

Network Marketing Business: An Insight Into Direct Marketing

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Abstract

NMB offers significant returns and is a very effective, efficient, and risk-free business concept. The finest working model is one that enables one to have large incomes, a luxury lifestyle, greater rewards, better recognition, and aiding in the development of others. Additionally, network marketing businesses make a contribution. By selling their products to clients, building a network of other individuals who share their interests, and rising to the position of leadership within a network, people are paid for the labour they generate. People are compensated according to what the corporation believes they are worth. The network marketing industry will provide options for its sizable customer base to generate passive income and boost microbusiness. This essay aims to concentrate on crucial NMB issues as well as what more research can offer.

Keywords: NMB, DM, Business plan, and Income plan.

INTRODUCTION:

Network marketing, also known as multi-level marketing (MLM), is a contentious marketing strategy for the sale of goods or services in which the MLM company's income is derived from a non-salaried workforce selling the company's goods or services, while the participants' income is derived from a variety of compensation commission systems.

In network marketing, Participants in the compensation plan typically get payments from two potential revenue sources. The first is based on a commission earned from selling the product or service directly; the second is paid out as a percentage of the wholesale purchases made by other sellers the participant has persuaded to sell the goods themselves. Participants who have been recruited (as well as those that the recruit recruits) are referred to as one's downline distributors in the organizational structure of MLM firms. Therefore, MLM salespeople are expected to sell products directly to end-user retail consumers through relationship referrals and word-of-mouth marketing. However, they are also encouraged to recruit others to join the company's distribution chain as fellow salespeople in order for them to become downline distributors.

MLM which is also called Network marketing or referral marketing is the latest emerging business of the 21st century where people are making huge money without any financial worries. MLM concept is a method of product distribution through independent salespersons referred to as distributors.

HISTORY OF NETWORK MARKETING

In 1934 California Vitamin company is the first one who was the first company that comes up with the concept of Network Marketing. Thus, MLM company is in full swing with a newly joined distributor who uses the product and also sells the product to their friend & relative for their use and earns extra income per month which was to add to their current income. Now their friend & relative also started liking the product, referring it to others, and earning extra income.

Nutriline Corporation which was earlier named, California Vitamins has established in 1943 and implemented the first MLM Plan for which different levels of income have been defined. All the salesperson has been paid the income as per their Level. In 1949 Jay Van Andel and Richard Marvin DeVoss enter Nutrilite Corporation and joined as members of Nutrilite Corporation within 10 years company growth increased tremendously. They observed that they are getting paid as much business as they did whereas the company continued to make a profit from their labors for many years afterward. Jay Van Andel and Richard Marvin DeVoss realized that they should also be paid reasonably for the benefit the company constantly gets from their inventive work. In 1959 Jay and Richard decided to quit & start their venture of a Multi-Level Company and they named Amway Corporation. Amway was an abbreviation for the term - the American Way. Amway from day one was based on the same network marketing concept. Almost 50 years later Amway is a well-established network marketing company operating in more than 80 countries around the world and with more than 3 million business operators.

In essence, network marketing is merely another method of selling goods to consumers. In a traditional business model, the manufacturer creates the goods, which are then sold to a wholesaler, who then sells them to a retailer, who then sells them to the final consumer. NM is dissimilar as the product is manufactured by the firm and then sent straight to the end user deletion all the channels used in traditional marketing. The businesses use the funds that would have gone into numerous advertising outlets to promote the goods. It is considerably cleaner to conduct business this way. Network marketing is beginning to take off due to the internet's and technology's rapid advancements, intense competition between businesses, and the public's growing awareness of the lack of job stability and the shrinking employment market. Also, the population is exploding. Network marketing is all about building networks of people using relationship referrals and word-of-mouth marketing. As the population explodes this is going to ideally suit this type of business model. Here is a visual of what is happening with Network marketing and population. This paper elaborates on various conceptual aspects related to network marketing by reviewing existing literature which will further help the researchers in making studies in various related fields.

NETWORK MARKETING: A VARIANT OF DIRECT SELLING

There is a lot of misunderstanding & negativity about the direct selling business in India. We also know these businesses like Network Marketing and MLM- Multilevel Marketing. One of the non-store retail models with the fastest growth in India is the direct selling sector. Having a successful business at the time allows many people in the nation to work for themselves. However, there is a lot of misinformation and unfavourable sentiment surrounding the laws controlling this important industry. India's retail industry has witnessed substantial changes as a result of socioeconomic development and rising consumption. For the purpose of serving this expanding market and direct selling, numerous shop and non-store retail models have been utilised. Direct selling is the practise of providing consumers with goods and services outside of a fixed retail location, typically at their residences, places of employment, locations of travel, etc., while

providing information through product explanation and demonstration by direct sellers. In direct selling, distributors persuade customers to sign up for the network in exchange for a commission depending on the price of the goods or services supplied. One can abandon other income-generating activities thanks to the resulting earnings. In addition to health and beauty products, direct selling has expanded to include high-quality, low-cost items including food, household goods, stationery, sanitary products, clothing, agricultural products, aphrodisiacs, weight reduction supplements, beauty care, home care, etc. Globally, the direct selling sector employs a lot of people and has a favourable socioeconomic influence on skill development, increased levels of self-employment, leadership abilities, and the empowerment of women in business.

