 60 percent of companies are selling illegal health products. it was found that almost 2500 problematic products are produced from those companies who are selling illegal products.

The MLM concept lack truthfulness this especially occur with the foreign and international investor. The strategy of MLM is still unaware to all business people. So a strong and transparent strategy must be created for MLM.

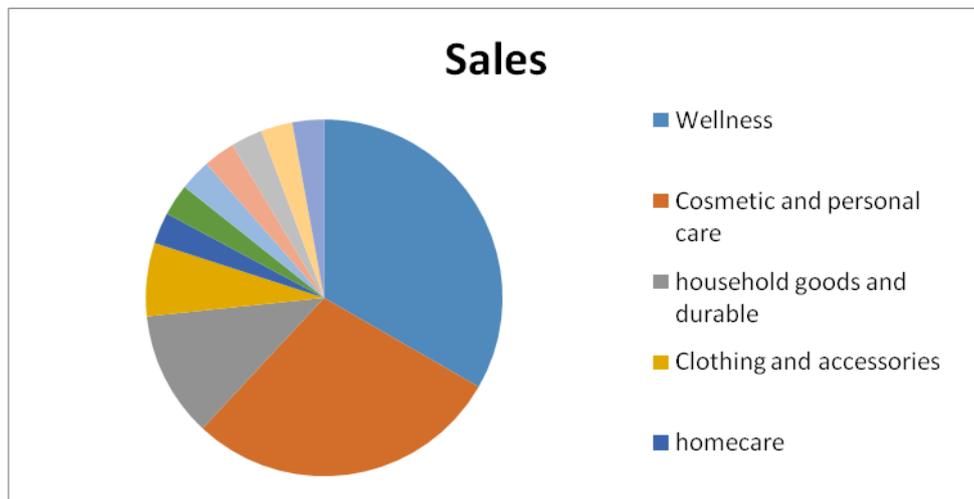


Fig 1

2. Is multi-level marketing a legal practice?

The concept of MLM was 1st initiated in the year 1934 in the United States. It was started by Californian Vitamin Company they produce medical products and export them worldwide. They are selling medical products by the concept of MLM to various countries and they follow all the rules and regulations while selling the products.

Bailey et al., (2013) in the US the rules and the regulation for Multi-level Marketing were brought down by the FTC known as the Federal Trade Commission and in India, MLM rules were put forth by the Department of Consumer Affairs, In Europe, it is directed by European Council.

(Muncy, 2004)(Cardenas, 2015; Tucker et al., 2018)mostly all the MLM organizations share the same kinds of illegal activities and Scams that usually occur in marketing. These scams in a legal view are considered a more complicated one to understand and to deal with them. So it automatically becomes difficult for consumers as well investors to know which is a legal MLM organization.

The strategy for MLM is designed in a pyramid form known as the pyramid which is based on selecting people for distributing goods and services the motive of this scheme is to get people's money and then later it will be used for selecting other co-distributor.

(Muncy, 2004)Scams in medical products are due to the bad quality of nutrition products they sell. The inventory of nutrition products is of bad quality.

Table 1

Sl. No	Company	2020 Revenue	Product	Example of nutritional health claim
1	Mary kay	RS 254.12 Cr	None	
2	Herbalife	RS 326.72 Cr	-Nutrition Supplements -weight management -Sport Nutrition -Energy drink	"To maximize your health and fitness goals », «may help the body absorption of micronutrients ", "to help accelerate your weight management goals", "can help improve your eating habits", "helps support your natural defenses year-round".
3	Perfect	RS 222.17 Cr	-Nutrition Supplements.	"To strengthen immunity and resistance".
4	Tupperware	RS 160.46 Cr	None	
5	USANA	RS 73.33 Cr	Nutrition Supplements -weight management -Sport Nutrition	"Unlock the innate intelligence of your cells to protect and renew good health", "Support for the health and longevity of your cells". "Activate your cells natural ability to protect and renew themselves", "support your livers natural detoxification process".

