CHAPTER I
INTRODUCTION
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INTRODUCTION

MEANING OF MULTI LEVEL MARKETING

Multi-level marketing is a system for selling goods or services through a network of distributors. MLM is an acronym for Multi-Level Marketing, sometimes called Network Marketing. As the name suggests, multiple levels of people are marketing products to consumers. A sales representative also referred to as a distributor, member, affiliate, partner or associate gets customers and recruits and trains another sales representative to get customers. Multi-level marketing is a marketing strategy in which the sales force is compensated not only for sales they personally generate, but also for the sales of the other salespeople that they recruit. This recruited sales force is referred to as the participant's "down line", and can provide multiple levels of compensation. Other terms for Multi-level marketing include pyramid selling, network marketing, and referral marketing. In contrast to Multi-level marketing is, single-level marketing, wherein the salesperson is rewarded for selling the product directly to the consumer.

In Multi-level marketing, the salespeople are expected to sell products directly to consumers by means of relationship referrals and word of mouth marketing. Some people use direct selling as a synonym for Multi-level marketing, although MLM is only one type of direct selling, which started centuries ago with peddling. Amway, Tupperware, Herbalife, Avon, Oriflame are some of the examples of such companies operating as MLM around the globe.

The concept of MLM or referral marketing is a method of product distribution. The products are moved through independent distributors. The distributors are given an opportunity to introduce other distributors to the
business. Instead of incurring massive media advertising and sales promotion cost, the savings are passed on to distributor consumers. Distributors share the large revenue that normally goes to the middleman. At the same time products are available to consumers at wholesale prices.

MLM is a new strategy in the marketing system to capture customers. India has the greatest potential in the multilevel marketing in the world. This is because of the existence of the huge middle class, highly entrepreneurial culture, massive international connection, huge technology base and the use of English language. It offers an alternative to traditional employment for those who desire a flexible income earning opportunity to supplement their household income, whose responsibilities or circumstances do not allow for regular part-time or full time employment.

**BUYER BEHAVIOUR**

Buyer behaviour is influenced by cultural, social and personal factors. Culture, subculture and social class influence consumer buying behaviour. Social factors include reference groups, family and personal factors comprise of age and stage in the life cycle, occupation and economic circumstances, personality and self-concept and life style and values. The buying decision process comprises of five stage model involving: problem recognition, information search, evaluation of alternatives, purchase decisions and post-purchase behaviour.

**BRAND LOYALTY**

Brand loyalty occurs when a customer repurchases the same product whenever possible, and continues to recommend or maintain a positive attitude towards the product. Customers may be loyal due to high switching barriers or lack of real alternatives. Customers are loyal when they are satisfied and thus want to continue that relationship.
Customer brand loyalty is a buyer’s overall attachment or deep commitment to a product, service brand or organization. Brand loyalty is important for an organization to ensure that its product is kept in the minds of the consumers and prevent them from switching to other brands.

Brand loyalty is one of the most important issue in the world of marketing and business due to great importance that the brand is subjected in international business. Brand loyalty is very important from marketing strategy perspective as current markets are marked through a high mature phase and intense competition. Retaining loyal customers of the brand is very crucial for the survival and continuity of the organization.

Brand-loyal consumers may are willing to pay more for a brand. This strategy is considered more effective and efficient than attracting a new customer. Brand loyalty leads to greater market share when the same brand is repeatedly purchased by loyal consumers. The brand is the sole distinguishing factor among competing and similar products.

**RELATIONSHIP OF BRAND LOYALTY WITH BUYER BEHAVIOUR**

Consumers make their choices based on names and positive images associated with a brand. In a retail outlet, when consumers face number of choices for the same type of product, a strong brand has a clear competitive advantage as it is difficult for the competitors to copy. Competitors can match specifications and create duplicate products. Hence it is important for the Companies to build brand loyalty.

