

MULTILEVEL MARKETING - NETWORK MARKETING (MLM)

206

MLM is an acronym for "multilevel marketing" and is also known as network marketing. It is not a type of business, but a way of doing business. MLM companies are no different than other companies who manufacture or distribute products in most respects. The key difference is in the way they advertise & distribute their products or services.

Instead of doing their own advertising & having their own in-house sales staff, MLM companies pay independent distributors to sell product. Sales are based on the personal recommendation and endorsement of the distributor. But MLM is more than just direct sales. It takes direct sales one step further: they also pay distributors commissions on the sales of their own organization. Each distributor can build a downline or sales organization simply by recruiting new distributors for the company. The distributor is then paid on the product sales made in their downline according to the company's compensation plan.

Most multilevel marketing compensation plans are based on a percentage payout for each level of distributor in a member's downline (hence the term "multilevel"). When a distributor recruits new distributors for his or her downline, they are generally placed on their first level (or front-line). When those distributors recruit, their new people are placed on their first level, which would be the second level of the first distributor. Most compensation plans pay a different percentage for each level down a specified number of levels.

Most network marketing pay plans also offer leadership incentives, such as extra percentages on lower levels, or even infinite levels, when some level of percentage performance has been met. Or they may have a bonus pool that is divided among high-achievers according to some formula. Each company's plan is a little bit different, so this is an important thing to evaluate when comparing companies (as well as products, longevity of the company, + other factors).

For those who are familiar with affiliate programs as they exist today on the internet, there is a lot of similarity between MLM + multi-tiered affiliate programs that pay on more than one level. The difference is usually that in MLM programs distributors buy a specified amount of product each month. Affiliate programs generally don't require personal product purchases, but they do require continuous sales to new customers in order to pay the affiliate a good commission check.

Multilevel marketing companies sell many different kinds of products + services. Some of the most popular products and services among companies are household products (eg. Amway); Vitamins + nutritional products (eg. Shaklee + Herbalife); cosmetics (Many Kay Cosmetics + Avon) + discount long distance service (eg. Excel Telecommunications).

In recent years, more + more established network marketing companies have been adding an internet presence. They have put up web sites describing their products + services + their business opportunity. That allows online ordering + signing up as a distributor. Many provide web sites for their distributors to use in their own marketing efforts.

CRITICAL EVALUATION OF MLM

208

Multi Level Marketing is a cultural phenomenon, a method of marketing that has broken down the walls between commercial & private life. In other words it has commercialised our lives. It has distorted & poisoned some people's relationships that were previously were considered sacrosanct. MLM has a psychological grip on people. This grip is very strong & is periodically reinforced ^{in the} Workshops & the meetings conducted by MLM companies. In every meeting or workshop MLM ~~has~~ is introduced as a spiritual system. It is described as a non competitive system of people helping each other, opposed to individual, private acquisition. In other words benefits accrue to each person to the degree that they help other people. It is described a new system for distributing income which breaks the cycle in which wealthy seem to get wealthier & poor getting poorer. It is shown to be a way to achieve security & stability in job market outside the heartless ruthless corporate world. ~~Further~~ Further MLM companies try to convince the clients that not only do they offer the quality environment friendly products but also offer the a business opportunity that will enable them to make quick money in their free time. But it.

is not true. MLM system is inherently deceptive & only small number of people can ever succeed. A lot of people are wasting their time & losing money. The marketing system is so designed to convince the person who has been enrolled that first, you can do it & then when you fail, it convinces you that you failed only because of you. The failure is taken upon him by the individual. This perhaps explains why in spite of various limitations & inadequacies as a distribution concept MLM is still popular.

MLM works by geometric expansion, where you get ten to sponsor ten, & so on. This is usually shown as an expanding matrix with corresponding kick-backs at various levels. This implies at a mere three levels deep this would be 1,000 people & entire neighbourhood is covered. At six levels deep, that would be 1,000,000 people believing that they can make money by selling. But this would mean entire city is covered. If it goes this way saturation is quickly likely to occur. But the MLM recruiters believe that not everyone will succeed so the market will never saturate. But this raises a crucial question are we recruiting "winners" to build a real business or planning by design to profit of "losers" who buy into our confidence.

ENTREPRENEURSHIP THROUGH E-COMMERCE

Commerce is as old as civilised as man is. Trade in goods, usually over long distance is an age old thing. Adam Smith in his book 'Wealth of Nations' wrote "the propensity to truck, barter and exchange one thing for another is an intrinsic characteristic of human nature. The first major transformation in commerce came during industrial revolution as it led to generation of surplus, specialisation of labour & expansion of international trade and commerce. Another major revolution has occurred with the popularisation of information technology which has enabled us to use tools such as internet for furthering business potential & the spirit of entrepreneurship. It is possible today to conduct business through electronic transaction & this precisely has been called as E-Commerce.

