

# ANALYZING THE ENTREPRENEURIAL AND EMPLOYMENT OPPORTUNITIES ALIGNED TO DISTRIBUTORS' MOTIVATIONAL FACTORS IN MULTI-LEVEL MARKETING

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## ABSTRACT

*This paper examines the motivational factors that influence distributors in engaging with multi-level marketing companies in KwaZulu-Natal. However, MLM has faced numerous problems that discourage interested parties such as distributors and customers. MLM is often regarded as a Ponzi scheme, pyramid scheme, financial fraud, or other associated illegal get-rich plan. These schemes often provide false expectations, exaggerated promises of returns, and other deceptive marketing practices. Because of the similarities between the online Ponzi scheme and MLM marketing in terms of structure and operations, people become confused in differentiating between the two. This paper examines the influence of a good understanding of quality and innovative products as it relates to distributors' satisfaction in MLM. It discusses the impacts of MLM on employment and poverty alleviation, as well as the challenges and entrepreneurial opportunities aligned with MLM. The descriptive research paradigm using quantitative and convenience sampling methods was employed with a sample size of 200 respondents. Data were analyzed using SPSS 26.0 statistical approach for both descriptive and regression statistics.*

*The results of this study demonstrated that product quality, innovation, and methods of identifying the difference between MLM and pyramid/ Ponzi schemes were revealed as more important predictors as factors that contribute to or determine distributors' motivation in multi-level marketing, and the way businesses can leverage these drives to attract and keep distributors. In addition, incentives such as compensation packages, product discounts, management policies, and up-line support are also amongst factors that are contributing to distributors' motivation towards participating in multi-level marketing. These factors are also significant in increasing awareness in order to improve the marketing strategy for growth and expansion, as well as to contribute to distributors' satisfaction. This study revealed that MLM has proven to generate employment for individuals, allowing them to be financially empowered by giving them a source of income generation that alleviates poverty. Thus, it is crucial that people should be motivated to learn more about MLM and encouraged to get involved in MLM entrepreneurial opportunities.*

**Keywords:** Multi-level, Marketing, Distributor, Product, Discount, Compensation, Management.

## INTRODUCTION

Over 91.5million individuals around the globe are engaging in Multi-Level Marketing (MLM) businesses, either on a full-time or part-time basis, for various reasons, including earning an income, acquiring skills, financial empowerment, and for growth and development. MLM is also known as network marketing. It is a form of direct sales, whereby independent distributors sell products, recruit new members, and obtain financial rewards (Cardenas and Fuchs-Tarlovsky, 2018; Reingewertz, 2021). MLM involves the provision of products or services to distributors and customer(s) through homes, offices, and other retail channels (Roman, et al 2021). MLM was introduced in 1945 and operates on the premise of retailing through a network of distributors and the recruitment of new members (Keep and Vander 2014; Keong and Dastane 2019). MLM organizations now dominate the direct selling industry in the United States. However, in the past, it was not always the case. The origin of MLM is still a matter of confusion among researchers. In light of this, major companies are re-thinking their future marketing strategies in an effort for them to be nearer to their customers using the tactic of MLM. In addition, the concept has caught the attention of distributors and the public as a whole (Joshi, 2014). Given the preceding discussion, the MLM approach relies upon the principle that promotes sharing goods with compensation plan packages, which enhance profits to be earned from direct and indirect recruitment. Thus, effective recruitment and retention of new members are essential for the sustenance and survival of MLM companies.

In essence, the ability to recruit and retain new members remains a major focus for distributors and the organization. MLM has emerged relatively and rapidly as a business opportunity in the recent decade, which has quickly expanded. Moreover, it is a marketing strategy that is gaining momentum worldwide (Okeke and Nwankpa 2017; Liman, Aliyu, and Halliru, 2020). The organization that intends to gain a competitive edge and foothold on the market will consider a MLM marketing strategy, applying some of its elements to obtain substantial benefits (Jung won and Moon-Gi, 2021; Gregor, 2013). Franco and Perez (2016) stated that business analysts have observed that MLM companies thrive more in a crisis economy with a recession, where citizens' physiological needs are yet to be met and the poverty level is considered high. Furthermore, MLM was found to be a source of job creation (new employment) and income, as well as a source of wealth creation. Therefore, Effiom and Efiog (2015) highlighted that there is a strong and positive relationship between MLM and job creation, as well as income generation. Hence, it is still far from poverty alleviation at large, but it contributes to reducing unemployment. MLM is completely different from pyramid and Ponzi schemes. The MLM business is a method of distribution of products and services as well as building a sales network and is one of the safest means of conducting business activity (Tursunova and Khakimdjanova, 2022).

## LITERATURE REVIEW

Previous studies relating to MLM vis-à-vis motivational factors were carried out in Asian countries (Malaysia and India). The literature shows that there are limited studies on MLM in Africa. For this reason, this study aimed to focus on distributors' motivational factors in MLM. The study addresses a significant knowledge gap in the literature by identifying the right

motivational factors and making use of them in order to enhance their growth. This paper examines the motivational factors and their relationship to the success of MLM companies operating within the KwaZulu-Natal province in South Africa. However, MLM was introduced in 1945, which worked on the premise of retailing through a network of distributors and the recruitment of new members (Balasescui 2020; Sobaih, Ghannam, and Aliedan 2021). It is a network-marketing concept that started after the post-World War II phenomenon, by companies such as Amway, Shaklee, and Mary Kay (Balasescui 2020; Kumar and Satsangi, 2018). The California Vitamin Company first introduced MLM's in 1945. MLM's structure permitted its distributors with 25 regular customers to recruit new members and make a three percent commission from their sales (Khare and Verma 2016). In addition, the founder of California Vitamin Company (Nutilife Product, Inc.), rather than allowing his salesmen to receive a once-off payment like salary, structured a way of earning a steady income by recruiting other new members (Wrenn and Waller 2021). Californian Vitamin Company found that most of their customers consisted of family and friends of their existing sales force. They initially referred them to the company, as they were satisfied with the product offered. Therefore, to impress customers joined new team members and the commission model were developed in the process. This approach led to the emergence of network marketing (Wrenn and Waller 2021:424). This has grown exponentially because many companies have adopted the system. Amway is the world's largest MLM Company and the 25th largest privately held firm in the USA, operating in over 100 countries worldwide (Grob and Vriens 2017). In 1972, Amway Corporation acquired Nutrilite, and the organization dominated the direct selling industry in the United States.

