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CHAPTER 2: REVIEW OF LITERATURE

2.1 Introduction:

This chapter is based on the previous study and the problems, challenges occurred in the area in past years. The aim of this chapter is to provide the reader with a literature review concerning the research area and topic selected for the present research. The researcher is trying to find out the gap between earlier researches published and unpublished work. The researches in the area were carried on the basis of characteristic of sales people involved in multilevel and single level marketing organizations; the chapter provides literature review on multilevel marketing, direct marketing or chain marketing.

2.2 Review of Journals & Research Papers:

2.2.1 Robin Croft and Helen Woodruft\(^1\), 1996, in his research paper ‘Network Marketing: The Ultimate in International Distribution?’ in Journal of Marketing Management highlights the mentioned points.

There is hardly serious material written about Network Marketing in general. Yet there is some data from a secretive industry which enables Network Marketing’s claim in respect of its universal appeal to be assessed critically. Using information included in Amway’s recent Pacific Rim flotation, this article assesses Network Marketing against six strategic criteria for channel management.

The research paper focuses on Japanese retail environment which characterized by large number of retailers and wholesalers compare to others. It is very difficult to enter in Japanese retail market because of high property prices and difficult to get retail space in suburban areas.
Against this background the world’s largest Network marketing organization Amway Corporation has got remarkable success in Japanese market.

In the period 1983-87 Amway was recorded as the fastest growing foreign organization in Japan. After establishing, within 10 years in Japan, Amway had become one of the 10th largest direct marketing organizations in the country with the leading ahead of long established rival corporations Avon Cosmetics and Tupperware. After 14 years setting up in Japan, Amway achieved net sales of $US 1.3 billion based on 8, 16,000 IBOs in Japan. Amway has become the 10th largest foreign firm in Japan, ranking among IBM, Coco-Cola. Amway’s success is cited repeatedly by the Japanese Ministry of International Trade and Industry.

Amway’s success in Japan and Korea further followed in the Pacific Rim Countries and achieved sales of $US 554 million.

For assessment of potential channels of distribution in International markets, author recommends six specific strategic goals as mentioned below.

Cost, Capital, Control, Coverage, Character and Continuity

With the help of these strategic goals the effectiveness of Amway’s Japan Network marketing can be examined critically and on that basis some conclusions can be drawn.

Conclusions of Robin Croft and Helen Woodruff:

On the basis of this research it is concluded that with the help of six strategic goals Amway network marketing is by no means uniquely suited to the Japanese retail market. In some cases like cost, capital, control, and
coverage network marketing has some advantages over conventional channels. In continuity of business there is severe problem of network marketing organization. However Amway seem to be successful because of unique nature of the Japanese retail environment, fundamental changes affecting Japanese society.

Researcher also suggested that Network Marketing has potential in certain product areas in certain cultures and economic environments, as an example

A. where there are strong social and family bonds,

B. where retailing is characterized by large numbers of small, independent outlets lacking specialized skills and

C. Where imported consumer goods have high perceived value.

After all network marketing: The Ultimate in International Distribution is debatable.

2.2.2 Anne T. Coughlan and Kent Grayson\(^2\), 1998, reveals in their research paper ‘Network marketing organizations: Compensation plans, retail network growth, and profitability’ in the International Journal of Research in Marketing as under:

Network marketing organizations, or NMOs, are retail selling channels that use independent distributors not only to buy and resell product at retail, but also to recruit new distributors into a growing network over time. Commissions and markups on personal sales volumes and net commissions on the personal sales volumes of down lines are the methods of compensation commonly used to motivate NMO distributors.
Conclusion by Anne T. Coughlan and Kent Grayson

In this paper, researcher develops, analyze, and calibrate a dynamic decision model of the growth of retail NMO. It shows how compensation and other model parameters affect distributor motivation, sales, and network growth and profitability. In short it is important for the distributor’s point of view to have a good compensation and incentives plans to remain in the business and earn reasonable profit.