**STATEMENT OF THE PROBLEM**

A consumer while making a purchase decision evaluates the different factors present in a particular brand and finally decides on a particular brand
after assessing from other brands available in the market. Consumer shows brand loyalty towards a particular product or service but the exact reason of his brand loyalty is not always explicit through his reactions while making a purchase decision. Hence a marketer should try to understand the buyer behaviour of customers that makes them brand loyal towards the product. This study has been conducted to identify the factors that influence buyer behaviour and brand loyalty and impact of brand loyalty on buyer behaviour as regards MLM products of customers in Chennai.

RESEARCH GAP

Review of literature pertaining to buyer behaviour and brand loyalty identified that many studies were conducted separately on brand loyalty and buyer behaviour but not on impact of brand loyalty on buyer behaviour towards MLM products. Hence this research gap was identified to study the impact of brand loyalty on buyer behaviour towards MLM products of customers in Chennai.

NEED AND IMPORTANCE OF THE STUDY

MLM contributes to the economic growth of the nation. It contributes to the continuous growth of national income. This leads to improved standard of living. Hence it becomes essential to study the impact of brand loyalty on buyer behaviour towards MLM products and to know the factors that influence the buyer behaviour of MLM customers.

SCOPE OF THE STUDY

This study was aimed at studying the brand loyalty of MLM customers in Chennai and the factors influencing buyer behaviour and brand loyalty perception. This study enables to understand customer’s expectations and the factors influencing their satisfaction both in qualitative and quantitative terms.
The study also covers the influence of demographic factors on the loyalty perception and Buyer Behaviour of MLM customers.

**OBJECTIVES OF THE STUDY**

1. To study the demographic profile and purchase details of MLM customers.
2. To analyze the factors responsible for buyer behaviour of MLM customers.
3. To identify the brand loyalty of MLM customers in the study area.
4. To measure the impact of brand loyalty factors on buyer behaviour as regards MLM Products.
5. To ascertain the influence of demographic profile on the factors of buyer behaviour and brand loyalty of MLM customers.

**HYPOTHESES**

1. There is no significant difference among the factors of buyer behaviour.
2. There is no significant difference among the factors of brand loyalty.
3. There is no relationship between buying behaviour and brand loyalty.
4. There is no influence of demographic profile and purchase details of customers on buying behaviour and brand loyalty.

**RESEARCH METHODOLOGY**

This is a descriptive and analytical study based on primary data collected from various customer groups in Chennai through well structured questionnaire and stratified sampling method was adopted to obtain the
response from the respondents in the study area. The study was conducted in two stages i.e. preliminary pilot study followed by the main study. The secondary data were collected from journals, magazines, publications, reports, books, dailies, periodicals, articles, research papers, websites, company publications, manuals and booklets.

**RELIABILITY OF THE DATA**

The researcher applied reliability analysis to check the consistency of the data pertaining to the two important constructs encountered in the present research namely brand loyalty and buyer behaviour.

According to Lewin and Rubin (2000) reliability gives more information about the primary data collected from the respondents. It also expresses how the research instrument is responded by the respondents. It is given in terms of percentage which reveals how far the respondents are able to understand the statements in the research Instrument.

Degroot (2000) in his research paper argued that Cronbach alpha co-efficient is considered as one of the consistent and unbiased estimate to measure the reliability. Therefore based on these perceptions the researcher applied Cronbach alpha method to derive the reliability of the primary data.

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Element</th>
<th>Cronbach alpha</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Buyer Behaviour</td>
<td>0.872</td>
<td>0.000</td>
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<tr>
<td>2</td>
<td>Brand Loyalty</td>
<td>0.857</td>
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</table>

After operating Cronbach alpha Co-efficient method the researcher clearly identified two Cronbach alpha Co-efficient for buyer behaviour (0.872) and brand loyalty (0.857). This implied the responses of consumers were highly consistent at 87.2% and 85.7% respectively.
VALIDITY OF THE DATA

The Validity issues were carried out based on four step approach

- Face Validity
- Content Validity
- Discriminant Validity
- Nomological Validity

STUDY AREA

The study area taken up by the researcher was Chennai city. It consists of 15 Zones. The period of the study is confined to 2012-2016.

