

# A SYSTEMATIC REVIEW ON MULTI-LEVEL MARKETING STRATEGY IN BUSINESS

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**Abstract.** Multi-Level Marketing also known as Network Marketing is an exceptionally interesting strategy for the distribution of goods and services. Multi-level Marketing is a strategy used by some direct sales companies to sell products and services. The revenue of the company is made from a non-salaried working force who sell the products or services of a company. This strategy spurs the existing members to promote and sell their offerings to other individuals and bring on recruits into the business. The existing members who bring recruits into the business are paid a certain per cent of the sales made by the recruit. In Multi-Level Marketing, payments to the participants are made from 2 revenue streams. The first one is sales commission received directly from selling the product or the service and the second revenue stream is from the wholesale purchases made by the other sellers whom the participant has recruited to also sell the product. This multi-level marketing program involves the use of networks for sales and to recruit new participants. The objective of this review study was to present a systematic review on multilevel marketing strategy in business. To achieve the intended objective of the study, 5 previous published articles were searched on different databases by defining the inclusion and exclusion criteria. The articles that have full text accessed were included in the review. The findings of the study showed that multilevel marketing strategy proved to be good strategy in business.

**Key Words:** Systematic Review, Multi-level Marketing, Business

## 1. INTRODUCTION

Multi-level Marketing is a strategy used by some direct sales companies to sell products and services. The revenue of the company is made from a non-salaried working force who sell the products or services of a company. This strategy spurs the existing members to promote and sell their offerings to other individuals and bring on recruits into the business. The existing members who bring recruits into the business are paid a certain per cent of the sales made by the recruit. Now the recruits are in turn encouraged to make sales to earn money. Many MLM schemes are legal but there are illegal operations that are run as pyramid schemes (Wednescha, 2019).

In Multi-Level Marketing, payments to the participants are made from 2 revenue streams. The first one is sales commission received directly from selling the product or the service and the second revenue stream is from the wholesale purchases made by the other sellers whom the participant has recruited to also sell the product. This multi-level marketing program involves the use of networks for sales and to recruit new participants. Thus, also known as network marketing. There can be even thousands of participants according to the size of the company. All members at all levels receive some form of commission as long as they keep on recruiting people. It takes the shape of a pyramid. The people sitting at the top earn the most money out of it and the other people earn less as it moves towards the bottom. Thus, it can be also called pyramid selling (Greenberg, 2021).

Multi-level Marketing is also a very controversial marketing strategy and is often compared to pyramid schemes. Since the pyramid scheme is illegal, this marketing

strategy frequently becomes a subject of lawsuits. When an organization more focuses on recruitment than selling its products or services, then it can be doubted that maybe it is working under a pyramid scheme. There are a lot of examples of multilevel marketing in the corporate world. Multi-level Marketing is a fast growing phenomenon all over the world. The thing which attracts people of all age groups is the fact that anybody can become a member of this chain and build a network by connecting more people and they can start earning without having to sacrifice their current occupation nor there is a requirement of any additional investment (Wrenn, 2022).

Multi-level marketing, also was known as network and/or referral marketing, is a form of direct selling and a marketing strategy in which the marketer works as an independent distributor of a product or service where the marketer profits not only from their own sales, but also by recruiting other distributors. MLM has become a well-established and successful business model over the last few decades. The model has been implemented successfully in different industries, e.g. wellness, cosmetics and personal care; however, few efforts have been made to explore the potential of MLM for hotels (Wong & Nasir, 2019).

Multilevel marketing is a way of distributing products or services in which distributors earn income from their own retail sales and from sales made by other direct and indirect recruits, that is, people they have recruited to sell, and people their recruits have recruited, into the direct selling organization as distributors. Technically, multilevel marketing is not a type of marketing but rather is a form of compensation in a direct sales company where the salesperson can earn money on his or her own personal retail sales and also on the sales of people he or she personally recruited into the business and on the sales of people recruited by their recruits. A distributor's own sales include products consumed by the distributor himself or herself, that is, internal consumption. Thus, MLM companies are direct selling organizations that depend on personal selling, and that reward distributors for (1) buying products, (2) selling products, and (3) the Buying and sales made by individuals they recruited to become distributors (Msosa, 2022).

Although recruitment of others to join an MLM network is encouraged, no rewards are given for the simple act of recruitment. The only rewards from recruiting others come from the sales made, and the consumption by, those recruited. True multilevel marketing involves the development of a legitimate retail selling and distribution network that grows by social networks. Such organizations sell really goods and/or services and do not ask distributors to take significant financial risks. Since the MLM distribution organization works at different levels, distributors can order goods directly and collect commissions directly from the company. This is known as direct fulfillment, as opposed to indirect fulfillment, whereby so-called down line distributors must work with 4 their up line 'masters' for product ordering and distribution and for the payment of bonuses received. As in all forms of direct sales, MLM distributors buy the products or services they sell or consume themselves from the MLM Company and then add a profit margin for sales made to consumers not in the MLM organization (Mahdi et al., 2023).

### **Understanding Multilevel Marketing**

Multilevel marketing is a legitimate business strategy commonly used by businesses that rely heavily on sales to generate revenue. Unlike traditional sales channels, multilevel marketing programs use of networks for sales and to recruit new participants. As such, they're often referred to as network marketing (Nadlifatin et al., 2022).

### **Objectives of the Study**

The objective of this review study was to present a systematic review of the literature on the multilevel marketing strategy in business.

### **Research Question**

How does the multilevel marketing strategy effect on the business of an organization?