2.2.3 Pratralekha Bhattacharya and Krishna Kumar Mehta\cite{3}, 2000, say in their research paper ‘Socialization in Network marketing organizations: is it cult behavior?’ in the journal of Socio-Economics as under:

Network marketing organizations like Amway have been successful in recent times. The average distributors associated to this network marketing organization earn very little money. Today 70 percent of direct sales revenues are generated by network marketing organizations. Network marketing organizations differ from traditional firms which don’t have any type of sales store and their distributor’s not only sales product but also recruit other responsibilities. These distributors recruit and sales among their friends, relatives and acquaintances.

Network marketing organization distributors social lives revolve primarily around parties, meetings, rallies, brand building seminars. Nu Skin annual convention in March. They gathered 13000 distributors in 1998 that came from Japan, Taiwan, Hong Kong, Korea, Thailand and Philippines Apart from these national and international affairs, there are various local meetings, parties and picnics organized under the network marketing organization banner. These meeting were very social and
motivational. The atmosphere was more that of social gathering. The Amway distributor’s social life heavily centered on other Amway distributors. These distributors become involved each other’s private lives and often describes themselves as family. There meeting are frequently characterized by display of joy, tears and pride.

Findings by Patralekha Bhattacharya and Krishna Kumar Mehta:

The findings of the research paper is network marketing organization have been doing very well in recent times. However, their success is unpredictable. The average distributors get very less money and they have formed close knit and exclusive social groups. Different individuals give different weight to social satisfaction. Social output is generated by social efforts and at the same time economic efforts also have some social productivity.

2.2.4 Michael G Pratt\(^4\), 2000, explains in his research article ‘The Good, the Bad and the Ambivalent: Managing Identification among Amway distributors’ in Cornell University Johnson Graduate School,

Michael G Pratt 2000 focused on The IBOs (Distributors) of Amway, a Network Marketing Organization (NMO) practices and process involved in managing IBOs identification. How organization attempts, succeed and fail to change and how members view themselves in relation to the organization. Amway IBOs have been found to exhibit both strong positive and negative relationship with other people.

Amway provides equal opportunity to all people regardless of background, nationality or other differences-to further their own achieving through personal effort and initiatives. This opportunity is not limited to those have special skills, education or large amount of capital
to invest. However, success in network marketing is possible who are willing to commit themselves to sincerely build their business relationship.

Amway also have predetermined levels which indicate the high volume of sales that a person has attained and serve as a measure of achievement. The most successful IBOs spend considerable amount of time for personally teaching new members how to build the business, it means how to sale the product and sponsor others. This personal training consists of books, tapes, literature and functions such as meetings, rallies and seminars.

Amway differs from traditional business. IBO’s initially do the business on a part time basis on paying of nominal joining fees and are not legally employees but act as an Independent Business Owner (IBO) and follow legal and ethical guidelines set by organization.

This research paper based on open ended interview for data collection, the respondents interviewed were active and inactive IBOs. Active IBOs means consistently developed business, sponsored others to become members (IBO) and regularly attended Amway functions. Inactive IBOs only renewed their annual membership in Amway.

Findings by Michael G Pratt:

After analyzing the data, the researcher found that the company attempts to manage member’s identification by managing how they make sense of themselves (IBO’s Identities) as well as their relationship with people within and outside of Network.

Michael G Pratt concluded that the three distinguished categories that are
lovers, haters of Amway and those who are neutral or ambivalent towards Amway are clearly defined. The lovers and ambivalent are potential members to develop the business. The other finding of Pratt is the company enhances its business through dream building of members and conducting programs for developing positive attitude towards the business and the company.

2.2.5 Peter J. Vander and William W. Keep, 2002, reveals in their research paper ‘Marketing Fraud: An approach for differentiating Multilevel Marketing from Pyramid schemes’ in Journal of Public Policy & Marketing as mentioned:

The researcher focuses how multilevel marketing is different from pyramid schemes. In 1996, the Better Business Bureau in the United States warned the Pyramid schemes of all over the country to terminate their operations. In 1997, a large percentage of Albanians lost their saving in two ponzy schemes, losses prompted citizens to riot, threatening the stability of the national government. During March 1998, the U.S. Securities and Exchange Commission (SEC) filed suit against International Heritage Incorporated, allegedly the largest pyramid schemes in SEC history till date. In May 1998, the Chinese government halted the operations of all direct selling firms because of the government’s inability to stop the growth of Pyramid schemes.