The World Federation of Direct Selling Association (WFDSA) became the world's largest federation in the MLM industry (Meei Liou 2018). Considering this view, currently, large companies are rethinking their future marketing strategies to get to their customers using the tactic of MLM. It is observed that the concept has caught the attention of distributors and the public (Ezekiel and Toba 2020). In addition, the MLM approach is the principle that promotes sharing with a good compensation plan package, which enhances profits to earn from direct and indirect recruitment (Backman and Hanspal 2022; Singh, Verma, Jaiswal, Singh, and Singh 2019; Roman et al 2021). Thus, effective recruitment and retention are essential for MLM companies' sustainability and survival; in essence, the ability to recruit new members and retain them remains a significant focus for distributors and the organisation (Razimi, Romle, and Yahya 2017). Previous studies conducted by Sulong, Caneza, and Geetha (2017) and Liman, Aliyu, and Halliru (2020) showed that motivational factors contributed to the significant strides that MLM businesses have enjoyed in recent times. Such factors include the compensation plan, product quality, and many more. In addition, Lee, Lai, and Loi (2016) emphasized that the method of diffusing business opportunities, perceived quality of recruiting practices, perceived quality of the training programme, and up-line involvement are also motivational factors that influence distributors. Moreover, Comer, Machleit, and Ligase (1989, as cited in Lee, Lai, and Loi 2016) found that distributors are motivated by their attitude toward their jobs, co-workers, supervisors, company policy and support, remuneration, and customers. Given the above, various motivational factors have been shown to influence distributors to engage in MLM. Additionally, many studies relating to MLM vis-à-vis motivational factors have been carried out in Asian countries. Such studies are limited to the African continent, especially in South Africa.

Therefore, this paper examines the factors that determine distributors' motivation in MLM marketing companies operating in KwaZulu-Natal.

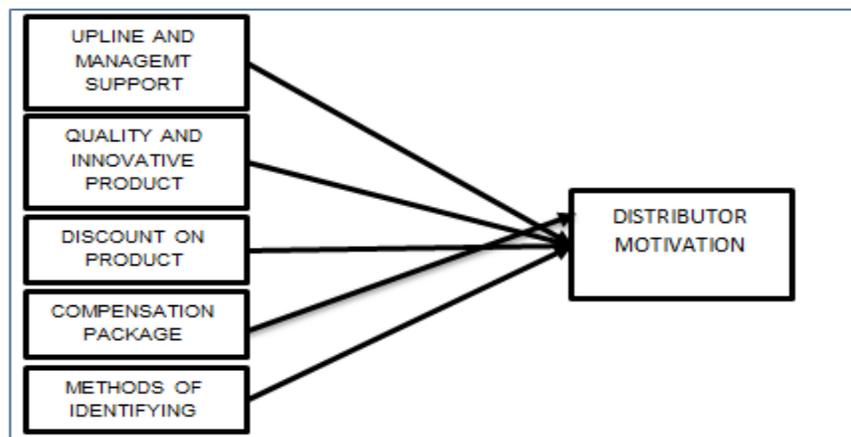
## MATERIALS AND METHODS

### Materials

The materials discussed in this paper relate with the aim of the study, which consisted of investigating the determinants of distributors' motivational factors in multi-level marketing in KwaZulu-Nata. Therefore, the conceptual frame work and theories related to the influence of distributors' motivational factors in multi-level marketing are discussed further below.

### Conceptual Framework

The review of literature, as discussed in the preceding sections, gave the basis for the conceptualization of the research as presented diagrammatically below. In this study, the research framework identifies variables that underpin the motivational factors that influence distributors in joining and engaging in MLM. Therefore, the conceptual framework is linked to the relevant dependent and independent variables, which serve as the foundation to the study on a MLM company in KwaZulu-Natal Province. However, distributors' motivational factors show dependencies on various independent variables, namely differentiating MLM from Ponzi/pyramid schemes; quality and innovative products; discounts on products; compensation packages; and up-line and management support. The framework for this study was developed based on the research objectives. This paper examines the hypothesis that involves Quality and Innovative products, which have an impact on distributor motivation. Thus, concepts like distributor, motivation, product quality, discounts on product, compensation plan, methods of identifying the difference between MLM and pyramid scheme, and up-line and management support are discussed further below based on the conceptual framework described in Figure 1.



Source: Adapted from Lee et al. (2016); Srilekha and Suma Rao (2016); and Keong and Dastane (2019).

**FIGURE 1**  
**CONCEPTUAL FRAMEWORK FOR THIS STUDY**

Figure 1 illustrates the conceptual framework applied for this study that includes the key concepts such as distributor, motivation, quality, innovative product, discount on product, upline and management support, compensation package, and methods of identifying, which are described and discussed in sub-sections below.

## **Distributor**

The key concepts that need to be clarified or defined in this paper are linked to the concept up-line, down-line, and motivation. Therefore, according to Jain, Singla, and Shashi (2015; Keep and Nat 2014; and Bosley, Mc Kaege, Liman, Aliyu, and Halliru, 2020), distributors are individuals who are required to purchase an initial start-up package in MLM, but they are not employees of the company, neither do they receive a fixed salary. They are completely independent and earn only from compensation plans based on the effort they put in and the successful recruitment of another distributor (Girish and Dipa 2015). Furthermore, Distributors are directly rewarded based on their effort through incentives and bonuses offered by the MLM companies. Moreover, distributors are frequently trained and motivated to be able to market the products or services by the MLM Company to family, friends, relatives, and potential customers. A well-equipped distributor with knowledge of the product finds it easy to make sales and recruit new members. They benefit from the down-line sales generated by their down-line members (Girish and Dipa. 2015).

However, an up-line can be defined as an individual who has recruited a person under his/her own network tree, while a down-line can be referred to as an individual who is recruited to the business by his/her up-line (Arya and Arya 2014: 99). The joint efforts of both the up-line and down-line culminate in rewards at the end of the month, or weekly, depending on the company policy regarding compensation; while the distributor is paid mainly on recruitment and purchases of the product (Jain, Singla and Shashi 2015). Distributors' commitment and performance are said to be enhanced when they are motivated, which in turn leads to greater achievement of the MLM company's growth objectives. Various motivational factors have been adduced in the literature to have an influence on distributors firstly joining the MLM company and secondly, staying with the company. Motivational factors have encouraged and influenced the distributors into engaging in MLM. Therefore, distributors need to be motivated for the sustainability of the company because they are the lifeline for the companies to continue in business. Therefore, the identification of the motivating variables is necessary. MLM has the potential for growth if the distributors are well motivated, which will lead to the growth of the company.