6	Amway	RS 638.92 Cr	-Nutrition Supplements -weight management -Sport Nutrition -Energy drink	"Help to support a healthy heart, brain, skin, bones and immune system", "support for the health and longevity of your cells", "Active your cells natural ability to protect and renew themselves", "support your livers natural detoxification processes".
7	Nu skin	RS 160.31 Cr	Nutrition Supplements	"Promote longevity, wellness and vitality".
8	belcor	RS 79.14 Cr	None	
9	Infinitus	RS 247.8 Cr	Nutrition Supplements	"To stimulate the body immunity and resistance".
10	Oriflame	RS 101.65 Cr	Nutrition Supplements -weight management	"To stay young inside and out".
11	Pola	RS 72.89 Cr	-Nutrition Supplements	"Balance of the body".
12	Joymain	RS 108.18 Cr	-Nutrition Supplements	"Rejuvenates your body and strengthens yours bones".
13	New era	RS 82.22 Cr	-Nutrition Supplements	
14	Avon	RS 413.84 Cr	None	
15	Telecom plus	RS 81.32 Cr	None	
16	Primerica	RS 110.36 Cr	None	
17	Ambit Energy++	RS 87.13 Cr	None	
18	Jeunesse	RS 102.37 Cr	-Nutrition Supplements	"Effectively delay the symptoms of premature aging regulate mental darity and focus"
19	Natura	RS 164.46 Cr	None	
20	Quanjian	RS 209.83 Cr	None	

3. Why are dietary supplements extensively consumed worldwide despite potential risks and frequent unproven efficacy?

In a study, it was found almost half of the Indian Adults are consuming dietary and healthcare supplements. The main reason was to promote wellness and health caution among people (Girish & Dipa, 2015)(Bailey et al., 2013). Table 4 illustrates the frequently used supplementary by adults belonging to South indiaand the USA. (Dickinson et al., 2014)the reason for consuming dietary supplementary are:

Table 3
Office of dietary supplement's review of dietary supplement efficacy and safety.

B vitamins and berries	Inadequate research to reach conclusions.
Ephedra	Short-term weight loss – statistically significant benefit compared to placebo, but associated with health risks including increased palpitations.
Multivitamin/mineral supplements	Cancer – prevents cancer in individuals with poor or suboptimal nutritional status.
Omega-3 fatty acids	- Cardiovascular (CVD) CVD events and all-cause mortality – reduced in 11 RCTs and one prospective cohort study (fish oil), although no effect on stroke. Anti-arrhythmic effects in 13 rat studies of alpha-linolenic acid (ALA) or fish oil – significant risk reduction in the number of deaths, ventricular tachycardia, and ventricular fibrillation. Triglycerides (10e33%): consistently large, significant decreases. Blood pressure: small beneficial effect with fish oil supplementation (reduced about 2 mm Hg), restenosis rates after coronary angioplasty (14% reduction), exercise tolerance, and heart rate variability. - Cognitive Cognitive function during normal aging – a singlecohort study of omega-3 fatty acids found no association for fish or total omega-3 consumption. Dementia: four studies (three prospective cohort studies and one randomized, controlled trial [RCT]) reported reduced dementia risk trend and improved cognitive function with increased dietary omega-3 fatty acids (fish and total omega-3 consumption). Multiple Sclerosis (MS) MS progression – one RCT of omega-3 fatty acids (fish, ALA, EPA, DHA) showed no effect; two single-arm, open-label trials showed improvement in MS-related disability with omega-3 supplementation. MS incidence: two studies were inconclusive. Schizophrenia: evidence of omega-3 fatty acids' potential as short-term intervention. - Tumor growth: inhibition or prevention in some animal models. LDL and triglycerides levels – small reduction benefit. Bone mineral density: vitamin D3 (>700 IU/day) with calcium supplementation compared to placebo has small beneficial effect. Fractures and falls: reduced risk, but benefit may be confined to specific subgroups.
Soy	
Vitamin D	

(Johnson, 2015) the nutrient gap filled for wellness and health was found to be 43 percent. In India, the consumption of dietary supplementary varies from one state to another state. In a study, it was found that minerals and vitamins in larger share in Indian Dietary supplementary for about 40 percent then followed by proteins for about 25 percent, and other segments are contributing for about 10 percent. Table 5 illustrates about the top MLM companies belonging to Soutcindiain the year 2019.

