



CONSUMER ATTITUDE TOWARDS NETWORK MARKETING IN A GLOBAL SCENARIO

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1.1 Title: Consumer attitude towards network marketing in a global scenario.

2.1 Objective: To understand the factors which affect consumer attitude towards network marketing?

3.1 Introduction:

Network marketing is a sort of business opportunity that is extremely prevalent with individuals searching for part time and flexible businesses. A portion of the best-known organizations in America, including Avon, Mary Kay Cosmetics and Tupperware, fall under the network marketing umbrella.

Network marketing programs highlight a low initial investment - normally just a couple of hundred dollars for the buy of an item test pack - and the chance to offer a product offering specifically to companion, family and other individual contacts. Most network marketing programs likewise request that members enlist different sales representatives. The recruited people constitute a representative's "downline," and their deals create wage for those above them in the program. Things can get sticky when a network marketing network remunerates members basically to recruit others rather than offering the organization's products or services. A network marketing system in which most of the revenue comes from recruitment may be considered an illegal pyramid scheme. Consumer attitudes is a composite of three components: cognitive information, affective information, and information concerning a consumer's past behavior and future intentions. At the end of the day, attitude comprises of considerations or beliefs, feelings, and behaviors or intentions towards a specific thing, which for this situation is generally a decent or administration.

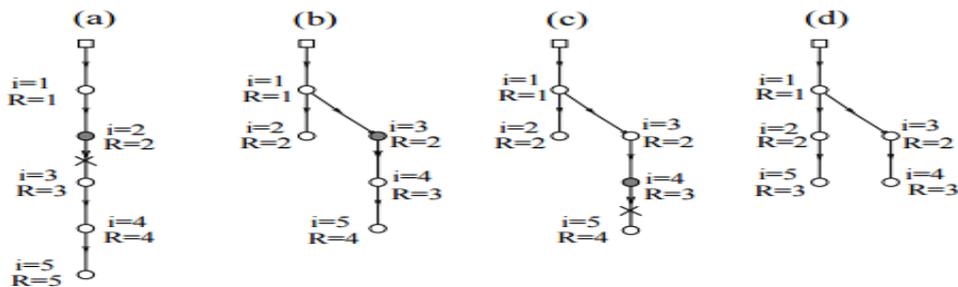


Figure 1.1 Network Marketing Framework



4.1 Literature Review:

4.1.1 Prasit Rattanaphan (August 2012) in their study “Consumer Attitudes toward the Corporate Image of Direct Selling Companies in Thailand” with the objective to find the attitude and buying preferences of consumers through network marketing concluded that the consumers had negative attitude towards network marketing in Thailand. The purpose of this study was to identify the major predictors that affect consumers’ attitude toward the network marketing companies in Thailand. The study used primary data collection. The researcher used questionnaire survey on a sample of

343 customers of network marketing companies in Thailand and then analyzed those using regression. The findings concluded that perceived value and trust had significantly positive relationship on attitude toward corporate image. On the other hand, brand architecture, corporate social responsibility (CSR), and internet marketing had no significant influence on attitude toward corporate image.

4.1.2 Kustin, Richard A, Jones, Robert A. in their study titled “A study of direct selling perceptions in Australia” with the objective to find the perceptions of consumers towards network marketing companies in Australia. The major focus of the study was pyramiding scams, aggressive selling techniques, high pressure sales and recruiting techniques. They came to a conclusion that non-store retailing method, multilevel marketing or network marketing, has recently incurred a degree of consumer suspicion and negative perceptions. The study focused on New South Wales and Victoria regions of Australia. The study used primary data collection. The method used was survey data collection. The responses showed a negative view about network marketing on people. There seems to be no effect of network marketing on consumer purchase decisions.