## **Motivation**

The concept of motivation may be described in various ways. In the context of MLM, the term motivation can be understood as a force that drives individuals to achieve special goals in fulfilling their needs or expectations (Diajeng and Erick, 2020). Motivating distributors in MLM is an organizational and business desire to be successful and to attain long-lasting growth, progress, and development. Therefore, the sustainability of the organization is dependent on well-motivated employees. Madi (2014) referred to motivation as a psychological process, along

with perception, personality attitude and learning. Thus, motivation is a very important aspect of behavior that is paramount in the study of motivation as it is relevant to why employees choose a particular course of action as supposed to another. George and Sabapathy (2011) argued that motivation stimulates an individual to take action, which will certainly culminate in the achievement of some goals and the satisfaction of certain psychological needs. Hence, motivation is very significant in the attainment of every company's growth. In essence, motivation goals can be accomplished if coordination and cooperation are in place concurrently, which can be effectively done. Employee loyalty will remain intact if they have the feeling and sense of belonging of participation and motivation (Shahzad, Javed, Pirada, Nasreen, and Khanan 2014). Furthermore, Ogunna (1999) cited in Olusadum and Anulika (2018) highlighted that *"people love to work if conditions of the work are quite satisfactory to them and they are recognized as humans, not machines"*. Hence, motivation is essential when organizations aim to satisfy the needs of individual members who strive to attain the stated objectives of the company.

### **Product Quality**

Product quality is an important factor of MLM companies. Therefore, MLM companies that emphasize research and development offer better products and services in attaining a competitive advantage (Keong & Dastane 2019). The customer is oftentimes the potential distributor in most cases, once fascinated by the features of the product. Thus, product quality and service remain the most attractive elements. Current foreign MLM companies have gained competitive advantages through product innovation. Jain, Singla, and Shash (2015) and Sulong, Caneza, and Geeta (2017) ascertained that consumers derive instant and convincing solutions to their challenges and want innovative, nutritious, healthy, and suitable products for usage. Hence, product quality is considered a prime motive for purchasing and re-purchasing (Devi and Kalaiselvi 2014; Jain 2014). Therefore, MLM distributors find it much easier to convince the consumer of the characteristics of the product and the benefits thereof. Quality products and reliability are components of the prospect of enjoying high-quality products at discounted prices, which are major driving forces for distributors to join MLM companies (Srilekh and Rao 2016).

### **Discounts on Retail Products**

The distributors of MLMs find the discounts given on products attractive. Silcox (2014) indicated that discounted products are one of the reasons they started to launch their direct selling business. People are usually excited to get a discount on purchases. Thus, the extra incentives attached to the products and services can significantly appeal to the participation of distributors. Companies often give attractive discounts on products to encourage the distributor to sell more and make profits, while they sell the same product at a retail price to the customer. This promotes the product by giving attractive discount packages to its members, whereby the product can be sold at a higher price because they received a discounted and cheaper rate (Keong and Dastane 2019; Sulong, Caneza, and Geeth 2017).

### **Compensation Plan**

Most compensation plans provide benefits to members that are already in the business. MLM members are not employees of the company. Their earnings are a result of benefiting from selling products, receiving a commission, bonuses, discounts, dividends, and other forms of consideration in return for selling products and services or/and recruiting new members and earning proceeds from team members (Sethi, Chimpa, and Khinvasara 2015). Lee and Loi (2016) commented that an attractive compensation plan made available by the MLM company is quite complex. Distributors' efforts and performance in recruiting and selling products are in proportion to their earnings (Keep and Nat 2014; Crittenden and Crittenden 2004), which shows that financial reward is a motivational factor that encourages people to join MLM industries. Therefore, the attractiveness of the compensation plan and reward policy of MLM firms becomes the most lucrative motivator in recruiting distributors, with an opportunity to grow individual income and entrepreneurial career development to join and remain in the MLM business (Nga and Mun 2011; Koroth and Sarada 2012; Meng and Jin 2018).

### **Methods of Identifying the Difference between MLM and Pyramid Scheme**

MLM and pyramid structures both have multi-level payment systems; hence, the structures look more alike. However, a MLM company is a legitimate company that manufactures products or offers services and business opportunities (Ciongradi 2017; Aaminou and Aboulaich 2017; Okeke and Nwanpa 2017). The MLM structure and compensation plan offer the possibility of income from multiple sources via the purchase or sale of products and recruitment. It is apparent that in this structure of MLM, the proceeds from the purchase are shared amongst up-line and down-line distributors. Accordingly, multi-level companies try to distance their business operations from that of the pyramid scheme, which is illegal in many ways. However, the controversy about MLM being legitimate as a pyramid scheme is still an issue, which explains the reason that MLM companies have negative images and wrong perceptions by the public (Muncy, 2004). Keep and Vander Nat (2014); Lee and Loi (2016) stated that because MLM is experiencing exponential growth on a daily basis, the majority of the members of pyramid schemes will end up losing money unless recruiting continues forever, which may be impossible.

### **Up-line and Management Support**

The up-line offers training and guidance to their down-lines as a means of support, and the companies also provide support in terms of continuous and consistent training, reward, and incentives (Nga and Nadiah Soo 2011: 53; Lee, Lau, and Loi 2016). In MLM, the up-line is expected to have completed the steps and be consistently making visible progress to enable them to assist the down-lines in acquiring the ultimate achievement and to have good relationships amongst themselves. Distributors must often provide initiative, information, and assistance to potential customers. Veena (2014) believed that a lack of support from up-line members and a lack of training pose variables that can discourage people to join MLM. Therefore, management puts everything in place for the up-line to be able to support the distributors, which encourages the up-line to confidently discharge their duty as they get support and help from the company (Sulong, Caneza and Geetha 2017; Srilekha and Suma Rao 2016).