E-Commerce is a new form of internet technology that helps us automate traditional function such as payments & funds transfer, order entry & processing, invoicing, inventory control & monitoring, cargo tracking, electronic catalogues & point of sale data gathering. E-Commerce is a modern business methodology that addresses the needs of organisations, merchants & even consumers to cut costs of products & services. E-Commerce enables paperless exchange of business information using electronic data interchange, electronic mail, electronic bulletin boards, electronic funds transfer & similar other technologies including Networks. E-Commerce applications have brought the whole world of commerce together. On-line data bases can be maintained, all information related to the employees &

related functions can be performed on-line. Market has expanded from local to global, customers can order right from their home, financial institutions like banks & credit card companies can participate to enhance their business and all this has been possible because of E-Commerce applications. On-line transactions through E-Commerce applications are playing an important role in changing the business environment. Because of the increased competition in the market, the manufacturers have been forced to improve the quality of their goods and services. Thus E-Commerce is not only benefiting entrepreneurs and business persons but also the consumers. E-Commerce provides some unique advantages over the traditional mode of conducting a business & running an enterprise. It spurs entrepreneurship by aiding an entrepreneur at the stages of business preparation, business development & business growth. Entrepreneurs find the relevant information regarding the market, products, suppliers, dealers, consumers etc. through the electronic media. This aids entrepreneurs to direct research & save his time, optimise his expenditure & be more informed. There are two ways in which e-Commerce is being conducted. The first is EDI i.e. Electronic Data Interchange in its present form over the internet i.e. Net is used as a free or cheap network for business communication instead of using expensive private Value Added Networks. The other is World Wide Web i.e. WWW as a market place where vendors can offer goods, information & services for sale and the purchaser can

browser see & find the goods through browsing tools before they buy. This means a means of distributing public information, Web indeed has seen successful in its goals. With the standard ways of storing documents & easy to use browsers to select the desired information from the vast maze of inter-connected research documents in an academic environment, the web has graduated to commercial services with the dissemination of catalogues of products, services & prices.

Depending upon the type of transaction, E-commerce can be categorised into :-

(1) Business to Business E-commerce (B2B)

(2) Customer to Business E-commerce (C2B)

(3) Intranet procurement

1) B2B This category of transaction occur between businesses, governments & other organisations. Business to Business procurement & fulfilment has traditionally been conducted over private networks. This type of E-commerce comprises the bulk of commerce conducted over networks.

(2) C2B This is a kind of business transaction that relates mainly to the customer. In this category of business transaction customer comes to know about the line of products available under different brand names through electronic publishing. They buy these products & services on line if any of these goods or services appeal to them. It is more like the extension of catalogue shopping, through mail order &

telephone ordering using credit cards for making payments. This form of electronic commerce is internet based with unrestricted access to consumers. Electronic malls & virtual store fronts allow individual consumer to browse for products & shop using credit cards.

- (3) Intranet Procurement: Business transactions which are internal to an enterprise across its departments & subsidiaries also come under E-Commerce. Internet sales, order processing, intra company charging & billing, fund transfer which can be very large & voluminous come under this. Intranets respond to this challenge.

These three types of E-Commerce have greatly aided promotion of business & entrepreneurship by

- (a) reducing the delay associated with making documents.
- (b) the bringing about paperless exchange
- (c) by providing level playing fields to all entrepreneurs big or small.
- (d) by allowing the enterprising business to tap new customers.
- (e) by providing opportunity for better consumer satisfaction.
- (f) by facilitation disintermediation.
- (g) by expediting the trading cycle.

This however is not to suggest the E-Commerce is without its share of problems & dangers.

One of the important constraining factor is the inadequacy of the existing communication infrastructure in our country. The other is the absence of suitable legal environment in which the business transaction can be electronically.

that E-Commerce revenues in India are expected to show an impressive growth over the next three years. For 1999 E-Commerce revenues have been projected at US \$ 50 million and by financial year 2002-03 will reach US \$ 575 Mio.

McKinsey-Nasscom has projected the aggregate value of e-business in India at US \$ 10 billion by 2008.

Business-to-business (B2B) transactions would account for 80 percent of this, with business-to-consumer (B2C) transactions accounting for the year. India has the potential to generate E-business worth about \$ 4 billion by 2005, and this would increase by another \$ 6 billion during 2006-08.

Conducted - safely & securely. The Commercial world demands that the internet should guarantee the time of delivery. The internet is having difficulty getting accepted as a reliable delivery channel. With the increasing traffic on internet, the internet is already getting choked. The internet bandwidth needs to be augmented substantially to assure commercial users of its availability when they need it. Internet being an open network can be invaded by hackers & criminals from all quarters. The intermediate nodes through which the message packet get routed are extremely vulnerable to security breaches. A business transaction is completed only when the payment has been made by the consumer & received by the supplier. For this can happen smoothly only when the Credit Card transactions over the networks are secured against unauthorised access.

Any Organisation wishing to implement E-Commerce, therefore, must carry out security requirements analysis. Such analysis would bring out the need for Confidentiality, authenticity & integrity which can be implemented using solutions that are already available.

E-Commerce in India - International Data Corporation and McKinsey-Nasscom have made E-Commerce revenues projections for India.

International Data Corporation (IDC) has projected