

STUDY ON NETWORK MARKETING

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Abstract

Network Marketing, also known as Multi-Level Marketing (MLM), is an emerging business model that emphasizes direct selling of products and services through independent distributors. Unlike traditional business structures, network marketing eliminates intermediaries and allows individuals to earn income through personal sales as well as team-based sales performance. The study focuses on understanding the needs, scope, benefits, and limitations of network marketing in the modern economy. It highlights how network marketing has become a popular platform for self-employment, entrepreneurship, financial independence, and personal skill development. With its low investment requirements, flexible work structure, and global reach, it offers a viable alternative to traditional employment. At the same time, the research also considers the challenges and risks associated with this industry, such as misconceptions, market saturation, legal issues, and income instability. Despite these limitations, network marketing continues to grow as a significant contributor to economic development, especially in sectors like healthcare, wellness, cosmetics, and financial services. This study provides insights into the business model, opportunities, challenges, and future potential of network marketing, making it relevant for students, entrepreneurs, and professionals who wish to explore this dynamic field.

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INTRODUCTION

Network marketing or also known as multi-level marketing or pyramid selling is a business model of direct selling in which consumers get products directly through the network of consumers

instead of stepping the retail stores. These consumers are also known as networkers, independent business owners, independent agents, business associates or independent distributors.

The overarching concepts of direct selling by cutting out the retailer has been around for thousands of years. The business model of multi-level marketing as we know today originated in the United States, although there's debate over which company was the first ever network marketing organization.

Network Marketing, also known as Multi-Level Marketing (MLM), is a modern business model where products and services are marketed directly to consumers through a network of distributors. Unlike traditional marketing, where goods are sold through wholesalers and retailers, network marketing eliminates the middlemen by creating a chain of independent representatives who promote and sell products.

This system not only focuses on direct sales but also provides opportunities for individuals to earn commissions by building their own team of distributors. Thus, income is generated through two sources: personal sales and the sales made by one's network (downline).

The concept of network marketing has gained popularity worldwide as it offers a low-cost entry into entrepreneurship, flexible working hours, and the potential for unlimited income. It is widely used in industries such as healthcare, wellness, cosmetics, insurance, financial products, and consumer goods. In today's competitive world, where traditional jobs are limited, network marketing has emerged as a platform for individuals to achieve financial independence, self-development, and leadership growth. However, it also faces criticism and challenges, such as the risk of pyramid schemes,

sustainability issues, and misconceptions in society.

Therefore, studying Network Marketing is important to understand its business model, opportunities, risks, and its contribution to modern entrepreneurship.

Definition:

Network marketing, also known as multi-level marketing (MLM), is a business model where companies distribute products or services through a network of independent representatives rather than traditional retail channels. These representatives earn income not only from their personal sales but also from the sales generated by the distributors they recruit into their down line. Network marketing emphasizes direct selling, relationship building, and team expansion, and is widely used in industries such as health, wellness, cosmetics, and consumer goods. Unlike conventional marketing, this model relies heavily on word-of-mouth promotion and personal networks for product penetration and business growth.

Research Objective:

Although network marketing provides opportunities for entrepreneurship, flexible working, and financial independence, it also faces several challenges. Many potential investors and participants view MLM with skepticism due to ethical concerns, lack of transparency, and similarity to pyramid schemes. In addition, the high dropout rates among distributors raise questions about the sustainability and profitability of this business model. The research problem arises from the gap between the perceived promises of financial success and the real-life experiences of

participants, especially in emerging markets like India. Understanding investor willingness, distributor motivation, consumer perception, and regulatory challenges is crucial to evaluate whether network marketing can be considered a viable and sustainable business opportunity.

Research Methodology:

The research methodology defines the overall approach, techniques, and tools that will be used to investigate the subject of network marketing. This study adopts a **mixed-method approach**, combining both **qualitative and quantitative methods** to gain a holistic understanding of network marketing practices, distributor behavior, and consumer perception.

1. Research Design

The study follows a **descriptive and exploratory research design**:

- **Descriptive research** focuses on identifying and analyzing patterns, trends, and outcomes of network marketing practices. It helps understand the **current status, challenges, and opportunities** in the industry.
- **Exploratory research** is employed to investigate **new trends, distributor motivations, and consumer behavior** that are not extensively studied, particularly in the Indian context.

2. Data Sources

Data will be collected from **primary and secondary sources**:

- **Primary Data:**
 - Structured **questionnaires** distributed to active and former distributors of network marketing companies (e.g., Amway, Herbalife, Vestige).

- **Interviews** with industry experts, senior distributors, and consumers to understand practical challenges, motivation, and income patterns.
- Focus group discussions to gather insights about the **perceived benefits and limitations** of network marketing.