## Maslow's Hierarchy of Needs

A theoretical framework is a structure that describes the concept for the research study, as well as explains why the research problem under study exists (Swanson 2013). For this study, Maslow's Hierarchy of Needs and Herzberg's Two-factor theories presented the underpinning framework for the research. These theories are discussed below. They were chosen based on their relevance to the study. The theory of human motivation as propounded by Abraham Maslow emphasized five human needs. Figure 2 below enumerates the five needs. The very first of these needs are physiological needs, which are the basic needs of humans. The physiological needs are also called survival needs (food, shelter, and clothing) of humans and are synonymous with poverty. They bring to bear an enormous impact on human behavior due to their importance to human existence. Izueke (2014) revealed that physiological needs prevail when there is a lack of other needs in the hierarchy.



Source: Adapted from Schiffman and Kanuk (2011)

**FIGURE 2**  
**MASLOW'S HIERARCHY OF NEEDS**

Figure 2 illustrates Maslow's hierarchy of needs. Subsequently, in the application of this theoretical framework on the hierarchy of needs, it is upheld that at the physiological need level (poverty level), income is required to meet these needs. Therefore, MLM provides the opportunity for generating such income, which provides opportunities for income security, self-employment and wealth generation. In this vein, this study was framed on the premise of the

Hierarchy of Needs theory and the challenges of satisfying these needs, which has propelled more people to join multi-level marketing.

### **Herzberg's Two-Factor Theory**

Herzberg's theory of motivation is largely focused on identifying factors or determinants that motivate an employee to work. These motivators consequently lead to job satisfaction. Moreover, in outlining and explaining distributors in MLM, this theory can be adopted by an individual in order to develop motivation and intention to become a distributor based on the factors or determinants that drive them (Sulong, Caneza and Geetha 2017). In addition, Herzberg's theory states that motivation factors include characteristics consistently related to gaining recognition, stimulating work itself, the opportunity for growth and advancement, a sense of personal achievement, taking responsibility, status, and promotion in the job. These factors lead to the job satisfaction of the employee and are separate and distinct in it. Similarly, another side of the Herzberg theory prevents job dissatisfaction, which is the hygiene factors, whereby these factors have de-motivational value if not present. These comprise feelings of job security, company policy and administration, remuneration, working conditions, interpersonal relations, status, and quality of supervision (Sulong, Caneza, and Geetha 2017). On this premise, product quality, discounts on products, identifying methods, compensation plans, and management and upline support will be considered as motivational factors supported by Herzberg's theory. An employee or distributor that is well motivated will be productive and reach their full potential.

### **MLM Impacts on Employment and Poverty Alleviation**

Considering the above discussion, it is very significant to understand that in today's marketing system, MLM has evolved as an effective alternative to traditional, personal, and affiliate marketing. MLM has proven to generate employment for individuals, allowing them to be financially empowered in giving them a source of income generation (Sobaih, Ghannam, and Aliedan 2021; Keong and Dastane 2019). Therefore, such as discussed earlier, the distributor's motivational factors are product quality, up-line support, compensation plan, and many more. Jain, Singla, and Shashi (2015) suggested that the attractive compensation plan of multi-level marketing is a significant factor that motivates the distributors to work effectively and efficiently in MLM. This paper intends to show that MLM is a common marketing approach in today's marketing world. Because of the high unemployment rate, survival is imperative in society. According to Effiom and Effiong (2015), MLM companies play a significant role in poverty alleviation, providing a means of income generation and wealth creation.

Furthermore, people are looking for alternative jobs to earn income and become financially stable. While MLM has proven to be one means of empowering individuals, there is a need to identify the motivating factors that will motivate distributors and attract more people to join MLM and retain them. Hence, if MLM is to continue as a form of business, the need for the distributor to be motivated becomes paramount. This study aimed to explore the factors that motivate distributors in MLM companies and the way it empowers individuals by employment creation. Therefore, apart from the employment of adults, the study intended to explore MLM as

a means of youth employment, consequently reducing unemployment. Thus, based on the above description, it can be demonstrated that MLM can generate employment for those who are unemployed and supplement the income of others, thereby reducing the level of poverty. MLM may also add increase the numbers of small and medium scale contributing to Gross Domestic Product (GDP).

### **Social and Economic Benefits/Value Added of MLM**

According to Grob (2017) and Isoraite (2020) challenges such wrong perception, insufficient preparation, lack of building relationships, exploitation of family and friends, competition, and absence of leadership skill in MLM have been perceived as suspicious because of pyramid and Ponzi schemes, as many people find it difficult to distinguish between the two. But, Veena (2014), Arya and Arya (2014), Isoraite (2020); Gulabdin et al. (2020), and Thorpe (2018) postulated that MLM has significant benefits that may contribute to the creation of new employment, alleviate poverty and promote entrepreneurship. Therefore, the social and economic impacts/benefits of MLM are the following:

#### **Affordability**

MLM start-up capital is usually minimal. Therefore, it is more affordable for individuals to join comfortably. Realistically, start-up capital is expected. However, the potential earnings, and return, in the end, maybe high if the commitment is constant. Moreover, there is no need for a specific qualification or skill to join the business (Isoraite 2020; Veena 2014);

#### **Innovative and Quality Product**

The MLM business prides itself on manufacturing innovative and quality products to satisfy the customer and make the distributor's job easy. The distributors can convince people to join the business because of the quality product and its ability to sell. Once the product features work well, the customer becomes a loyal customer.

#### **Means of Empowerment**

MLM business is a means of empowerment for unemployed individuals looking for an income to help them better their standard of living and get out of poverty (Isoraite 2020).

#### **Minimal Working Hours or Flexibility**

MLM distributors can take advantage of less work and make more money since they generate income from their recruitment and combined down-line effort. Therefore, MLM distributors can multiply the number of distributors and reduce working hours, yet the income continues to grow. The distributors of MLM work at their own time and pace. There is no need to invest regular hours in a particular day for building an MLM business like other corporate jobs. MLM is flexible and can be run anytime, anywhere. Studies show that people like the business because of its flexibility (Isoraite 2020).