The researcher described the difference between MLM and Pyramid Schemes:

Multilevel marketing is a way of distributing products or services in which the distributors earn income from their own retail sales and from retail sales made by their direct and indirect recruiters. Members at any
level of a multi-level marketing model can make income through the company’s products and/or services without signing up any new members. As a form of direct selling, MLM involves non-store retailing based on face-to-face communication between a selling representative and a potential buyer. Contrary, pyramid schemes are only based on recruitment of members and there is no any product or services to offer and to generate the business.

A pyramid scheme is a non-sustainable business that involves the exchange of money, usually in the form of a sign-up fee, and usually has no product or service. The only people that are able to make money on a pyramid scheme are the people at the top of the pyramid and this may lead to a fraud and misguide the society.

2.2.6 Lawrence B. Chonko, Thomas R. Wotruba and Terry W. Loe⁶, 2002, explains in their research paper ‘Direct Selling Ethics at the Top: An Industry Audit and Status Report’ in the journal of Personal Selling and Sales Management as:

Ethics is important in direct selling organization. If ethics are not followed by sales people, it will contribute to loss to bottom line and indirectly lose customer. Self regulation by industry has become an important strategy in improving the ethical environment. This study audits the direct selling industries and their code of ethics as it complies with the Federal Sentencing Guideline(FSG) and establishes a benchmark against which subsequent ethics research in the direct selling industry can be compared.

In this research survey were sent to the 1700 direct selling corporate officers of 150 firm listed in the Direct Selling Association publication.
Out of which 286 officers replied their opinions.

Finding by Lawrence B. Chonko, Thomas R. Wotruba and Terry W. Loe:

The executive feels that opportunities for unethical behavior in direct selling may have lessened. There is some feeling that opportunities for unethical behavior in direct selling is less frequent than in other industries. Lawrence B. Chonko, Thomas R. Wotruba and Terry W. Loe concludes that there is less unethical behavior opportunities of practices in DSA members in direct selling than that of non members do direct selling.

2.2.7 **Michael G Pratt and Jose Antonia Rosa**, 2003, reveals in their research paper ‘Transforming work-family conflict into commitment in Network marketing organizations’ in Academic of Management Journal as under:

The article throws light on how network marketing organizations provide strong commitment to their members in this age of network marketing trends. Network marketing organizations don’t have the central business location and they spread all over the country. Members have to work independently taking support and guidance of their up lines. In this research, researcher gathered the data from multiple resources’ in respect to three Network marketing organizations namely Amway corporation, Mary Kay Inc. and the Longaberger Company. Direct Selling Association reports that since 1950s Network marketing organizations have multiplied and grown to engage millions of people around the globe. The three companies in this research study have been in existence between 30 to 44 years, had aggregated annual sales of over $10 billion worldwide throughout the 1990s. From the data analysis it is found that network
marketing organization members were sensitive to work-family conflicts as well as they expressed commitment to distributing.

Making workers into family practices is the important strategy for mentoring the people and get the things done by systematic way. The distributors noted that many friendships can be made through such type of work and have a good relationship and form good family. Bringing family into work practices involved physically and psychologically integrating a distributor’s family into work. They make family members part of their business. Network marketing organizations ask distributors to focus their initial sales and recruiting efforts on family and friends. Amway ask their distributors to set business goals and these goals are translated into dreams of what distributors want to attain. IBOs involve spouses and children in their goal setting and dream building. In this practices family can work together and stay together and enjoy the family life.

Findings by Michael G. Pratt and Jose Antonia Rosa:

The researchers found and suggest that organization can help their members to manage the work family interface in ways that affirms the importance of family members and also increase their commitment to their work.

2.2.8 Ming Ouyang and E Stephen Grant\(^8\), 2004, says in their research paper ‘Mechanism of Network Marketing Organizations Expansion as Pyramid Structures’ in Journal of Management Research as under:

The researcher focuses on a theoretical model of NMOs (Network Marketing Organizations) behavior rational and illustrates how NMOs convert social network into sales opportunity by incorporating the size of
sales force with individual contacting rate and sales people’s persuasive rate.