## **2. LITERATURE REVIEW**

MLM is a type of compensation structure, and it can be defined as a form of direct selling and a distribution method where distributors are non-salaried, can earn income from their sales of a product or service and can also generate a percentage of the sales executed by the people they recruit for the company. Furthermore, the distributors are commonly independent contractors that distribute their products and recruit new members through non-traditional channels, such as door-to-door sales, sales appointments and product parties. Hence, this type of activities reduces the involvement of the retail store, reducing distribution costs for the multi-level firms. The distribution and growth of these networks also heavily rely on peer relationships (Lee et al., 2019).

There are different studies describing the importance of peer influence in the international growth of a firm. Given that this industry heavily relies on recruiting, their business activities constantly come under questioning as they are blamed of conducting pyramid schemes. Some studies have differentiated and discuss the ethical issues between pyramid schemes and MLM. In pyramid schemes, a member makes an investment to receive authorization to recruit others and collect a commission when those recruit others to join the scheme. While legitimate MLMs must monitor their independent distributors to make sure that they are conducting retail sales and charge low entry fees to market their products (Shu-Chuen & Lee, 2018; Wang et al., 2019).

Considering that MLM, or network marketing as it is also known, the growth of these companies usually depend on family ties. Pratt and Rosa (2003) found in their analysis of 3 network marketing companies, including Amway, that these companies placed a high importance in the non-work lives of its members. Also, these companies encourage their distributors to recruit others from their social and family networks. Thus, they encourage members to bring their family into the business physically or psychologically. In the same manner, the companies build a system of family by developing family like bonds between current distributors and new members. When companies like Amway reach markets, one of their methods of expansion is their effective recruiting and retention techniques.

### **Advantages of Multilevel Marketing**

#### **1. Passive Income generation**

Multilevel marketing is a great way to generate passive income for homemakers, students, regular employees, and retirees. An individual just got to place the bricks in the right place to meet the right customers and pitch the business scheme to others who seem interested. The next step is to familiarize them with the possible income benefits and help them earn passive income as they add more distributors and customers in the downline. Literally, anyone can start earning within a couple of months after joining the network marketing and understanding its model.

#### **2. Easy way to start a business**

Working extra hours can be stressful; working on a different business model with complete freedom, and opportunities is the alternative to ease your way to start a business on your own with a bit of investment. You can buy products as a customer with a little cost and once you are eligible to be a distributor, you can start selling the product or let others join in to extend the network.

#### **3. MLM is the Best Work from Home Opportunity**

Work from anywhere, log on from your computer, check the progress status, contact new prospective customers via phone, and crack the deal. That's all you need to do

being an MLM distributor. The freedom to work from home is probably the best possible advantage of Multilevel Marketing you can have.

#### **4. Income Growth**

Add a little more to your regular income by joining a network marketing business. Provided you have the freedom to meet customers and sell products anytime you please, you get a chance to boost your overall income. The income keeps adding further even if you cannot find time to sell the products because the other end is secured as you join more distributors in the downline. All that matter are downline commissions, and bonuses earned when the subordinate distributors meet their performance goals.

#### **Disadvantages of Multilevel Marketing**

##### **1. Network marketing is not for everyone**

You need to dedicate time, invest money, and participate in understanding the business model if you are entirely new to MLM. That's where multilevel marketing business can fall short. Most of the distributors are part-timers, and it's hard for them to find time to get face-to-face with the customers and other marketing professionals when required.

##### **2. Face-to-face interaction can be difficult**

Work from Home or this work is for everyone irrespective of their age are common catchphrases of MLM companies. Sociable skills are highly required in the multilevel marketing business, and if you don't have them, there are fewer chances to grow. Many people who enter the network marketing field for the first time aren't used to talking to strangers or discussing the pros and cons of their product. That's why a majority of representatives sell to their families and no one else.

##### **3. It takes time to grow**

Income can never generate overnight; you go to work for it. It entirely depends on your skills and convincing power how to make the most of it. MLM Network might seem like an easy way to make money, but as an independent agent, what you're doing is creating your own business without it officially being your own business.

#### **3. RESEARCH METHODS**

The articles related to the multilevel marketing strategy in business were searched on the different databases including Scopus, ERIC, Web of Science and DOAJ. A total of 5 articles were finalized for the study.

#### **4. RESULTS AND DISCUSSION**

The objective of this review study was to present a systematic review of the literature on the effect of multilevel marketing strategy on a business organization and the research question regarding this objective was "How does the multilevel marketing strategy effect on the business of an organization?" To achieve the intended objective of the study and to find the answer of the research question, the previous published articles were reviewed and the results of these articles are presented in table 1 as:

**Table 1: Results of the Studies Reviewed**

<b>Sr. No</b>	<b>Reference</b>	<b>Country</b>	<b>Results</b>
1	Keong and Dastane (2019)	Malaysia	The research findings show that company image, leadership, distributor rewards system and distributor training system were supported and are factors affecting the

			sustainable competitive advantage of MLM companies in Malaysia.
2	Cengiz (2020)	Turkey	The big majority of participants express that they are pleased to be in MLM job.
3	Siahaan (2014)	Indonesia	The result of the study finds that entrepreneurial competency and commitment simultaneously have a significant influence to the career success of MLM distributors.
4	Selamet et al. (2022)	Indonesia	This study shows that the multilevel marketing strategy have a positive effect on Sustainable Business Growth
5	Li (2014)	China	The findings of this study showed that multilevel marketing strategy improved the business of a firm.

## CONCLUSION

The objective of this review study was to present a systematic review of the literature on the multilevel marketing strategy in business. The results of the study showed that multilevel marketing strategy has a significant effect in the business sector.

## Conflict of Interest

No competing interest was found between the author/s.

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