

OPPORTUNITIES AND CHALLENGES IN MULTILEVEL MARKETING

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Abstract

India has a serious unemployment issue. Despite having a high literacy rate, people do not always receive employment that matches their skills. Unemployment became a major issue for people during the COVID-19 pandemic. The network marketing sector has benefited people in this pandemic circumstance because it gives people the opportunity to work in a business that is easily handled from home. More than 1,000 individuals may attend meetings using the Zoom software, which can be used with just a smartphone and an internet connection. In addition to these benefits, there are a few drawbacks that consumers should take into account when selecting a multilevel marketing company for their business. In this article, we will study some advantages and disadvantages of multilevel marketing and the role of the multilevel marketing industry during the COVID-19 pandemic.

Keywords: - unemployment, covid-19, multilevel marketing, network marketing.

INTRODUCTION

Multilevel marketing (MLM) is the most commonly used term in the world for multilevel marketing. Network marketing and referral marketing terms are also used for MLM. It is a specific type of direct selling. In this marketing system, products are directly sold by the producer to the customer through the company's agents and investors. In addition to receiving pay for their own sales, these investors and agents also get commissions on the sales of any product or service they promote. The success of network marketing depends on the capacity of its distributors and agents to distribute and sell companies' products and ideas to others through personal recommendations, direct sales, and digital marketing. The distributor, who may or may not be self-employed, is the most crucial component of the business model, which is divided into many levels. As part of MLM, a distributor may make money in two different ways: by selling the product directly to customers and by recruiting new distributors. The upper-level distributor receives a share of the sales made by the downline distributors' revenue.

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Direct selling (multi level marketing) model

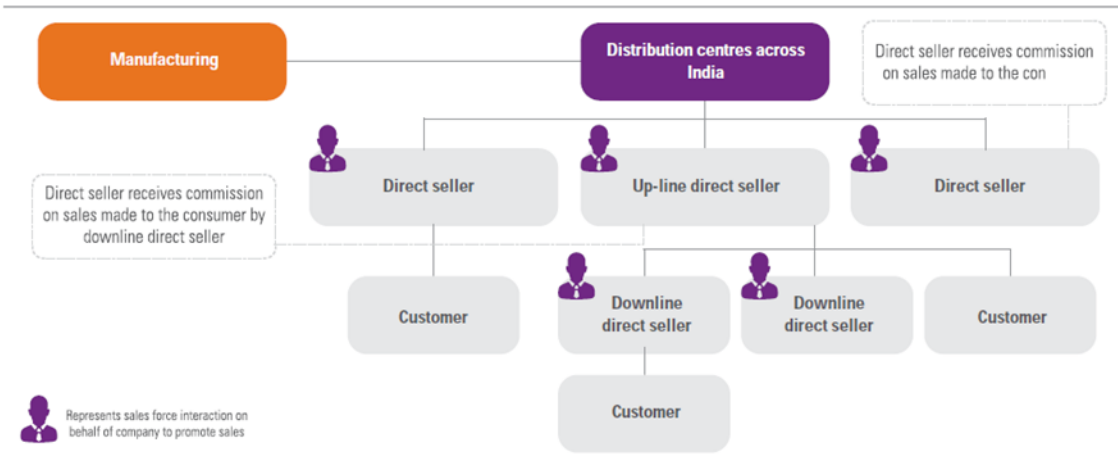


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Traditional consumer goods retail model

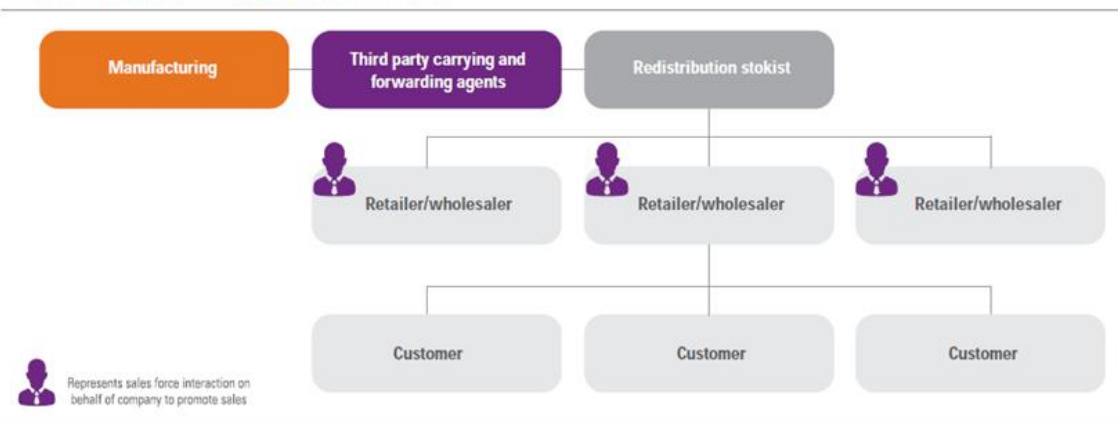


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MLM has proved to be economically helpful in the COVID-19 outbreak. MLM company growth has increased more than ever during the COVID-19 epidemic. MLM offers you the opportunity to start generating money right away by having a minimum-risk investment in the initial goods or services that will be offered.

OBJECTIVE

To know the opportunities and challenges of Multilevel Marketing business.

RESEARCH METHODOLOGY

Secondary data such as articles, research papers, journals related to Multilevel marketing has been used for the study.

➤ Advantages of Multilevel Marketing business which can be consider as an opportunity

A source of passive income for people

Multilevel marketing offers a great option to earn a passive income for homemakers, students, and regular and retired employees. Firstly, you just need to meet the right clients and present the business plan to those who appear to be interested. After that, educate them on the potential financial rewards and assist them in earning passive income as they recruit other distributors and clients into their downline. After joining network marketing and understanding its strategy, anyone can start earning in a few months.