PILOT STUDY

A pilot study was conducted to ensure the validity of the questionnaire and to confirm the feasibility of the study. The pilot study was conducted with a sample of 100 respondents covering all the 15 Zones of Chennai City. The statements included in the questionnaire were subjected to the test of reliability using Cronbach’s Alpha Criterion. The reliability of the scale estimated by Cronbach’s Alpha is 0.931, which may be considered as adequate reliability. In the light of experience gained, the questionnaire was modified suitably for final study.

SAMPLING SIZE AND DESIGN

The study area comprises 15 zones of Chennai city and they were classified by the researcher to justify the sampling procedure adopted in the research.
### SAMPLING METHODOLOGY

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Zone in Chennai city</th>
<th>No. of Questionnaire circulated</th>
<th>No. of Questionnaire collected</th>
<th>No. of Questionnaires used for study</th>
</tr>
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<tbody>
<tr>
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<tr>
<td>2</td>
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<td>3</td>
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<td>4</td>
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<td><strong>529</strong></td>
<td><strong>529</strong></td>
<td></td>
</tr>
</tbody>
</table>

### QUESTIONNAIRE DESIGN

The questionnaire consists of 4 parts. Part I consisted of demographic and purchase details of the MLM customers. Part II was designed to know the buyer behaviour of MLM customers. Part III was designed to know the factors influencing brand loyalty of MLM customers. The questionnaire contained both multiple choice questions as well as Likerts 5-point scale.
The Likert scale ranged from 5 strongly agree to 1 strongly disagree. The respondents took a period of 20 days to 45 days to return the completed filled-in questionnaire.

STATISTICAL TOOLS

The primary data collected from the consumers was analyzed using SPSS V-20 (Statistical Package for Social Sciences) to obtain the results concerning the objectives of the study. Percentage analysis, factor analysis, cluster analysis, one way analysis of variance and multiple regression was applied to analyze the responses of the MLM customers demographic and purchase details, buyer behaviour and brand loyalty perceptions in Chennai.

FRAME WORK OF ANALYSIS

The primary data collected was analyzed statistically with the help of following statistical tools.

1. Simple percentage analysis was applied to find the demographic and purchase detail of MLM customers.
2. Factor Analysis was used to identify the predominant factors responsible for MLM Product consumption.
3. K-means Cluster Analysis was used to group the customers based on their buyer behaviour and brand loyalty perceptions.
4. One way Analysis of Variance (ANOVA) was applied to ascertain the significant influence of demographic and purchase details on the factors of buyer behaviour and brand loyalty of Multi-Level Marketing customers.
5. The multiple linear regression analysis was used to the relationship between the factors of buyer behaviour and brand loyalty.
LIMITATIONS OF THE STUDY

This study is not free from limitations. Primary data had been collected through questionnaire and the results of the study suffer from the limitations of such instruments of data collection. Adequate representation had been given to Chennai District but not for all districts of Tamil Nadu. The study covered 15 Zones of Chennai city. The study was conducted based on the consumer perception of the respondents of Chennai District. There can be other factors that could be included for assessing brand loyalty. This study relates to the impact of brand loyalty on buyer behaviour of MLM customers in Chennai. But the results cannot be applicable to all MLM customers in Tamil Nadu and whole of India.

CHAPTERISATION

Chapter I

Introductory chapter deals with the statement of the problem, need and importance of the study, methodology, sample description, and limitations of the study.

Chapter II

The second chapter contains the review of literature relevant to the present study.

Chapter III

Third chapter deals with the theoretical background.

Chapter IV

It deals with the demographic and purchase details of respondents and perception of customers as regards buyer behaviour.
Chapter V

Fifth chapter deals with perception of customers as regards brand loyalty of MLM products.

Chapter VI

It deals with summary of all the results obtained through statistical analysis to arrive at conclusions, scope for further study and suggestions.