- **Secondary Data:**

- Company reports, annual statements, and performance data from network marketing companies.
- Academic journals, books, and case studies related to network marketing, MLM, and direct selling.
- Government publications and guidelines on **regulations and legal compliance** in MLM.

3. Sampling Technique

A **purposive and random sampling** approach will be adopted:

- Purposive sampling for identifying key distributors and experts with significant experience in network marketing.
- Random sampling among smaller distributors and consumers across different regions to ensure **diversity and representation**.
- Target sample size: **200–300 respondents**, ensuring a mix of gender, age groups, and income levels.

4. Data Collection Instruments

- **Questionnaire:** Designed to capture information on:

- Distributor demographics (age, education, experience).
- Motivational factors (financial, social, personal growth).
- Income and earning patterns.
- Challenges faced in network marketing.
- Consumer satisfaction and perception of MLM products.
- **Interview Guide:** Semi-structured questions to probe:
 - Ethical concerns, regulatory challenges, and business sustainability.
 - Strategies used by successful distributors for recruitment and retention.
 - Marketing and promotional techniques used in MLM.

5. Data Analysis Techniques

- **Quantitative Analysis:**
 - Descriptive statistics (mean, median, mode) to summarize demographic and income data.
 - Cross-tabulation to analyze relationships between variables like education level and income earned.
 - Correlation analysis to study the relationship between motivation factors and success rates.
 - Regression analysis to predict **income levels based on experience, recruitment, and effort.**
- **Qualitative Analysis:**
 - Content analysis of interview and focus group data.
 - Thematic analysis to identify **common patterns, challenges, and strategies** in network marketing.

- SWOT analysis to understand the **strengths, weaknesses, opportunities, and threats** associated with network marketing practices.

6. Tools and Software

- **MS Excel / SPSS:** For quantitative data analysis, charting, and statistical testing.
- **NVivo or ATLAS.ti:** For qualitative data coding, thematic analysis, and interpretation.
- **Graphs and Tables:** To visually represent results such as income distribution, recruitment trends, and consumer satisfaction.

7. Reliability and Validity

- **Reliability:** Ensured by pre-testing the questionnaire with 20–30 respondents before full-scale data collection. Cronbach's alpha may be used to measure internal consistency.
- **Validity:** Ensured by designing questions based on previous studies, expert consultation, and industry practices to measure what they are intended to measure.

8. Limitations of Methodology

- Sample size may be limited by **distributor availability and willingness** to disclose earnings.
- Responses may be influenced by **social desirability bias** (participants portraying success or satisfaction).
- Regional variations and company-specific practices may limit **generalizability** to all MLM companies in India.

9. Ethical Considerations

- Respondents' **anonymity and confidentiality** will be maintained.
- Participation is **voluntary**, and informed consent will be obtained.
- Findings will be reported objectively, without manipulation to favor any company or participant.

II. REVIEW OF LITERATURE

Deepali Bhattacharjee (2024) conducted a study on "The problems and prospects of network marketing in Assam (India)". The main objective was to analyse the contribution of network marketing towards income generation in Assam (India) especially among women. Primary data were collected from 640 respondents working among four different multilevel marketing companies. She concluded that Only those who dedicate and devote themselves 24 hours a week in the business, attend regular training, counselling regular with his/her 'upline' they can get the success in direct selling. Also added that there needs a strong government regulation to protect people from fraud, money making, chit fund.

F. Mary Merlin (2022) conducted a study on "Direct selling through Multilevel Marketing" where she focused thoroughly on direct selling and traditional marketing. 21st century is all about direct selling where people can make use of the products for daily needs by directly purchasing it from manufacturers. She points out that instead of companies spending money on the middlemen or intermediaries, the benefits are given to the consumers who receive products at the wholesale prices. She also states that many distributors

join business for consuming products only. They do not sell the products. Quitting of the distributors is the greater challenge of the direct selling. Moreover, 20%- 30% of the distributors quit from the business annually.

Geevarghese K. Mathews, Dr. James Manalel & Siby Zacharias (2021) research a study on "Network Marketing: Exploitation of relationships- Myth or reality?". The objective was to examine the exploitation of relationships in Network marketing. The study found that people who joined the Network marketing field was mainly because of persuasion by friends and relatives. Also found that the primary motive of Network members who are in the business for five years was the additional income generation, therefore becoming a career for them.

Bindu Aggarwal & Deepak Kumar (2020) in a study on "Multilevel Marketing- Problems & Solutions" highlighted that in India a few companies have introduced multilevel marketing on a very large scale by quoting and promising very high returns. A large number of the people belonging to the middle class have joined the business by paying an entry fee. And concluded that the success of network marketing lies in the ability of a member to convince customers about the laws relating to contract employment, part-time employment etc. Many enterprising youths are following it as a source of second income.