The NMO label is particularly descriptive because unlike single level direct selling organizations, sales in NMOs are dependent upon the active recruitment activity of direct salespeople who recruit, train, and supervise new direct salespeople who become part of recruiter’s downlink. In return the recruiting salesperson receives compensation for the sales of downlink members as well as their own sales. This promise to pay downlink commissions serves as a powerful incentive to accept membership in NMOs.

Single level (SL) direct selling organizations do not depend upon the functioning of a multilevel network but they focus exclusively achieving compensation based on their own sales.

Findings by Ming Ouyang and E Stephen Grant:

The author tried to find out how NMOs capitalize social network into sales opportunities. Finally author developed the model which is capable of proving various real situations in NMOs practices.

The model suggests that, the successful NMOs are those with the contact rate and the persuasive rate dominating the quitting rate i.e. how many people an IBO have contacted and persuade them is higher than how many people quit the organization. Unsuccessful NMOs are those with the quitting rate is dominated the contact rate and the persuasive rate i.e. how many people leave the organization is higher than how many people contacted and persuade.
2.2.9 James A. Muncy⁹, 2004, in his research paper ‘Ethical issues in multilevel marketing: Is it a legitimate business or Just another Pyramid Scheme?’ in Marketing Education Review as under:

The research paper emphases on marketing and sales class’s students showing interest in multilevel marketing program for advice this students approaches their marketing professors. In this case marketing educators need to be able to help their students differentiating ethical, legitimate business opportunities.

In this research paper researcher ask the students; ask themselves five questions to ascertain ethical and legitimacy of multilevel marketing opportunity. If company is fulfilling all legal obligations but it does not mean all its practices are ethically correct. Some time a person who is not employed or distributor recruits the other person it means he is doing unethical marketing. Though multilevel marketing organizations it may not be an illegal or unethical, a particular recruiter may engage in illegal or unethical practices.

The research paper throws light on the brief overview of multilevel marketing industry and the problem faced by this industry.

The following questions that students should ask themselves that will give them simple yet practical advice when trying to determine the legitimacy of multilevel marketing organization opportunity.

Q1 How is the money being made?

Q2 Are the product legitimate?

Q3 How much it cost to be involved?
Q4 How much work is required?

Q5 How long has the company been around?

With the help of these questions students can get idea about the legality and ethicality of the multilevel marketing organizations.

Conclusion by James A. Muncy:

The researcher concludes that because so many ethical problems exist in this industry, educator may be tempted to advise students to avoid multilevel marketing activities.

On the contrary, direct selling provides a great framework for the classroom within which to evaluate ethical issues in marketing.

2.2.10 Claudia Rawlins and Pamela R. Johnson¹⁰, 2005, in their article ‘Let’s Party: The Remarkable Growth in Direct Sales’ in Allied Academies International Conference Proceedings of the Academy of Organizational Culture, Communications and Conflict as under:

United States’ retail sales industry grew less than 3 percent per year over the decade between 1994-2003 and United States’ direct sales industry grew at the rate of 7.1 percent per year. Direct sales totaled nearly $30 billion in 2003, and topped $85 billion worldwide.

This article investigates the cultural factors that are contributing to this increasing trend. The factors which influenced to growth in direct sales include: Cocooning – the desire to perform the majority of social and cultural interactions from home rather than by going outside, new concept of marketing, differences in male and female satisfaction to factors of retail selling, and gender biases in corporate earning potential.
Direct selling is a distribution method where products are sold by an independent product consultant or representative directly to the end user. Direct selling is also called interpersonal selling or face-to-face selling.

Mary Kay, Avon cosmetics, Fuller brushes, Stanley home cleaning products, Pampered Chef cooking products and Kirby vacuum cleaners have always been sold direct to the customer through door-to-door or in-home party sales.

Avon was founded in 1886, and through direct sales has grown to 4.9 million sales representatives selling $7.7 billion dollars worth of products. Mary Kay started her company in 1963 using direct selling methods she learned from selling Stanley Home Products door-to-door. The company now has 1.3 million sales representatives who sell $1.8 billion dollars worth of products.