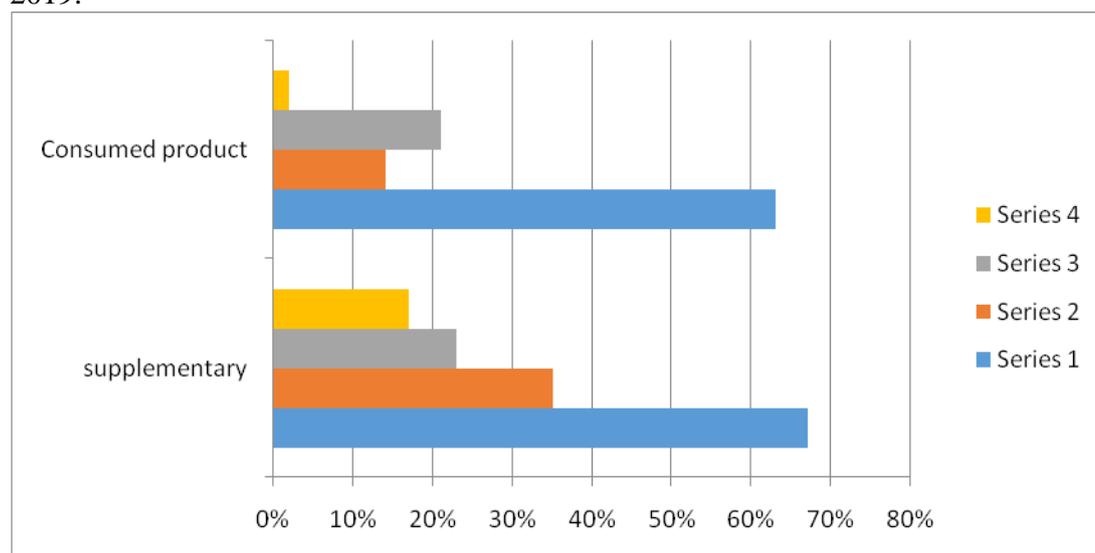


Fig 2

(Stare, 1947) in nutritional products, traditional herbs, drugs, and botanicals are used for dietary supplements. But people who are using dietary products are not informed by drugs and herbs in them.

(Koehn, 2001)MLM meeting motivates the companies and contributors to take about their personal experience on what is the benefit gained after consuming dietary products.(Biggart & others, 1989; Groß & Vriens, 2019) One of the most commonly faced risks by the distributor is that they are knowingly or unknowing spreading misinformation about products.

Table 2

Company	Plan	Distributors	Turnover (in cr)	Products
RMP infotech Pvt Ltd Estd. 2001 Chennai India	Binary/Retail	\$137717.80	2700	Tie Up with Various Branded Companies.
Amway India Corp Estd. 1995	Retail	\$197	1000	Personal,

NCR Delhi India				Home,Nutntional& Wellness Products (FMCG)
Modicare Limited Estd. 1996 Delhi India	Retail	\$16526.14	600	Home Appliances & Durable products
Herbalife International India Pvt, Ltd,Estd.1996 Commissariat Rd,Bangalore India	Retail	\$2892.07	700	Nutntional& Weight Management Products (FMCG)
Oriflarne India Pvt LTD Estd. 1995 Connaught place NCR Delhi India	Retail	\$2341.20	600	Beauty Products Cosmetics (FMCG)
Tupperware India Pvt LTD Estd.1996,Gurooan India	Retail	\$895.17	500	Kitchen Storage Products

(Table.5 top MLM companies of 2019 in India)

4. Understanding how MLMs Operate:

A 'Prevailing' Model

One of the important motives of this paper is to find which is the best model for MLM and the reason behind for legal and ethical problems to arise in MLM despite taking several measures. According to the view of authors, the main reason behind problems to arise in MLM is due to lack of understanding and insufficient information about the concept. But so far now measure have not been taken on making MLM understandable for all. For making the concept of MLM clear to investors and the public we try to explain the existing and the extended concepts of MLM in detail.

4.1 The 'Prevailing Model' of MLM

The 3 most important present constituents of MLM is given as:

There must be a separate headquarters of MLM

Members and distributors of MLM to acts independent

Non-members of MLM should be created.

Now let's discuss the prevailing model of MLM in detail as illustrated in fig 1 as follows

Headquarters is considered as the 1st important constituent of MLM and their relation. The important business decision will be taken in the headquarters of MLM some of the decision may be related to corporate policy, list of condition for someone to become a distributor, providing legal status for distributors, self-employment opportunity, self-employed distributors they can access for home, market, or in any company. Self-employed MLM working with motive others to be a part of MLM. Sometimes clients and distributors not part of MLM will also be explained about the operation of MLM, through which 3rd constituent will be formed in this model. Distributors will approach the person either in a Face-2-Face meeting or in the telephonic conversation for selling a product or for joining the company.