4.1.3 Der-Fa Robert Chen, Lih Jeng and Chien-Chih Chouin their study “A study of consumers who buy from MLM Channel in Taiwan” with the objective of understanding consumers attitude and preference towards multi-level marketing or network marketing in Taiwan. The study uses secondary data collection. The study surveys 200 customers in Taiwan. 11.01% of Taiwanese people have been involved in network marketing. The study also compares the satisfaction of the products sold by network marketing companies in comparison to traditional retail products. The study concludes that there are number of motivators for network marketing approach such as pressure from friends and relatives or special functions of MLM products. The major reason for consumers to prefer network marketing was effectiveness



5.1 Methodology

This paper is a descriptive study and is purely based on facts, figures and data, collected from various research articles from journals, magazines and websites especially from top corporates and accounting firms of the industry. Further latest contributions of various experts on the subject have also been referred.

6.1 Scope

The study extends to the people who have been involved in multi-level marketing or network marketing only

7.1 Factors Affecting Consumer Behavior Towards Network Marketing

According to Goodwin (1999), attitudes, perceptions and motivations are not apparent from clicks on banners or online purchases, but are an important part of the success or failure of marketing. A person's attitude towards products and organisations influenced by three major psychological factors: motivation, perception, learning and beliefs (Armstrong and Kotler, 2000). According to defining of Allport (1935), attitude is defined as a mental or neural state of readiness, organized through experience, exerting a directive or dynamic influence on the individual's response to all object and situations that related. The research will be specifically based on three of these factors in order to come to a conclusion on the attitude of consumers towards network marketing. They are as follows –

7.1.1 Motivation:

Motivation to buy, sell or associate to/from/with network marketing firms is one of the main factors influencing a consumer's attitude. This article aims to discuss motivation as two different sides of the same coin. In order for a consumer to have an opinion and attitude towards network marketing, the distributor or initiator must have the motivation to sell the product and create a pyramid of marketers to get the job done effectively influencing the customer to have an attitude, positive or negative. Sharma and Syed (2000) found that the leader motivating the team is of

utmost importance to have an impact on the consumer. Distributors and initiators must in all cases have incentives and perhaps an emotional or sentimental touch with the organization or team in order to have the motivation to go out there and successfully sell not only the idea but also the product. Having said that, it is time to evaluate the other side of the coin, which we believe portrays the consumer's motivation to procure the product or idea being sold. This can hold true in numerous cases such as availability of the product in the free market; if a product is readily available in a free market, consumers will avoid turning to network marketers to obtain these products for the simple reason of being overly suspicious of these schemes. Another portrayal of motivation of the consumer is the want of monetary stability. Unemployed portion of the labour force, housewives, students and retirees are



often more motivated to indulge in the multi-level marketing schemes due to the lack of steady source of income and the sheer trap of feeling unproductive. Michael and Jose Antonio(2003) found through their article that different demographic occupations and income groups tend to have varied attitudes towards network marketing products and schemes. These factors also play a large role in motivation to purchase or associate ones self with a network marketing firm in effect influencing their attitude towards the same.

7.1.2 Perception:

According to Borkowski (2009), attitudes are closely related to perception. Perception is the process whereby the organisms interpret and organize sensation to produce a meaningful experience of the world (Lindsay and Norman, 1977). The way consumers perceive the concept of network marketing in actuality is the most influential factor in one's attitude towards the same. Lindsay and Norman (1997) also state in their paper that the consumer's attitude towards Multi- Level Marketing/network marketing has largely been skeptic to say the least. India as a market especially has seen the abolishment of the chit-fund scheme, a concept that network marketing is based on increasing the skepticism around the concept. The demography selected can be divided into two halves, one that is accepting of this marketing concept and the other that isn't.

Accepting consumers of the Network Marketing scheme tend to look at it as an additional source of income. Valentina Makni (2015) deduced in her paper that only 23% of Network Marketers look at this concept as a viable source of primary income. That being said, consumer's stand point matters to a very large extent as well and most consumers in this half of the demo graph are moderately satisfied with the products purchased by means of network marketing chains.