## Personal Growth and Development

MLM provide the potential for personal development. The distributor develops relationships and selling skills as products and services are demonstrated to the potential customer. It enables the distributors to have new friends. They also grow in knowing how to relate to and recruit members daily. The distributors develop and learn skills like mentoring, coaching, and improving on relating and building relationships with the down-line and others. It is also an easy way of developing and networking while doing business. The individual recruited becomes a friend, and it continues in that sequence because they will offer business and personal support when the need arises (Gulabdin et al. 2020). The business helps to develop personal growth through attending training, leadership seminar meetings, motivational talks, reading relevant books, and much more (Gulabdin et al., 2020). Training is organised by management and up-line to the down-lines or newly recruited members. Most management equips the up-line with business support material to disseminate the same information to the down-lines. In addition, motivational courses and regular meetings are conducted from time to time to empower new members in skills of recruitment of others;

## Residual Income

The benefit of MLM is that the income keeps coming. After building a solid business structure, the income continues to come in. Even if one stops doing the business, but is already a director, the distributors are paid repeatedly from commissions, bonuses and incentives. Studies show that in the MLM business, anyone can earn a residual income like royalty income if there is a massive network tree (Veena 2014). Building a network across different locations, the MLM distributors can build a network within and outside their region and operate globally and locally which is made possible by allowing their distributors to sponsor people from other countries. Anyone can join the business tree around the globe and be an MLM business member under a particular sponsor. Moreover, MLM business helps to reach different places and expand the network marketing business to different locations (Isoraite, 2020).

## Independence

The MLM business makes distributors independent business owners. They work hard because they know the input will determine their income. They sell products and services, recruit new members and earn an income in return. MLM distributors are their own bosses and build the business according to their own capacity (Veena, 2014).

## Entrepreneurial Opportunities and Challenges aligned to MLM

In recent decades, as indicated earlier, the MLM industry has brought about dynamic changes to the world of marketing. MLM companies have provided a means of income and financial stability to distributors through a lucrative compensation plan. However, MLM has faced numerous issues that discourage interested parties such as distributors and customers. Amongst these issues, there are Pyramid schemes, Ponzi schemes, financial swindles, and other related illegal get-rich plans, which often provide false advertisements, over-exaggerated claims,

and other deceptive marketing practices. For instance, it was reported that the collapsed MMM online Ponzi scheme in South Africa cost a single family a combined total of R1.3m. Many families were a victim of this swindle (Fin24, 2017). Due to the similarities between this online Ponzi scheme and MLM marketing in terms of structure and operations, people become confused in differentiating between the two. Thus, the integrity of whoever is introducing the business to them becomes doubtful. As a result, distributors face a herculean task in convincing people to participate in MLM marketing. Moreover, companies falsely using these schemes in the industry have damaged the image of MLM companies.

Distributors face challenges with having to convince themselves and customers to join MLM and, even when they have joined, they need to be highly motivated to get the job done and remain with them because people are skeptical over these lingering matters, despite the profitable return of rewards that MLM brings. Despite the issues, there are multi-level companies that are doing well and thriving in the world, and more companies are adopting the MLM business style. For example, Amway, Herbalife, Forever, Longrich, Avon, and Tupperware, amongst others, have consistently and successfully created their own market share in many countries around the globe. The reasons for these are motivational factors that the distributors enjoyed from the MLM companies (Sulong, Caneza and Geetha 2019; Keong, And Dastane 2019; Sulong, Caneza, and Geetha 2017). The MLM business model and compensation plans are believed to be one of the success records of accomplishment for many distributors. The absence of distributors will automatically be the end of any MLM companies. Moreover, attracting more distributors and retaining the existing ones becomes imperative for MLM companies. Therefore, distributors need to be motivated and identified factors that influence the distributor to recruit and sell the product that will be to the advantage of the company and the distributors. Srilekha and Suma Rao (2016) state that direct selling and direct marketing are not the same.

Direct selling involves face-to-face communication, while direct marketing does not. It is a form of the advertising campaign that solicits patronage from a group of customers (Koroth and Sarada, 2012; Lee, Lau, and Loi 2016; Reingewertz, 2021). Hence, the business has the potential for growth and development. Direct selling businesses generated \$30 billion in sales in the USA with an over \$15 million workforce and \$114 billion in sales globally (Direct Selling Association, 2017). The direct selling industry is not only thriving in South Africa, but also around the world. Statistics shows that in 2018, R12.8 billion was reported in South Africa. The industry is still one of the few sectors showing steady growth, with almost 1.2 million active distributors in the country (Direct Selling Association of South Africa, 2018). South Africa has a responsibility of Africanizing practices in a unique way of doing business and there is a need to Africanize marketing. Hence, the positive result has brought about a shift in the business world and many companies are considering the MLM business model approach as a preferable alternative. MLM works purposely on the principle of multiplication, duplication or geometrical increase of the retail or sales activities (Reingewertz, 2021; Lau and Loi 2015: 105). However, not much attention has been paid to this phenomenon and limited research has been done, particularly in this part of the world (Liman, 2020; Kim, 2017). It is a marketing strategy in which the distributors are compensated for sales generated personally, as well as sales of others under their structure, and is a business strategy that involves participants at all levels, creating a down-line of distributors and a hierarchy of multiple levels of compensation (Arya and Arya 2014: 99).

To this end, it has been deduced that there are motivational factors that propel individuals towards engaging in MLM with the purpose of meeting their needs, be it financial, empowerment, and freedom to work at their own pace and be their own boss. Many factors have contributed to the expansion of MLM businesses in recent times. Such factors include the compensation plan and product quality, amongst others (Uzochukwu, Tope, Efe, and Thankgod 2021; Lee, Lai, and Loi 2015; Jain, Singla, and Shashi 2015). Furthermore, the method of diffusing business opportunity; perceived quality of recruiting practices; perceived quality of the training program; and up-line involvement are also motivational factors that influence distributors. Comer, Machleit, and Ligase (1989) stated that distributors' attitudes towards the job, workmates, supervisors, company policy and support, remuneration, and customers also motivate distributors. Most studies have looked at different perspectives of the various motivational factors that have been revealed to influence distributors.