The Pampered Chef was started in 1980 and now has 70,000 direct sales representatives. Warren Buffet was so impressed with the company, that in 2002 he bought it as part of the Berkshire Hathaway family of companies. All these direct sales programs use independent consultants who established products at home parties. GNO is a new acronym widely understood in the direct sales industry to stand for Girls’ Night Out, Guys Night Out, or Group Night Out, depending on the product being sold. In 1992, futurist Faith Popcorn identified a cultural trend and could be expected to influence business over the next ten years. She named the trend Cocooning – the desire to perform the majority of social and cultural interactions from home rather by going outside. (Popcorn, 1992) In her 1998 book, clicking, she expanded the idea, citing examples of how the internet and E-commerce was enabling the trend (Popcorn & Marigold, 1998).
Direct selling allows consumers to buy from the safety of their homes, growth in the Cocooning trend benefits direct sales companies. The Direct Selling Association reports that 55 percent of Americans purchase goods or services through the direct sales channel (DSA, 2004).

According to Trendwatching.com, an international trend agency headquartered in Amsterdam, a new cultural trend is developing called Tryvertising (www.Trendwatching.com, 2005). Rather than mass advertising, Tryverting companies allow consumers to make up their minds based on their experience with a product, rather than as a result of a marketing message.

According to the U.S. Direct Selling Association, 79.9 percent of direct sellers are female. The author, when asked why they went into direct sales, 31 percent replied it is the business I am in. Other reasons were to earn additional income, to receive discount/wholesale prices. Studies have shown that women consumers have different expectations of the shopping experience than men. The direct sale Party presents products in a way which meets these expectations of women. The consultant is selling only one product line, and thus has excellent product knowledge. The product is demonstrated, so the customer also gains excellent product knowledge. Because the products are sold in a casual in-home atmosphere, the customer does not have to wait to gain the attention of the retail clerk, and thus waiting time is not an issue.

Conclusions by Claudia Rawlins and Pamela R. Johnson:

Multiple cultural trends have combined, with the result that direct sales are growing at over twice the rate of standard retail sales. Cocooning, tryvertising, the glass ceiling, and differences in gender expectations of
the shopping experience will most likely result in the continuation of growth in direct selling practices.

2.2.11 Thomas R Wotruba, Stewart Brodie and John Stanworth\textsuperscript{11}, 2005, says in their research paper ‘Differences in Turnover Predictors between Multilevel and Single level Direct Selling Organization’ in International Review of Retail Distribution and Consumer Research as under:

The study focuses on Turnover of Salespeople of direct marketing organizations which impact on size and continuity of revenue generation of salespeople. The turnover rate of direct selling organization is high and intention to quit differ significantly between Multilevel (ML) and Single level (SL) forms of direct selling organizations.

Turnover is often used synonymously with quitting or attrition of members. Direct salespeople are self employed, not company employees and therefore they have to develop some as skills and characteristics for development of their business. Their compensation and incentives are based on individual sale and sale of their down line as they are not getting any salary from organization.

Direct selling firms operates fewer than two organizational structures namely Multilevel (ML) and Single level (SL). In multilevel organization, direct selling people recruit, train and supervise other direct selling people who become part of the recruiter’s down line. In single level organization, salespeople do not build an organization through recruiting and training but concentrates on selling and getting compensation on their own sales.

Recent evidence shows salespeople in these two types of selling firms
have some specific differences in personal characteristics, attitude and behavioral measures. Multilevel shows significantly greater organizational commitment than single level organization.

The data was collected from 22 member companies of the Direct Selling Association in the U.K. Each company sends a mail questionnaire to a sample of their salespeople. Selection of companies was based on gaining adequate representation of ML and SL salespeople. Out of the 722 responses received from 4050 mailed questionnaires.

Conclusion by Thomas R Wotruba, Stewart Brodie and John Stanworth:

Finally authors conclude that intensity to quit is significantly greater for single level than for multilevel salespeople.