Not much study was undertaken to highlight the problem related to quitting, why people in Kohima has low profile on the area of network marketing field. In order to fill this gap this topic has been selected for the study.

III.DATA ANALYSIS & INTERPRETATION

Gender	Frequency	Percentage
Male	12	26.1%
Female	34	73.9%
Total	45	100%

INTERPRETATION

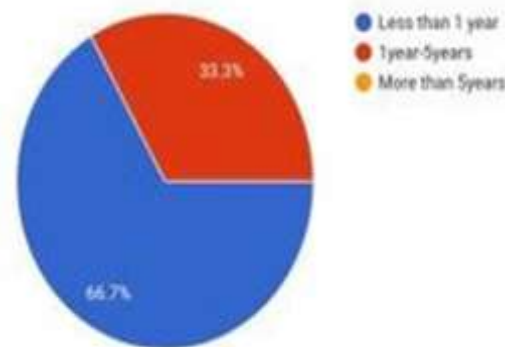
Gender distribution of respondents: Altogether 45 samples were taken for the current study. Table.1 shows the gender distribution between male and female. In which 26.1% respondents are male while 73% are female. This shows that the majority of people working in network marketing business are female.

Reasons	Percentage
Good way to make money	62.2%
Connect with friends	21.7%
Feeling more fulfilled	73%
Discount on products	30.4%
Give me something to do or learn	52.2%
Pressure from friend or family to join	8.7%
Was told that I could earn a good income	30.4%
Win prizes if I sold a certain amount	17.4%
Encourage my friends to join	13%
To travel	30.4%

INTERPRETATION:

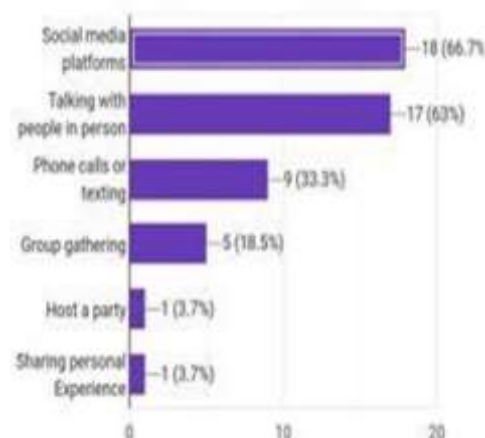
Reasons for getting involved: This section shows how the respondents are influenced, by what reason they join the business. The below data are some reasons which were chosen by respondents. According to the data, the major reason chosen by the respondents is 'feeling more fulfilled (73%)' and the second major reason is 'good way to make money (62.2%)'. This indicates

that the respondents join the network to earn money as well as to fill the need of being fulfilled by being a part of the network and engaging themselves in the business



INTERPRETATION

2.4. Duration of respondents' association with MLM business: Altogether there were 20 samples, in which 65% were those respondents who worked for less than 1 year in MLM business while 35% of the respondents associated for 1-5 years. It indicates that the experience of the respondents is low in the field of network marketing business.



INTERPRETATION

Best way to find customers: The respondents have to deal with its customers or prospects in order to grow their network or business income, therefore, the chart given below shows the best ways in which the respondents

choose to approach or find people to buy their products.

IV.FINDINGS

Thus, if one tries its best to be consistent and get a proper training before starting off, it would have a drastic impact on the performance of a person. Some challenges which were identified through the survey are;

- Time constraint.
- Many students failed in this field due to lack of priority. They give more priority to their education.
- Due to financial problems. It may be because they are still financially dependent.
- Due to lack of interest. From this research it is found that through the passage of time, they lose interest. And it may be due to not being consistent.
- Lack of motivation. Most of them lacked motivation to keep going or doing more out of it.
- Due to lack of knowledge of this field. Many students do not have adequate knowledge of what actual network marketing is or how it works.
- Some of the students get into this field just because of the pressure they get from friends, family or others and not from their own will.
- Due to less income generation.
- Due to lack of proper training and skill to find a customer or approach a prospect.

V.CONCLUSION

According to the research carried on through survey, it has been found that majority of the respondents were students and due to time management and financially dependent, they were

unable to succeed in the field of network marketing business. However, it was also found that through the respondents' experiences, they had a positive response working in network marketing companies. There were about 65.4% of respondents who had a positive response, that if a person works harder they'll have a high tendency to succeed in this field. There are many who have succeeded and has benefited a lot in this field of network marketing. Based on the study, it is found that a good number of people are engaged in MLM business, but due to not being consistent enough and lacking of proper training and knowledge has failed them

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