## Methods

This study followed a positivism paradigm, using a quantitative approach to determine relationships between variables such as product quality, discounts on products, identifying methods, compensation plans, and management, and up-line support and independent variables pertaining to distributors' motivation in relation to MLM companies. A cross-sectional design was adopted in this study. The distribution of the survey questionnaire to participants consisted of electronic and the traditional hardcopy distribution. The questionnaire was designed to accomplish the objectives of the study. For electronic distribution, Survey Monkey was used, and the survey data was stored. For hardcopy distribution, the printed survey questionnaire was distributed through the MLM companies, and given individually to the distributors. The convenient sampling method that was adopted for the primary data. A total of 200 distributors from the KwaZulu-Natal province participated in this survey. The questions were designed to be answered in a five-point Likert scale format. The research instrument of this study was a constructed questionnaire that was adapted and modified from Lee et al. (2016); Srilekha and Suma Rao (2016); and Keong and Dastane (2019). The first section was on demographics, while the second was on the constructs of the research objectives. Statistical analysis was applied using the Statistical Package for the Social Sciences (SPSS) version 26 for the purpose of examining and analyzing the relationships between the variables, and therefore the testing of hypotheses. The following statistical tests and tools were used: Means and Standard Deviations to calculate the central tendency and variance of responses; Cronbach's Alpha Correlation Coefficient to compute the reliability; a Reliability assessment; Normality; and standard linear regression in order to draw conclusions on whether there is a positive or negative relationship between the variables.

## RESULTS

This section presents a descriptive analysis of the data obtained through data collection instruments. The data were analyzed descriptively in terms of measures of central tendency and measures of variability. A measure of central tendency includes the mean, median, and mode. A measure of variability includes standard deviation, while skewness and kurtosis are not reported.

A descriptive analysis of data was necessary as it helped to determine the normality of the distribution. The nature of the statistical technique to be applied for inferential analysis of the data depends on the characteristics of the data. For the present study, the response rate of the entire population was 81%.

| <b>Variable</b> | <b>Total sample</b> | <b>Mean</b> | <b>Median</b> | <b>Standard</b> |
|-----------------|---------------------|-------------|---------------|-----------------|
| Score           | 200                 | 0.81        | 0.81          | 0.12            |

As evident from Table 1, the value of the mean, median and standard deviation are 0.81, 0.81 and 0.12, respectively. When the mode is higher than the mean and median, it indicates that, the distribution is negatively skewed, indicating high scores. However, the current analysis does not take into consideration such statistics, while the difference between the mean, median mode is marginal, indicating that the distribution is near normal. Moreover, it can be calculated that the selected sample is a representative of the population based on the available descriptive statistics. The kurtosis of the sample indicates that the distribution is leptokurtic in nature, implying a peaked distribution. Unfortunately, this was not reported in this study.

| <b>Variables</b> | <b>Categories</b> | <b>Frequency</b> | <b>Percentage (%)</b> |
|------------------|-------------------|------------------|-----------------------|
| Sex              | Male              | 52               | 26.0                  |
|                  | Female            | 148              | 74.0                  |
| Race             | African           | 161              | 80.50                 |
|                  | White             | 9                | 4.50                  |
|                  | Coloured          | 10               | 5.0                   |
|                  | Indian            | 20               | 10.0                  |
| Marital status   | Married           | 97               | 49.24                 |
|                  | Widowed           | 8                | 4.06                  |
|                  | Divorced          | 1                | 0.51                  |
|                  | Separated         | 0                | 0                     |
|                  | Single            | 91               | 46.19                 |

Additionally, demographic information consists of the socio-demographic characteristics used to classify the responses of the respondents, as well as an understanding of the results obtained from this study. The participants included only a few males (26.0%) compared to the number of females (74.0%), which is acceptable because more females are usually involved in reward-based businesses like those that network marketing and multi-level marketing compared to males. A higher percentage of participants in this study, representing 80.50%, were African; while the least racial group was White, representing 4.50%.

Table 2 above also highlighted that a greater number of participants in this study were married, followed by single people accounting for 49.24% and 46.19% respectively. This implies that most of the participants in this study who had been actively involved in this type of business of MLM are married or single, compared to those who are widowed or divorced.

## DISCUSSION

This report uses a Standard Multiple Regression test conducted on IBM SPSS version 26 to address the research hypotheses identified below. The analysis presents the following outputs: Reliability assessment, Normality, and standard linear regression to make a conclusion on whether there is a positive or negative relationship between the variables.

### Reliability of the Constructs

To test the internal consistency of measures, a reliability test was performed. Reliability is the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects (Rochford 2011). Cronbach's alpha is a commonly used test to determine the internal consistency of an instrument. The cut-off value of both the Cronbach's alpha is 0.7, although 0.6 is sometimes permissible (Malhotra, Nunan and Birks 2017). The reliability analysis was conducted on six constructs (Distributor motivation, Quality and innovative product, Methods of identifying the difference between MLM and pyramid scheme, Compensation package, Up-line and management support, and Discount on product) to test whether the set of items of each construct was internally consistent. The results in Table 3 demonstrate that all the constructs are internally consistent in their measurement as all Cronbach's Alpha values are above 0.7.

| Constructs   | Items        | Corrected Item-Total Correlation | Cronbach's Alpha | Mean | Standard deviation | Skewness | Kurtosis |
|--|--------------|----------------------------------|------------------|------|--------------------|----------|----------|
| Distributor motivation   | MULTMARK1    | 0.45                             | 0.781            | 3.9  | 0.614              | -0.448   | 0.885    |
|  | MULTMARK2    | 0.571                            |                  |      |                    |          |          |
|  | MULTMARK3    | 0.576                            |                  |      |                    |          |          |
|  | MULTMARK4    | 0.585                            |                  |      |                    |          |          |
|  | MULTMARK5    | 0.597                            |                  |      |                    |          |          |
| Quality and innovative product                                       | PRODQUAL1    | 0.51                             | 0.844            | 4.04 | 0.545              | -0.807   | 1.903    |
|  | PRODQUAL2    | 0.66                             |                  |      |                    |          |          |
|  | PRODQUAL3    | 0.601                            |                  |      |                    |          |          |
|  | PRODQUAL4    | 0.558                            |                  |      |                    |          |          |
|  | PRODQUAL5    | 0.552                            |                  |      |                    |          |          |
|  | PRODQUAL6    | 0.656                            |                  |      |                    |          |          |
|  | PRODQUAL7    | 0.668                            |                  |      |                    |          |          |
| Methods of identifying the difference between MLM and pyramid scheme | METHODID1    | 0.65                             | 0.833            | 3.91 | 0.63               | -0.612   | 1.542    |
|  | METHODID2    | 0.654                            |                  |      |                    |          |          |
|  | METHODID3    | 0.615                            |                  |      |                    |          |          |
|  | METHODID4    | 0.652                            |                  |      |                    |          |          |
|  | METHODID5    | 0.593                            |                  |      |                    |          |          |
| Compensation   | ATTRACTCOMP1 | 0.54                             | 0.817            | 4.09 | 0.569              | -0.601   | 1.268    |