Multilevel and single level respondents were compared on the basis of demographic and personal history variables and found that there is a significant differences in age (SL are younger), education (SL are less educated), income (SL have lower income), experience (SL other selling experience while less experience in self employment).

2.2.12 Delgado and Hector\textsuperscript{12}, 2006, says in their research paper ‘The Impact of the Recruiting and Training Practices on the Satisfaction and Success in the Network Marketing Distribution Channel’ in the Journal of Business Logistics as under:

The network marketing distribution channel has experienced a constant growth during the last decades. It began nearly fifty years ago with the marketing of detergents and cosmetics. Today, the network marketing channel distributes all kinds of tangible goods as well as a variety of services. In 1994, 17 million participants worldwide generated $68 billion
dollars in sales in the network marketing channel.

This research examines the impact of the recruiting and training practices. Additionally, it incorporates a study of the upline support, within the context of this industry, on the satisfaction and success levels of the participants. The recruiting phase is characterized by an aggressive "employee" (potential participant) search by the "employer" (upline), which concentrates around the recruiting of relatives and acquaintances. The training program is handled by existing participants who, by virtue of their experience in the current network marketing company assume the role of trainers.

This research examines the impact of this practice on the satisfaction and success levels of its participants.

Finding by Delgado and Hector:

This research examined the impact of upline support on its network. In the same manner that conventional employees perceive immediate management and organizational support. Network marketing participants are affected by the support they perceived from their upline. The results indicated that the recruiting method had no effect on the satisfaction and success levels of participants. However, the results suggested that the success and satisfaction levels of the participants were affected by the recruiting practices of the network marketing industry. The results also suggested that the satisfaction and success of the participants were affected by the training practices of the network marketing distribution channel. It appears that the trainer's lack of training does have a negative effect on the trainees. Similarly, the level of management involvement was found to be positively related to the level of satisfaction and success.
of the participants.

2.2.13 John R. Sparks and Joseph A. Schenk, 2006, reveals in their research paper ‘Socialization Communication, Organizational Citizenship Behaviors and Sales in a Multilevel Marketing organization’ in the journal of Personal Selling and Sales Management:

Multilevel marketing organizations (MLMs) are rapidly growing but often controversial businesses that account for about 75 percent of retail goods and services sold through direct selling channels, the Direct Selling Association (2004) claims. In 2003, MLMs produced over $22 billion in sales, with an overall membership of just fewer than 11 million people. Moreover, during the past 10 years, the industry has enjoyed average annual sales growth of approximately 7 percent. Accompanying this growth is an ever expanding range of goods and services sold through MLMs which includes household’s cleaners (Amway), nutritional supplements (Shaklee), cosmetics (Mary Kay) and cooking accessories (Pampered Chef).

Sparks and Schenk describe MLMs as network of member distributors whose earning come both from selling products and recruiting new members. According to Peterson and Wotruba MLMs fall under the more general category of direct selling organization means any face to face selling activity away from a fixed retail location.

Data was collected from medium sized MLM corporate producer. Using its national membership database, the MLM corporate producer randomly selected respondents for this study which includes sponsoring and recruiting members. Corporate producers provided with 2,221 members’ name, consisting of 1,883 recruits and 338 sponsors. Sponsors received a
questionnaire for each of their recruits and were asked to evaluate their recruits’ organizational citizenship behavior. Conclusion by John R. Sparks and Joseph A. Schenk:

The socialization communication recruits report of their sponsors, the more organizational citizenship behavior sponsors report for their recruits. Thus sponsors who train effectively, who transmit more information about the MLM to their recruits and who communicate regularly with their recruits produce better organizational citizens.


The research paper focuses on how the friendship is affected on business relationship and how it can be beneficial as well as it can also create conflict. The reason of the conflict is incompatible relational expectations. But free friendship is not affected by money, status and business relationship.

In this article researcher examined the potential conflict between friendships and business relationships by presenting an empirical test of whether this conflict can have an effect on business outcomes. The data collection and sample characteristics are collected from four network marketing organizations that are members of Direct Selling Association. Out of four companies one is kept anonymous and from remaining, one market vitamins and dietary supplements, second markets skin and beauty products and third markets household product. All three have been operating for more than 15 years. At the time of survey, each company reported a distributor network size greater than 5 Lakhs and annual worldwide sales greater than $500 million. The survey was mailed to
2850 agents and 685 were responded.