Purchasers are seldom excited by the enthusiasm displayed by marketers; in fact they find it repelling in an attempt to not fall victim to a ponzi scheme or unfair trade practices. The consumers take this uncertainty and skepticism to the press and online forums, which influences the minds of direct purchasing customers getting acquainted with the concept of network marketing.

Non-Accepting consumers of network Marketing firms have found to have first hand or second hand bad experiences with the industry which is the reason for their unaccepting nature. Another reason for their non-accepting nature is the fact that network marketers use extremely unconventional forms of marketing to put their product in the marketing. They tend to lose out on a large market that only believes in conventional marketing and orthodox means of communication. This is what influences the perceptions consumers have towards Network Marketing.



7.1.3 Learning and Beliefs:

Customer has specific belief and attitude towards various products and services. Since such beliefs and attitudes structure brand image and affect consumer buying behavior thus, marketers are interested in them. Marketers can change the beliefs and attitudes of customers by launching special campaigns in this regard. When people perform an activity, it results in active learning. Most learning theorists believe that the majority of human behavior is "learned" behavior. Consumer's buying behavior is a partially learned behavior. Consumers "learn" their buyer behavior through drives, cues, responses, and reinforcement. Each one of these builds upon the other. Responses are the consumer's activities based on drives, motives, and cues from environmental incentives. Responses build Reinforcement, which influence the consumer's buying behavior in the future. If the purchase experience and direct experience with its purchase has been positive, then the consumer will likely consider buying that same product in the future. If the consumer's experience is somewhat negative, then they are likely to seek a different product later when the need has to be fulfilled again.

8.1 CASE STUDY

Amway India, a wholly owned subsidiary of Amway Corporation, USA, was established in 1995 and has emerged as the largest direct selling FMCG company in India. Having commenced its commercial operations in May 1998, Amway India has established a nationwide presence with more than 125 offices and 55 warehouses. Over 450,000 active distributors carry out business in every corner of the country, reaching as many as 2,000 towns and cities. As part of their distributor program, new program members will receive a Distributor ID Card with the distributor's name and membership number produced by a third-party card printer. In light of the following considerations, Amway started to evaluate the possibilities of ID card issuance on their own premises and approached various smart card printer manufacturers to discuss the following criterion:

- Data security – Amway was concerned with the confidentiality of distributor information and did not want to disclose the information to external parties
- Long turn-around time – Since minimum printing quantity was applied, Amway had to gather the ID card printing requests in batches. It took approximately two to three weeks for their distributors to receive cards after registration
- Urgency of use – Amway needed instant card issuance for distributor authorization, which prompted their purchase “Amway was dissatisfied with the long lead time that definitely delayed their business, so they turned to other solutions,” said Mr. Prashant Gupta, senior product manager of Lipi Data Systems Limited. Challenge – Nationwide Technical Support Amway approached various card printer manufacturers with the following prerequisites during the vendor selection process:



- Extensive technical support - Amway required optimal geographic support for all of their branch offices in India. Additionally, all reported technical issues needed to be settled within 48 hours
- Short consumables turnaround time - Consumables needed to be available within 24 hours upon placing orders
- Small footprint - The branch offices could only accommodate compact size printers

8.1.1 Analysis

The above case study portrays large problems that network marketing companies face which lead to customer skepticism and dissatisfaction. Amway is a perfect example of a network marketing organization that also carry out direct selling but 59% of their sales come from the network marketing portal. Issues such as long lead times and poor distributor identification lead to skepticism amongst consumers making their attitude towards multi-level marketing firms rather negative and condescending even, in some extreme cases. Consumers today wish to have full knowledge in not only the products they invest in but also the distributors and sellers. People are getting more aware of unfair trade practices, which heightens their suspicion. Referring to the aforementioned case, distributors at one point had no formal means of identification reducing credibility of the distributor. Network marketing is used largely for selling products that are considered a taboo to be bought openly making the customers vary of their data security. Order history and transactions made are things that customers keep in mind and wish to be fully aware of before investing their time or money in an organization promoting multi-level marketing/ network marketing.

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