NETWORK MARKETING – AN EMERGING MODEL OF BUSINESS

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Abstract

Network marketing evolved over several years, prior to World War II. From being taken as a part-time job, network marketing has developed into a full-fledged career plan. Even though Network marketing has popularity among the United States and other Western and European countries, it is yet to build up an identity among Indian masses. In India, there is some negativity approach towards Network marketing. However, recently it began to change. The number of network marketers increased along with that their entrepreneurship mentality too. Network marketing is immensely popularized in recent days. This paper is addressing why Network Marketing is an emerging business model in current globalised world. Secondary data are used for this study. The data are collected from various e-journals, article essay from online newspaper, magazines, websites which deal with Network Marketing, research articles, official website provided by IDSA, WFDSA etc. for analyzing the compiled data were analysed and presented here and descriptive research design is used for this study.

**Keywords:** Network Marketing, Pyramid schemes, ponzi schemes

Introduction

“If I would be given a chance to start all over again, I would choose Network Marketing”– Bill Gates (Microsoft’s Chief Software Architect)

Network Marketing is a system where the manufacturer (Network Marketer) hires outside people to sell their goods direct to the customers by creating a certain chain of people (Harris, 2004). For sales, each outside people have a choice to build a marketing network through recruiting, giving proper training and motivating them to sell the particular product in the same way to customers (Vander Nat & Keep, 2002).

Network marketing evolved over several years, prior to World War II. From being taken as a part-time job, network marketing has developed into a full-fledged career plan. Even though Network marketing has popularity among the United States and other Western and European countries, it is yet to build up an identity among Indian masses. In India, there is some negativity approach towards Network marketing. However, recently it began to change. The number of network marketers increased along with that their entrepreneurship mentality too. Network marketing is immensely popularized in recent days.
As per the annual reports of the Indian Direct Selling Association, the global Direct selling industry stood around USD 192.9 billion in 2018. It shows a growth of 1.2 percent from 2017. China is the leading country in direct selling as per the statistics of 2018. It has sales of USD 35,732 million that means one fifth of global direct selling. America is just back with USD 35,350 million, direct sales. Moreover, one third of total global direct sales were contributed by China and America.

Even though there are negative impressions about network marketing among people, it is observed that there is a progressive increment in the quantity of people who become entrepreneurs standing along with network marketing. Moreover, it provides various methods to promote entrepreneurship. Network marketing is not just providing techniques for the business, but it does make the participants good enough to face any challenges they will encounter in their life. To inculcate positivity among those participants, they conduct various classes on life skill training, physical training, mentoring, etc. Through these classes, one can be observed that one's Personality has been improved. Several people are stepping into entrepreneurship using the opportunity provided by network marketing. Thus paves the way for entrepreneurship.

In India, Deaf people are also engaged in network marketing, and it is reported that more than one thousand deaf people had joined Network Marketing during the period 2008-2010 (Michele Friedner, 2010).

This paper is addressing why Network Marketing is an emerging business model in current globalised world. Secondary data are used for this study. The data are collected from various e-journals, article essay from online newspaper, magazines, websites which deal with Network Marketing, research articles, official website provided by IDSA, WFDSA etc. for analyzing the compiled data were analysed and presented here and descriptive research design is used for this study.

**Literature Review**

Network Marketing has no full furnished shop for sale (Kustin& John, 1995). On the ground of Network Marketing arrange a face to face talk with customer and build relationship and sell goods/ service to them (Vander Nat & Keep, 2002). Network Marketing is a system where the manufacturer (Network Marketer) hires outside people to sell their goods direct to the customers by creating a certain chain of people (Harris, 2004). For sales, each outside people have a choice to build a marketing network through recruiting, giving proper training and motivating them to sell the particular product in the same way to customers (Vander Nat & Keep, 2002).

IndreSizovaite & DimitriosPaschaloudy (2011), emphasized the role of social networking applications in Network Marketing business. They noted the important aspects like profile audience, message formulation, choosing right platform, Intellectual Property, recruiting of
network champions etc. and also give specifications to those things which do not post to the social media.

Fu Dai (2012), in his study among the Chinese immigrant network marketers, gives a clear picture of network marketer’s self-efficacy to start a new venture after being a part of Network Marketing. It is illustrated that social competency is positively related with entrepreneurial performance of Network marketers.

Radha Rani & Dr. Narendra Kumar (2013), had discussed the serious issue related to the criticism often heard by the Network Marketing due to illegal Pyramid scheme. They noted the keen differences between Network Marketing and pyramid scheme and concluded with a legitimate Network Marketing Plan.

Bindu Aggarwal & Deepak Kumar (2014), had illustrated about the working of Network Marketing business, problem faced by the business and solution to overcome the problem. They found market saturation, similarity with Pyramid structure of operation, unethical practicing nature, and exploitation of relationship. They suggested solutions like providing proper training and awareness, government rule.

**Objectives and Methodology of the Study**

The objective of this study is to analyse the relevance of Network Marketing as an emerging business model in the globalized era. Secondary data are widely used for this study.

**Network marketing**

Network Marketing is one of the direct selling strategies. It is also renowned in the names of Multi-Level Marketing, Referral marketing. Network Marketing can attract Millions of people, and thereby they can create trillion in the names of revenue. So many people quoted it as the business of the 21st century. Modern-day technological acceptance and social media revolution can do more on Network Marketing. So the scope for the Network Marketing even more enlarged. Network Marketing became more manageable with the help of worldwide acceptance of social media in the globalized era.