Suggestions by Kent Grayson:

The data was collected from 685 direct selling agents; provide evidence that the conflict can have a negative impact on business outcomes. The author also suggests that when friendship become influenced by business role expectations, the effects are stronger than when business relationship become influenced by friendship role expectations. Most importantly, finding of this study do not lead to the additional conclusion that friendship are entirely bad for business. Instead they shed light on how and why the effect of friendship on marketing relationship can become positive and negative.

2.2.15 G K Mathews, Dr. James Manalel and Siby Zancharias\textsuperscript{15}, 2007, - ‘Network Marketing: Exploitation of Relationship-Myth or Reality’ in International Conference on Marketing and Society.

The researcher in International Conference on Marketing and Society elaborated the relationship of Independent of Business Owners (IBOs) with their friends, relatives and colleagues in network marketing. Network marketing is first introduced by Amway Corporation in 1950s in USA and now gaining momentum in India.

The utmost advantage of Network marketing is not only the commission paid on sales of IBOs but also they will get the commission from the down line i.e. recruiters.

The total turnover of network marketing companies in India was estimated at Rs.30104 crore in 2005 with an annual growth rate of 25%. The Indian Direct Selling Association (IDSA) facilitates membership to
genuine marketing companies. IDSA had projection for 2010 for network marketing industries was Rs.8000 crores.

The National Council of Economics Research mentioned the Indian middle-class was projected to grow from 1.1 crore households in 2005-06 and was expected to be 2.9 crore in 2009-10. Therefore the above figure justifies the growth of network marketing in India. Still the consumer often has negative perception of direct selling organizations and network marketing organizations in India.

The objectives of the study are very specific which includes examining the exploitation of the relationship in network marketing and to study the IBOs of network marketing companies having a positive attitude towards the organization.

The study was based on primary data derived through customer’s survey using questionnaire methods. The research was carried on Amway Corporation the multilevel marketing company and its consumers in Kerala, India. The questionnaire was consisting of what motivated them to join Amway whether the decision was rational or emotional, whether the organization is popular or not. The chi-square test used for the analysis of the data.

Conclusion by G K Mathews, Dr. James Manalel and Siby Zancharias:

The study reveals that there is exploitation of relationship in network marketing. People start their business with network marketing because of persuasion by friends, relatives and colleagues. Network members who were in the business for the last two years, contacted relatives more than the friends and colleagues to join the business as a channel member while those who had more than two years experience contacted friends more
than relatives and colleagues. In short the network marketing exploits the relationships namely friends and relatives.

2.2.16 Robert A Peterson and Gerald Albaum\textsuperscript{16}, 2007, explains in their research paper ‘On the Ethicality of Internal Consumption in Multilevel Marketing’ in journal of Personal Selling and Sales Management as under:

The study focuses on ethicality of internal consumption in MLM. Internal consumption means when IBOs in MLM organization purchase and consume the products and services of their organization. The research paper emphases on internal consumption are common, everywhere in any organization and such criticism of this aspect of multilevel marketing as being unethical and fraudulent are misplaced.

MLM is non-store retailing and assumed that all IBOs are non-salaried IBOs whose compensation results from sales commission and profit margin added to maximum retail price.

Direct Selling Association mentioned that, in 2004 there were 13.6 million IBOs in US who collectively generated nearly $30 billion in sales. The compensation structure of MLM refers where IBOs earn income from their own sales and commission from sales made by individuals to whom they have recruited into MLM organization.

Conclusion by Robert A Peterson and Gerald Albaum:

The study concludes that there does not seem to be anything inherently unethical about IBOs purchasing products and services from MLM organization or any other organization at discounted rate. It has been observed that MLM IBOs tends to sale their products and services that
they personally use.

Specifically proprietary research shows that MLM IBOs personally use the product and services because they like it and they wants to share their experiences with others.