|                               |              |       |       |      |       |        |       |
|-------------------------------|--------------|-------|-------|------|-------|--------|-------|
| package                       | ATTRACTCOMP2 | 0.583 |       |      |       |        |       |
|                               | ATTRACTCOMP3 | 0.645 |       |      |       |        |       |
|                               | ATTRACTCOMP4 | 0.661 |       |      |       |        |       |
|                               | ATTRACTCOMP5 | 0.606 |       |      |       |        |       |
| Upline and management support | UPLINEMAN1   | 0.74  | 0.897 | 3.89 | 0.667 | -1.046 | 2.016 |
|                               | UPLINEMAN2   | 0.745 |       |      |       |        |       |
|                               | UPLINEMAN3   | 0.785 |       |      |       |        |       |
|                               | UPLINEMAN4   | 0.604 |       |      |       |        |       |
|                               | UPLINEMAN5   | 0.758 |       |      |       |        |       |
|                               | UPLINEMAN6   | 0.702 |       |      |       |        |       |
| Discount on product           | DISCPROD1    | 0.612 | 0.897 | 4.08 | 0.6   | -0.806 | 2.775 |
|                               | DISCPROD2    | 0.633 |       |      |       |        |       |
|                               | DISCPROD3    | 0.747 |       |      |       |        |       |
|                               | DISCPROD4    | 0.63  |       |      |       |        |       |

### Standard Linear Regression

Before running the regression analysis, it is necessary to discuss Correlation Analysis and Testing Hypotheses. Correlation Analysis: A correlation test was conducted to ascertain the relationships between the constructs. The results in Table 4 show that there are significant correlations between all constructs. The values with (\*\*), (\*) indicate that there is a significant relationship between the constructs at 95 or 99 confidence intervals. For instance, there is a significant correlation between Distributor motivation and Quality and innovative product ( $r = 0,646^{**}$ ;  $p < 0.001$ ); between Up-line and management support and Methods of identifying the difference between MLM and pyramid scheme ( $r = 0,638^{**}$ ;  $p < 0.001$ ). The correlation results only indicate the relationship between variables. In order to ascertain the impact between variables, one needs to look at the regression results in Table 5.

|  |                            | DISTRIBU<br>TOR<br>MOTIVAT<br>ION | QUALITY<br>AND<br>INNOVA<br>TIVE<br>PRODUC<br>T | METHOD<br>S OF<br>IDENTIFY<br>ING | COMPENSA<br>TION<br>PACKAGE | UPLINE<br>AND<br>MANAGE<br>MENT<br>SUPPORT | DISCO<br>UNT<br>ON<br>PRODU<br>CT |
|--|----------------------------|-----------------------------------|---|-----------------------------------|-----------------------------|--|-----------------------------------|
| <b>DISTRIBU<br/>OR<br/>MOTIVATI<br/>ON</b>         | Pearson<br>Correlat<br>ion | 1                                 |   |                                   |                             |  |                                   |
|  | P-value<br>(2-<br>tailed)  |                                   |   |                                   |                             |  |                                   |
| <b>QUALITY<br/>AND<br/>INNOVATI<br/>VE PRODUCT</b> | Pearson<br>Correlat<br>ion | .646 <sup>**</sup>                | 1   |                                   |                             |  |                                   |
|  | P-value<br>(2-<br>tailed)  | 0,000                             |   |                                   |                             |  |                                   |
| <b>METHODS<br/>OF</b>                              | Pearson<br>Correlat        | .654 <sup>**</sup>                | .722 <sup>**</sup>                              | 1                                 |                             |  |                                   |

|   |                     |        |        |        |        |        |   |
|---|---------------------|--------|--------|--------|--------|--------|---|
| <b>IDENTIFYING</b>  | ion                 |        |        |        |        |        |   |
|   | P-value (2-tailed)  | 0,000  | 0,000  |        |        |        |   |
| <b>COMPENSATION PACKAGE</b>   | Pearson Correlation | .545** | .638** | .622** | 1      |        |   |
|   | P-value (2-tailed)  | 0,000  | 0,000  | 0,000  |        |        |   |
| <b>UPLINE AND MANAGEMENT SUPPORT</b>                                | Pearson Correlation | .538** | .622** | .638** | .617** | 1      |   |
|   | P-value (2-tailed)  | 0,000  | 0,000  | 0,000  | 0,000  |        |   |
| <b>DISCOUNT ON PRODUCT</b>  | Pearson Correlation | .450** | .563** | .525** | .622** | .520** | 1 |
|   | P-value (2-tailed)  | 0,000  | 0,000  | 0,000  | 0,000  | 0,000  |   |
| <b>**.</b> Correlation is significant at the 0.01 level (2-tailed). |                     |        |        |        |        |        |   |

### Testing Hypotheses

The results show that the model predicting Distributor motivation is statistically significant ( $F = 59,158$ ;  $p < 0.001$ ). The  $R^2 = 0,503$ , which suggests that these predictors (Quality and Innovative Product, Methods of Identifying the difference between MLM and pyramid scheme, Compensation Package, Up-line and Management Support, and Discount on Product) explain up to 50.3% of the variance in Distributor Motivation. The results in Table 5 indicate the predictive effects of Distributor motivation:

1. Finding 1: Distributor motivation is driven by a Quality and innovative product: According to the results, a Quality and innovative product has a positive ( $\beta = 0,291$ ) and statistically significant ( $P = 0.000$ ) impact on Distributor motivation.
2. Finding 2: Distributor motivation is driven by Methods of identifying the difference between MLM and pyramid scheme: According to the results, Methods of Identifying has a positive ( $\beta = 0,322$ ) and statistically significant ( $P = 0.000$ ) impact on Distributor Motivation.
3. Finding 3: Distributor Motivation is not driven by the Compensation package: According to the results, the Compensation package has a positive ( $\beta = 0,101$ ) and non-significant ( $P = 0,108 > 0.05$ ) impact on Distributor Motivation.
4. Finding 4: Distributor motivation is not driven by Up-line and management support: According to the results, Up-line and management support has a positive ( $\beta = 0,083$ ) and non-significant ( $P = 0,159 > 0.05$ ) impact on Distributor motivation.
5. Finding 5: Distributor Motivation is not driven by Discounts on Products: According to the results, Discounts on Products has a positive ( $\beta = 0,011$ ) and non-significant ( $P = 0,839 > 0.05$ ) impact on Distributor Motivation. Therefore, one can conclude that Quality and Innovative Products and Methods of Identifying the difference between MLM and pyramid scheme determine Distributor Motivation.