Easy to start a business

A multilevel marketing business is easy to start because of the low initial investment. In this business model, anyone can buy products as a customer with a little cost, and once you are eligible to be a distributor, you can start selling the company's products and recruit other people as his downline.

Work from Home Opportunity for people

Work from any location by logging on to your computer, reviewing the current status, calling new potential clients, and closing the sale. You may become an MLM distributor by doing just that. The opportunity to work from home is most likely the finest perk that multilevel marketing can provide. In contrast to genuine marketing, there are no additional skills you need to develop in order to advertise services or products. This business plan provides the best approach to starting a business with your family and close friends.

Additional income

By joining a multilevel marketing business, you can add a little more to your regular income. You have the possibility of increasing your total revenue if you are free to meet consumers and offer products whenever you want. As you add new distributors to your downline, your revenue will increase even if you don't have time to make sales of the products. The only things that count are the downline commissions and incentives that the subordinate distributors receive when they achieve their performance targets.

Building network by meeting new people

In the multilevel marketing industry, there are constantly new individuals to meet and new relationships to establish. The MLM company offers you numerous advantages if you enjoy attending personal meetings, MLM provides the best opportunities and converting leads is one of them. You may increase your revenue and improve the reputation of both you and your business by networking with new clients and possible distributors. On the bright side, you can benefit greatly from having good communication and interpersonal abilities.

Low risk

There is a minimum risk involved when you start a business in multilevel marketing. In MLM businesses, there is a lower initial cost as compared to traditional marketing systems. People dislike taking risks and will try all possible tactics to avoid them. The key benefit of starting an MLM business is that there is less risk involved in the first stage of business. You can start this business with a small initial investment and sell the products that you have already used and consumed.

Residual income

The biggest benefit of the MLM business model is that it enables you to earn residual income. When you are initially successful in recruiting new distributors into the business, you can claim and earn residual income from your downline distributors.

No need to hire employees

In the MLM business model, there is no need to hire employees. Distributors can work independently from their homes because it is a network-based business. In this business model, business owners work together towards the same goal. This industry provides you with the added benefit of being in business without the concerns of employees.

Operating Costs is low

The network marketing model enables a business to be run at a minimum cost as compared to other business models. When your upline supporter has expertise in business, leads you in a good manner, and helps you with initiating the fund, then you will start earning profit very soon in this business model.

➤ **Challenges of multilevel marketing**

Market saturation

The success of an MLM company is determined by the demand for and supply of its products. There is more emphasis on adding a number of distributors to sell its products so that competition among the distributors is increased. There is a larger product supply but no change in demand because every distributor sells the same goods. This poor management leads to market saturation.

MLM scam- pyramid scheme

The pyramid structure is the basis of MLM. It shows that distributors will earn more money at the top and less money at the bottom. Pyramid schemes are considered illegal because they guarantee a large return for a small investment. A person who joins the MLM industry has the ability to earn more money, whereas a person who joins later in the company chain is likely to make less money because of more stiff competition. Thus, pyramid schemes are deceptive and illegal.

Multilevel marketing is not suitable for everyone

This business model is not suitable for all because MLM requires dedication of time, capital investment, and participation in learning the business concept. Since the majority of distributors work part-time, they have a little time to meet with clients and other marketing experts when it is necessary.

Face-to-face interaction can be difficult

The catchphrases "Work from Home" and "This Work is for Everyone" are frequently used by MLM businesses. These phrases are frequently used to entice new participants and investors in enterprises. Not everyone is able to interact with strangers and present a perfect scheme. It could be challenging for people without public speaking abilities to interact with the customers. The multilevel marketing industry puts an emphasis on social skills, and if you lack them, your prospects of success are significantly reduced. Many newcomers to the network marketing industry are not used to talking with strangers or discussing the benefits and drawbacks of their product. Because of this, the majority of salespeople only market to their relatives and friends.

Multilevel marketing business takes time to grow

You have to put forth a lot of effort to get money; it never comes easily. Your ability and persuasiveness will determine how best to use it. Although joining a network may seem like a simple method to generate money, it is a tough task. If people are not aware of the product, then even the best product will not sell, even if you get marketing materials, access to a knowledgeable staff, or maybe even a customised dashboard at some amazing portal. Network marketing takes time to grow, just like any other type of business.

Not every Customer will agree to the Schemes

It's a difficult task of the scheme to explain to clients the benefits of the scheme. You will frequently hear words like "I don't have time for it," "No," and "I already have a job" from those you approach first. The conversion rate for the normal individual starting this challenge may be 1%. This indicates that 99 out of 100 people approached for a sale will not be interested.

Negative effect on relationship with friends, relatives

MLM distributors promote the company's products to their neighbors, friends, and relatives. By encouraging individuals to purchase products they don't require and advertising products to them, they take advantage of them. Friends, family, and the neighbourhood all become potential customers in multilevel marketing. It results in a negatively impacted relationship.

No proper training of distributors

One of the most important challenges with the MLM industry is that new recruits receive no proper training and they sell products without any prior knowledge about sales. Without training new distributors don't know the strategy of MLM business.

CONCLUSION

As we know, every business method has positive as well as negative aspects. Success and growth of multilevel marketing business is depending on the ability of the distributor to convince the customer to purchase the product and join the company. Many people are not yet aware of the advantages and disadvantages of MLM businesses. It's a great business opportunity for people to earn a secondary income. This business model also became helpful during the COVID-19 pandemic by providing a source of income to many people. Apart from these advantages, many disadvantages are in the MLM business, like lack of proper training, market saturation, pyramid structure, slow growth etc.

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