GROWTH OF NMB IN INDIA

Many domestic and foreign direct-selling businesses have been drawn to the expanding Indian market. Although the direct selling sector is a young one in India, the idea of direct selling was first popularised there in the late 1980s. It gained popularity during the nineties. Network marketing has become most popular in developed countries and also exponentially growing in India. Busy consumers usually purchase products through network marketing because this method is having many benefits over traditional marketing. Amway Corporation laid the foundation stone of the Indian Direct Selling Association (IDSA) and became a founding member of it. IDSA is having Code of Conduct for direct selling and network marketing companies in India. After getting registered with IDSA, a network marketing company becomes legal to do business in India. IDSA members offer consumers a 100% money-back guarantee i.e., a 100 percent satisfaction guarantee on their products. Network marketing is in a booming stage and experts have suggested doing network marketing in the future. Direct selling and network marketing are beneficial to consumers in terms of economic benefits. Today consumers have more power, information, and awareness about health, the environment, and quality. The digital revolution, globalization, customer empowerment, and fast transportation help a lot in the growth of network marketing. Direct selling and network marketing are paying sales tax and income tax revenues to empower the economy of our country. Network marketing is a systematic method for selling various products. The Government of India has so far registered 461 Network Marketing Companies under IDSA. They have their full structure as Chief Executive Officer (CEO), Managing Director (MD), Business Development Manager (BDM), senior officers, local officers, employees, customer relationship wing, finance wing, purchase wing, and their offices and officers at each level. The training and support system of every company influences a lot of people through tapes, CDs, books, and seminars in which local, national, and international leaders participate and share their vision, success, and experience over the years. Books are very helpful to learn about finance, behavior, personality development, and building new ideas. The companies also arrange different types of programs like demonstrations, and seminars to educate their IBOs about product knowledge and product selling techniques. Network marketing is team works which runs at all levels. A sponsor is a person who introduces a person as Independent Business Owner (IBO). The sponsor and his upline (Sponsor's sponsor) take responsibility to grow other people in the business and get rewards in form of retail margin, bonus, and leadership commission (Royalty). Each company pays differently according to its sales and marketing plan.

India has seen a great improvement in the last year with INR 23,800 Crore (USD 3.19 Billion) worth of sales in 2020. The country recorded the highest Year-over-year (Y-o-Y) growth of 28.3 percent, and the highest CAGR of 17.6 percent over the last three years, making it one of the top 20 direct-selling markets

across the globe. The number of direct sellers was recorded at 74.3 lakhs (7.4 million) people as of May 2020 (Source: WFDSA report). According to the latest World Federation of Direct Selling Associations (WFDSA) report 2020, the global direct selling industry has reported an overall increase of 2.3 percent in sales to USD 179.3 billion in 2020.

A "Center of Excellence for Direct Selling in Academics" (CEDSA) and a one-year post-graduate diploma on direct selling were jointly introduced by the Indian Direct Selling Association and Shoolini University. Students will obtain a research-based education while also understanding the subtleties of the industry by introducing direct selling to the academic community. The youth of the state and the rest of the nation will gain from these initiatives. Based on this we can see how network marketing and direct selling concept is being legal and an opportunity for people to make some income. The Ministry of Consumer Affairs is the one that governs the Direct Selling Guidelines and Rules, for both direct selling entities and their consumers. The direct selling industry is currently self-regulated. There are various Associations in India which act as an interface between the industry and policy-making bodies of the government, facilitating the cause of the direct selling industry in India.

The state of MLM or network marketing at the moment in India appears positive and guarantees continued progress in the sector. India is still lagging behind other emerging nations when it comes to fully embracing the MLM industry.

NETWORK MARKETING AS A SUCCESSFUL BUSINESS MODEL

NM is a business model in which a distributor network is needed to build the business. Network marketing is a type of business opportunity that is very popular with people looking for part-time, full-time, and flexible businesses. Some of the best-known companies in India are Amway, Modicare, RCM, MI Lifestyle Global marketing Pvt Ltd, MaryKay Cosmetics, Tupperware, AdvoCare, Herbalife, Ambit Energy, Amway Global, previously known as Quixtar, Avon Products, Nu Skin Enterprises, Oriflame, Telecom Plus, etc. fall under the category of network marketing. A product sample kit costs only a few hundred dollars in network marketing organisations, and there is a possibility to sell a product line directly to friends, family, and other personal contacts. In multilevel marketing, also known as network marketing, independent distributors offer goods to customers directly, typically over the phone or in their homes. Theoretically, distributors can profit from both their own sales as well as those of the individuals they hire.