Network Marketing is a type of business where a person sells the product, whether he owned or borrowed from somewhere to several individuals. That individual may or may not recruit other people, and thereby a network will form. When a new person recruited to the network of marketing, he will pay a membership fee, and that time the person who recruited the new member and his agents get commission. Likewise, successful recruiters can get money and other incentives as per their performance. Thereby the motivation to add people to the business will increase, and an increase in the number of people will lead to enlarge the chain that results in huge marketing networks. Network marketing always tries to keep tight bondage with its
members because this bondage brings success. Network Marketers always try hard to maintain the relationship among each other; even they get specialized training for relationship building. In-Network Marketing people can sell a product to nonmembers. That means membership is not necessary for buying particular product from network marketers.

Network Marketers are always forming networks instead of markets. They recruit people, and thereby they widening their networks, in each situation, adding a new member results commission to agents and their agents from the starting point onwards.

Fig. 1 shows the structure of Network Marketing. In top single person standing is called founder of the Network Marketing. Remaining people is known as members. Each level member is connected to their subsequent up line. People under each member are known as down line members. In each level members are becoming both up line and down line agents excluding the founder. All these groups of members or agents are called network marketers.

A member’s compensation plan can be of 3 types:

1. Commission
2. Referral
3. Pairing.

There are mainly two types of common Network Marketing configurations:

1. Unilevel structure
2. Binary structure
As shown below Fig. 2- (a) stands for Unilevel Structure and (b) stands for Binary structure. Founder of Network Marketing is denoted as ‘m’. In both structure levels one is founder.

In Unilevel Network Marketing structure ‘m’ can impose all of his recruits as immediate down lines. In binary Network Marketing structure a member can only allowed to have maximum 2 immediate down lines. But he can arrange them into his immediate down line’s down lines

![Network Marketing Structure Diagram](image)

Fig. 2 Structure of Network Marketing.

**Network Marketing can as an Emerging Business model**

The Network marketing is claimed to be an emerging business model because of the following reasons:

- Structure of the business: Network marketing business is getting popular because its structure is more suitable for present generation. New generation people like smart work instead of hard work. They hate 8*6 working hours. Network Marketing does not possess such kind of strict time bound. Up-line people give product and down-line people have freedom of time and wok place to sell that product.
- Freedom: The upcoming generation wants freedom from their work place. Network Marketing does not have a fixed office or building. Even work from home is allowed.
- Less restriction: Young people always hate restrictions. In Network Marketing business restriction is comparatively low.
- Financial independents: Finance is a very important thing in human life. Network Marketers can earn money both in the form of commission for recruiting people and also through sales.
Education qualification doesn’t a matter: Network Marketing does not demand any kinds of education qualification. It purely depends on the skills possessed by the Network Marketers.

Part time also allowed: Network Marketing business can do as full time or part time. It depends upon the individual. That means he/ she can bring Network Marketing along with their regular job. He/ she can decide the time.

Relationship building: Building a network demands a trustworthy relationship. Maintaining the relationship always essential for a better Network Marketing business

Life skill training: Network Marketers get timely training on life skill. Thereby he /she can improve his ability and skill.

Flexibility: Network Marketing Business is flexible in nature.

Social Media: Network Marketing is face to face marketing in olden days. Now the intervention and popularity of Social media reduce the work of Network Marketers. Social media gives a virtual face to individual so the marking and recruiting become easy. Globalized era reduce the barriers of International trade. Social Media give support to Network Marketing to spread their business beyond the country territory.

Cost: Network Marketing does not demand more money. So it cannot be a financial burden.

Criticism faced by Network Marketing

Network Marketing is not free from Limitations. Due to the sudden growth of Network Marketing ideas fraud people also come forward to take advantage of it. They took initiative and build so many fraud schemes and so many people trapped and that create a negative image towards Network Marketing also. Ponzi scheme or pyramid scheme and “get rich quick” scheme are the various types of fraudulent scheme. As a result of these kinds of schemes a negative image automatically affected the Network marketing. That made some sort of tiredness to Network Marketing.

Pyramid scheme

The structure of Network Marketing has the similarity to Pyramid Scheme. It’s really hard to identify the difference between Pyramid scheme and Network Marketing. Even though both them has similar outlook, both are different due to ethical issues. Network Marketing is legal where pyramid scheme is illegal. A Pyramid structure is laid down in the Network Marketing but Network Marketing is not fully Pyramid scheme.

In Pyramid Scheme recruiting people and earn income get more emphasize than income generated by selling. Pyramid scheme is an illegal business which shows the characteristics of Network Marketing but practically it focuses only on recruiting and earning commissions (Cross,
Pyramid scheme may or may not be include valid product for sale. Most of the case their product has higher cost and selling of particular product is not their concern.

**Conclusion**

Network Marketing is a type of business where a person sells the product, whether he owned or borrowed from somewhere to several individuals. That individual may or may not recruit other people, and thereby a network will form. When a new person is recruited to the network of marketing, he will pay a membership fee, and that time the person who recruited the new member and his agents get commission. Likewise, successful recruiters can get money and other incentives as per their performance. Thereby the motivation to add people to the business will increase, and an increase in the number of people will lead to enlarge the chain that results in huge marketing networks. Network Marketing has mainly two common structures that are un leveled and binary. Even though Network Marketing has a negative face because of pyramid scheme, Network Marketing is an emerging business idea for this globalized era. Network marketing does not demands huge capital, infrastructure facilities or education qualification. This form of Business is applicable even in under developed countries. Network Marketing is flexible in nature and free from over restrictions. Distributors are essential for the growth of Network Marketers. Existence of Network Marketing is based on recruiting new distributors. Relationship building also is an essential part of Network Marketing business. We are living in a world where we can connect each other with the fingertip through internet and social media. They give a virtual face to face interaction and that will help the world to build relationship and Network Marketing business need these kinds of environment. Here it is concluded that in this globalized era Network Marketing is apt business strategy and it lead to entrepreneurship development too.

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