2.2.17 P. Sreekumar17, 2007, says in his article ‘A Study of Multi-Level Marketing (MLM), as a Potential Tool for Socio-Economic Development’ in International Marketing Conference on Marketing and Society as under:

Multi Level Marketing (MLM) is embracing more and more areas nowadays. Insurance business is just one amongst them. Selling Insurance policies, traditionally, is considered as a de-motivating and dragging job. With the competition heating up in the Insurance sector, companies are looking for innovative methods to spread the message and garner maximum business in shorter time. Many local MLM companies having quite large spread in the market are joining hands with leading insurance brands to promote their products along with an assortment of their own products. Insurance sector makes available long term debt for the economic development of the country. At the same time, the MLM route provides employment opportunities to lakhs of people and enhances their social status. The MLM members also get tremendous opportunity to develop themselves personally. This multiple role of MLM companies can be looked at as a social contribution and these companies or cooperatives are emerging as a development oriented social movement. This article studies the economic and social impact of MLM as a tool which can influence society through employment generation, mobilizing long term funds and improving quality of life of people.
Successful Personal selling based on referrals is the key to ensure regular expansion of customer base and building long term customer relations. A country like India offers immense potential to build well run marketing networks to promote consumer goods and appliances. Conventional marketing may become slow or stagnated over a period of time. Multi level marketing may be the turnaround tool in such situations. This paper presents a study on the proliferation of MLM in the Insurance Industry and analyzes the reasons for its apparent success so that further improvements and extension in to similar businesses can be considered.

It is common knowledge that MLM works on the concept of time leverage. A work to be done in 100 days can be completed in one day if an IBO have 100 people under his chain. IBO can earn some incentives for the work done by each of these 100 people.

Network plan or income schemes vary from company to company. The more reputed companies in MLM in India and abroad are Amway, Modicare, Oriflamme, and Tupperware. All these companies have web based information system where member can monitor the growth of his down line memberships. The visible part of the network is a distribution centers and weekly meeting of members and prospective members to explain the business plan, demonstrate products and how to contact the people. Ones the member becomes part of the MLM network he can expand his down line network by making more and more members join the network. He has to make use of all his contacts and connections among friends, relatives and invite them to join the network.

In depth study of the MLM concept is conducted using literature survey and interview with company personnel. Data on the business plan with respect to incentives or total earnings is analyzed in comparison with a
traditional entrepreneurship business.

Conclusion by P. Sreekumar:

A MLM member who is actively participated and involved in the business will get opportunities to attend weekly meetings, share his success stories with other members, and get reward for performance. This will also provide opportunities to improve their presentation skills, communication skills, motivation level and interpersonal skills. Many people realize their true potential and selling skills after joining a good MLM network. Therefore MLM members look at the business as income, fun, and self development. Networks with membership numbers in few lakhs are providing employment opportunities for unemployed youth and other sections of the society. By mobilizing the large amount of funds through products and services they indirectly help the economic progress of the country. The early negativism in the society about multinational companies likes Amway is gone now and they can play an increasing role by creating jobs and mobilizing long term funds.

Gap Findings:

The role of Independent Business Owners (IBOs) is very important for the success of every business. Like quality, services and availability of the product, the intermediaries like IBOs are equally responsible for growth of organization. Based on this thought it becomes necessary to compare IBOs satisfaction level with respect to different parameters like Personality Development, Life Style, Assistance in Business Development, Business Security and Income Level.

No study was undertaken to find out the percentage contribution of above factors. In order to fill up these gaps the topic “Comparative Study of
Independent Business Owners with Special Reference to Role of Amway India Enterprises in Pune and Pimpri Chinchwad Area” has been selected for the study. The body of literature reviewed in this chapter has concentrated on the following areas.

- MLM has potential in certain culture where economic and family bounding is strong.
- IBOs compensation and incentives plan are important to remain in the business.
- MLM organizations attempts to manage IBOs identification and their relationship within and outside of distributors.
- Pyramid schemes, Attrition Rate of IBOs. Up-Line support, Satisfaction and Success of IBOs were affected by training practices, Friends and relatives in MLM, Family members in MLM.
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