REVIEW OF LITERATURE

P. Mohammed Buhari Saleem (2019) explained the growth rate of multi-level marketing in India through the concept of pyramid selling and referral marketing strategy for the sale of products or services with some company examples. And mentioned the benefits of MLM in the way of employment opportunities for housewives, retired persons, and unemployed people. Finally, as an outcome, the author has given the importance and need of MLM in future job opportunities and scope. **Sourav Jain, B.B. Singla, and Shashi (2015)** exhibited the importance of multilevel marketing business to people with some motivational factors. And explained how a distributor is important to run and developing the MLM business in society. The researcher identified not only does the compensation plan or reward system of MLM attract the people, but other variables can motivate the people to join the MLM business. By using the motivational model, the researcher helped MLM companies to find better strategies to develop their business. **Cristinel Constantin (2009)** examined that relationship marketing can be used as an opportunity in the development of MLM businesses. In the process he found that characteristics of legal network

marketing can make a person become a distributor and also, he can avoid cooperation with an illegal pyramid scheme. For the research sample, the insurance broker used and mentioned the benefits of becoming a distributor of MLM firms. **Gerald Albaum and Robert A. Peterson (2011)** explained illegal pyramid schemes or unethical companies. The researcher addressed internal consumption in MLM and characteristics of multi-level marketing that are under attack by pyramid schemes and unethical business activities. The expected outcome is MLM should be an acceptable retail channel of distribution and internal consumption as both legal and ethical. **Madhavan N (2009)** published an article in business today on October 4th of 2009 on Direct selling companies are embracing new channels of marketing and sales for enhanced credibility and higher growth. He explained how direct-selling companies developed their businesses in India using multiple channels of marketing. He took the case of Ceasefire Industries as an example. As the output author suggested when people have misunderstood direct selling marketing as a pyramid scheme the company should create awareness about direct marketing by giving comfort to people and they should have the feeling of the company has a serious presence and recognize direct selling as a legitimate channel. This can be happened only by following multiple channels of marketing. **R. Rajesh Babu and Pushkar Anand (2015)** highlighted that despite being one of the fastest-growing industries in India, direct selling is not widely tolerated due to illegal pyramid and Ponzi schemes. In order to comprehend and distinguish between legitimate multilevel marketing businesses and pyramid schemes run by fly-by-night operators, an activity that is universally regarded as illegal, the researcher examined the legality of multilevel marketing within the context of the Indian PCMCS Act 1978 using the Amway company as an example. As a result of regulation, it has been established that direct selling is not a money-transfer scheme unless a pyramid structure is also present. **Isita Lahiri and Mrinal Kanti Das (2010)** explained the importance of maintaining customer relationships in modern marketing competition with examples of some successful network marketing business companies. Taking Amway and Oriflame companies as a sample theoretical study conducted to gather the information and did an analysis is part. As a result, network marketing companies have plenty of market opportunities not only in developed countries but also in developing countries.

CONCLUSION

Human civilization has witnessed a continuous process of socioeconomic changes. Human beings have been striving hard for creating a peaceful, enthusiastic, and rich life for themselves and their fellow beings. The 21st century created certain values for human civilization, one of the most crucial facts was said that time is more valuable than money. People with a lot of enthusiasm and good sales abilities who can establish a successful business with little capital are drawn to network marketing businesses. These businesses employ the network marketing strategy and frequently divide their salespeople into tiers by encouraging them to expand their own networks of salespeople. The "upline" (or "creator") of a new tier receives commission on their own sales as well as the sales of the individuals in the tier they formed (the "downline"). Over time, a new tier may give rise to yet another tier, increasing both the middle tier's and the top tier's commission. As a result, both product sales and recruitment affect salespeople's wages. Those who got in early and are in the top tier make the most. MLM salespeople are, therefore, expected to sell products directly to end-user retail consumers using relationship referrals and word-of-mouth marketing, but more importantly, they are incentivized to recruit others to join the company's distribution chain as fellow salespeople so that these can become downline distributors. Multi-level marketing which is also called Network marketing or referral marketing is the latest emerging business of the 21st century where

people are making huge money without any financial worries. MLM concept is a method of product distribution through independent salespersons referred to as distributors. To have a successful model of network marketing business below mentioned qualities are needed:

- **Continuous Improvement:** By studying any successful network marketer it was discovered that they strive to improve themselves every day. They want to improve a little bit from yesterday to today. They are aware that over the course of months and years, tiny daily advances build up to significant advancements.
- **Mastermind:** A group of mentors is present among successful network marketers. They understand what Napoleon Hill meant when he stressed the value of having a mastermind team. Network marketers who are successful look for a successful person in their upline to mentor and assist them. Additionally, they have mentors from outside the sector who instruct them on topics like sales, marketing, entrepreneurship, company planning, financial management, and more.
- **Flexible & Round acceptance:** In MLM marketers must be open to new and innovative Give ideas for better and improved ways to make MLM business more successful and take it to the next level.
- **Strong Communication Skills:** Strong communication skills are a prerequisite for network marketing success. They are aware of the significance of efficient written, verbal, and nonverbal communication. They are adept at interpreting other people's body language and know how to effectively communicate their message to team members and prospects. Successful network marketers are comfortable speaking in front of groups and aren't afraid to express their opinions. They speak clearly, concisely, and to the point. Although they are courteous to others, they are not scared to express their opinions.
- **Specialized knowledge:** MLM business owners must attain specialization by way of attending workshops, reading books, etc. in recruitment, targeting, and motivating salespersons for greater sales prospects.

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