| <b>Model</b> |                                | <b>Standardized Coefficients</b> | <b>t-value</b> | <b>P-value</b> | <b>Conclusion</b>                     |
|--------------|--------------------------------|----------------------------------|----------------|----------------|---------------------------------------|
|              |                                | <b>Beta</b>                      |                |                |                                       |
| <b>1</b>     | (Constant)                     |                                  | 2,633          | 0,009          |                                       |
|              | QUALITY AND INNOVATIVE PRODUCT | 0,291                            | 4,419          | 0,000          | Hypothesis H <sub>2</sub> accepted    |
|              | METHODS OF IDENTIFYING         | 0,322                            | 4,956          | 0,000          | Hypothesis H <sub>5</sub> accepted    |
|              | COMPENSATION PACKAGE           | 0,101                            | 1,613          | 0,108          | Hypothesis H <sub>4</sub> rejected    |
|              | UPLINE AND MANAGEMENT SUPPORT  | 0,083                            | 1,412          | 0,159          | Hypothesis H <sub>1</sub> is rejected |
|              | DISCOUNT ON PRODUCT            | 0,011                            | 0,203          | 0,839          | Hypothesis H <sub>3</sub> rejected    |

### Regression Analyses

Five motivating variables: product quality and innovation; compensation packages; discounts on products; methods of identifying the difference between MLM and pyramid/ Ponzi schemes; up-line and management support were analyzed with multiple regression analysis to determine their influence on distributors' motivational factors in MLM. The table above presents the results of the analysis, which shows that two factors: product quality and also innovation and identifying method, had a significant impact on distributors' motivation factors. In addition, the compensation package, discount on products, management, and up-line support were not significant influencers. Therefore, two research hypotheses, H<sub>2</sub>, and H<sub>5</sub> were accepted, while H<sub>1</sub>, H<sub>3</sub>, and H<sub>4</sub> were rejected.

### CONCLUSION

This study examined the nexus between distributor motivation and the five elements of motivation factors that include product quality and innovation, compensation package, product discount, techniques of distinguishing MLM from pyramid/Ponzi schemes, and up-line and management support. The study found that methods of distinguishing between MLM and pyramid schemes and product quality and innovation had a favorable significant impact on distributor motivation. Since all five variables have a substantial connection with one another, as it can be seen from the findings, all the constructs are related. However, the compensation package, support from the up-line and management, and product discounts have favorable but insignificant effects on distributor motivation. The empirical study indicated that all these variables or determinants influence distributors' motivational factors in engaging in MLM. Considering the literature, all these drivers were supported significantly and contributed to the development, growth, and expansion that the MLM business enjoyed. Moreover, Herzberg's Two-factor theory shows that compensation packages, up-line, and management support, and, discounts on products are hygiene factors that propel satisfaction. This implies that all these

factors encourage distributors to work hard at selling and enlisting additional sales force. As a result, multi-level marketing distributors are highly influenced by elements that are strongly correlated with quality products and techniques of identification, as well as techniques of distinguishing MLM from pyramid/Ponzi schemes.

This claim was supported in this investigation by the utilization of adequate and trustworthy data. This leads one to the conclusion that high quality, cutting-edge products, and techniques of identification and techniques of distinguishing MLM from pyramid/Ponzi schemes determine distributor motivation. Additionally, the compensation package, product discounts, up-line support, and management support are some of the reasons that drive distributors to participate in multi-level marketing. Despite some challenges related to the wrong perception, insufficient preparation, and lack of building relationships that are affecting MLM, this study revealed that there are several socio-economic benefits or value added, which are associated with MLM. These include “*affordability, innovative and quality product, means of empowerment, minimal working hour or flexibility, personal growth and development, residual income and independence*”. As a result, MLM has proven to generate employment for individuals, allowing them to be financially empowered in giving them a source of income generation that alleviates poverty.

Hence, it is crucial that people should be motivated to learn more about MLM and encouraged to get involved in MLM entrepreneurial opportunities (personal growth and development, residual income and independence, means of empowerment, minimal working hour or flexibility, affordability, innovative and quality product). If done correctly, the following additional benefits of MLM need to be taken into consideration:

- A highly profitable and freedom producing opportunity
- A social selling business: Social selling is when someone simply shares about a product they use and love in their own lives as a form of marketing through word of mouth vs. the traditional way to market through ads plastered everywhere.
- Interpersonal and communication skills play a vital role.
- Traditional jobs are characterized by an income ceiling. This means that regardless of how hard people work, their earning potential is limited. However, MLM marketing provides motivated individuals the opportunity to earn unlimited income as well as residual income.
- Multi-Level Marketing offers the opportunity to be paid forever for the sales an individual can generate daily.

Additionally, the world is becoming more and more demanding as far as time is concerned. This is another reason why MLM will always be preferable over other business models. Building an MLM business gets individuals into a community of like-minded people who are excited to build a freedom business with you. Thus, the significant points around MLM include a positive mindset, learning new skills, and setting & achieving goals. In addition, MLM companies should further improve compensation packages (bonuses, commissions, incentives, discounts, and rewards) offer to distributors for them to engage more in entrepreneurial activities, and to be more committed and motivated to promoting/trading products and recruit more members. Also, for more entrepreneurial and employment opportunities, Up-line and management support and training from management should be more grounded so the distributors can have enough knowledge about the products and pass the knowledge to the customers. Training in skills development will enhance the distributors’ confidence and selling approach, which will improve and reflect on their performance, productivity, and output. Quality and

innovative products were shown to exert the greatest influence on distributors' motivation. Therefore, MLM companies must continue to offer innovative and quality products to their customers, which is the reason for purchasing and repurchasing. This will make it easier for distributors to be able to confidently tell more individuals about the business.

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