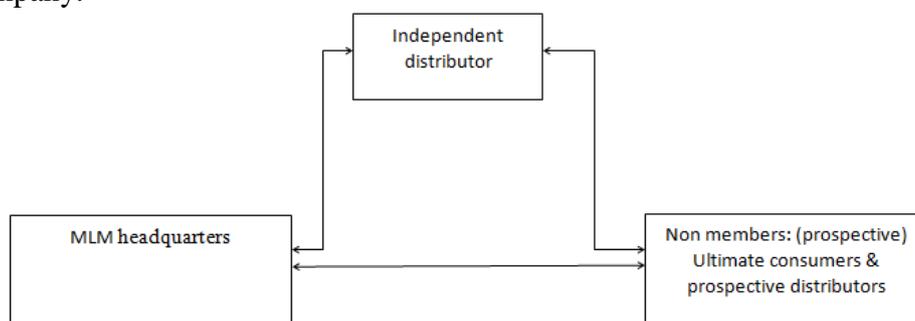


Fig 2 MLM organization

From fig.1 3 constituents' relationships will be identified. The 1st relation is about the individual distributor and his relation with MLM headquarters which is shown in fig as R1. This relation takes

about the formal type of agreement the individual distributor is having with headquarters. The rules and regulations set for the distributor will be mainly mentioned in the agreement. The agreement will be in a form of the handbook with a set of rules and regulation which states about the rights and duties need to be performed by an individual distributor.

The ways how the distributor should respect the company or organization for selling the products or for recruiting others in the company. The handbook contains information about

1. The product
2. Guidelines for distributor for approaching recruiters and clients
3. Declaration of taxation
4. The working pattern of a distributor

Certain codes and conduct will also be included in the handbook as rules and regulations. The code also includes product misrepresentation and rules against income.

The 2nd relation is shown in fig as R2 which is about the conversation that take place between the prospective distributor and the independent distributor. This relation mainly tells about how the distributor should approach the client and the process of recruiting other distributors in the company. This part is placed in the handbook as rules and regulations previously mention in relation R1. The headquarters expect the distributor to behave properly with the non-member in relation R2. As mentioned in the handbook has rules and regulations in the above relation R1.

The 3rd relation is completely based on the relation between the non-member of MLM and the headquarters. Headquarter provides guidelines for the distributor as well as for the newly selected distributors.

[2] the example for this relation R3 is based on the policies for products and the other cancellation policy which includes the cooling-off period for the consumer to return the purchased product and for the distributor it is the right to withdraw from the agreement without any reason as well as without any sort of penalty.

From the prevailing model of MLM, it was clear that how the present countermeasures deal with 3 relations R1, R2, and R3 of the main organization. the relation R1 is basically about the rules and regulations for headquarters and the distributor. Handbook f rules will be provided for the distributor to act accordingly.

The relation R2 is the code of ethics which is absily about the guidelines for the distributor to approach the consumer and also the way how the distributor should treat the non-member in a proper ethical way.

The relation R3 is about the buyback policies define headquarters' obligations toward end consumers. From the existing model, it is difficult to describe why the prevailing countermeasures are not able to provide ethical behavior. Different types of the organization should sort out different rules and regulation applicable for them in an ethical way. But the bureaucratic organization strongly relies on the formaulation of coordinate work, and coordination in the organization.

The author of this research strongly argues that the MLM organization mainly relies on coordination in training and indoctrination. (Stare, 1947) argues that MLM is not ideal-typical; bureaucracies where the distributors are legally independent, prevailing of employment contracts, tenure system fixed working hours. The self-employed distributors mostly WFH.

5. Conclusion

Taking into consideration the nutrition product and other dietary supplements are made up of legal business stragetgy. We argue that it is an unethical practice. The respect needs to be given for nonmaleficenece, autonomy, and beneficence are at stake. The public should avoid consuming health-re;ated and nutrition products and the government should enforce strict rules and regulations against MLM thise who sell illegal products. The action taken by the government should be aggressive and vigorous. This must apply to all MLM companies across the world.

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