

CHAPTER 1

INTRODUCTION

“Network Marketing is the fastest growing business model in the world today”

- Robert Kiyosaki, Founder, Rich Global LLC, Rich Dad Company –

“The richest people in the world look for and build Networks. Everyone else looks for work”

- Robert Kiyosaki, The business of the 21st century, (2010) –

The following research introduction plays an essential role as part of the entire conducted research. The aim of research introduction is there to give the overall view, perspective, insight, as well as presenting the nature of the research problem and clarifying them. In order to give the qualities mentioned above, the research introduction will be largely divided into 7 sub-chapters: Research Background, Problem definition, Research questions, Research objective, Scope of research, Research benefits, and Research systematics.

1.1 Research Background

According to the marketing notion, the fundamental to accomplishing organizational goals is for a firm to be more successful than its rivals in producing, delivering, and conveying customer value to its selected market segments. (Kotler,

2000). Thus according Kotler (2000), the key element of the marketing philosophy is the lucrative satisfaction of client demands and requirements. Because customer satisfaction and retention may boost a development of the organization and revenues, today's marketers are focused on establishing, building, and sustaining relationships with customers.

Nevertheless, during the last few decades, a different marketing strategy has emerged. Following the implementation of this marketing strategy, certain firms in the United States (US) have experienced tremendous growth. Rexall Showcase, Mary Kay, and Amway for example, were extremely successful in the 1980s and 1990s (Ho, 2001). The marketing strategy is what we referred to as "Network Marketing" (NM) or "Multi-level Marketing" (MLM) (Ho, 2001). Network Marketing is distinguishable from traditional marketing strategies by two main qualities.

To begin with, Network Marketing companies hire independent intermediaries to use their social networks as potential consumers. Second, financial, social, and psychological incentives are being used to convert new clients into active promoters of the item being sold (Pratt 2000). The transaction occurs in a social environment since the hired sales representative may be any of the customer's acquaintances such as families, relatives, colleagues, and friends (Ho, 2001).

As a result, social factors, in addition to the economic worth of the commodities, play a part in the transactions. The experience of the social relationship,

existing social standards, the complexity of the connection, and the figurative importance of the trade act are all examples of social influences (Ho, 2001). To summarize, Network Marketing exchange is a type of "socially interconnected" interaction that has gotten more attention in the last decade from sociology, communication, marketing, and organizational behavior academics.

Network Marketing has been around for over 50 years since the first time of its discovery up to these days. This Network Marketing sector is thriving and well-received in many nations, drawing customers from several walks of life. However, since its establishment in the 1940s, Network Marketing has been a source of heated debate in social structure. It has inadvertently encouraged criminals to reap the benefits of the disadvantages of MLM firms. Similarly, all illegal schemes such as what we may know of as pyramid schemes, Get-rich-quick scams or Ponzi schemes, involve a structure in which is called Network which consists of down-line, up-line and a reward plan (Nat et al., 2002).

The multi-level marketing sector has been chastised for a number of concerns that have turned off potential customers. False advertising, over-claim statements on income, and other misleading marketing methods are common in these scams (Lee & Loi, 2015). Much of the time, it drew those who wanted to make quick cash without exerting any effort. However, the final result is never as predicted, and the person who has spent a lot of money does not receive the benefits that the corporation guarantees.

The rotten apple in the business has severely soiled the reputation of MLM firms (Lee & Loi, 2015). The authority has failed to address the ethical and legitimacy challenges that have arisen. People are sceptical about these issues, and they may be hesitant to take the risk of becoming a distributor given the considerable payout.

Considering the demonstrated concerns on the above however, there are plenty of MLM firms that have survived and are doing successfully all around across the world. For instance, Tupperware, and Amway for example, have effectively increased their market share in a number of nations (Lee & Loi, 2015). A large part of this is because direct selling or Network Marketing firms have launched more creative items in the past few years. Items such as accessories, stationery, cosmetic procedures or face treatment packages, trip packages or even financial tools are progressively becoming popular nowadays in the world of Network Marketing.

Its validity is still up in the air, since some nations would acknowledge it while others would not (Lee & Loi, 2015). Consumers are perplexed yet drawn in by the guaranteed exponential return. Some businesses, particularly, run their operations with their own currency and stock market. The distributor will be compensated depending on the earnings from investment and the exchange rate, with relatively little compensation or earnings for recruiting in this situation.

A direct selling or Network Marketing company's product or service is seen as a vital tool. As a result, the company's product/service is critical as a means of

propelling the organization forward (Lee & Loi, 2015). Without which, the incentive program will be unable to recruit a satisfying distributor on its own. In order to captivate a prospect, a successful tool must contain a series of sales pitches. As a result, a distributor has to be well trained in order to improve his or her knowledge, skills and capabilities (Delgado, 2000).

In order to recruit good distributors, MLM companies must learn what may be beneficial towards them. The amount of happiness, satisfaction and success across distributors is a key in increasing distributor engagement in MLM organizations (Delgado, 2000). The greater indication of a successful firm is the faster the distributors expand and stay in the same direct selling network (Dyer, 2001).

The expansion of Network Marketing enterprises in the 1980s and 1990s resulted in a flood of Network Marketing-related literature. Numerous books have been produced by advocates and journalists to provide prescriptions for growing NM businesses successfully. Network Marketing has received limited attention among marketing researchers, despite its importance to the relational exchange notion in relationship marketing (Ho, 2001). Due to the social nature of NM exchange, the impact of various intrinsic social aspects on customer knowledge and behaviors is empirically investigated (Pratt, 2000; Ho, 2000). It is therefore, the goal of this study is to obtain a greater knowledge of distributor satisfaction.

1.2 Problem Definition

Distributors are the determinants of a Network Marketing or Multilevel marketing's success, as the process of business itself is done fact-to-face, rather than through fixed retail store in a specific location. As so, character of distributor such as distributor's loyalty and the ability to communicate in a right, good, and truthful manner in order to establish a sustainable relationship with customers (Gantar & Tieleung, 2018). As for the distributor themselves, the decision to choose the right, proper Network Marketing company is a critical decision to make, since the support provided by the company such as realistic business plan or compensation plan, product quality and company reputation will contribute in making the business easy for the distributor to pursue. (Gantar & Tieleung, 2018)

Having a large number of successful and effective distributors is critical in the industry of Network Marketing. In order to expand and grow the business, the already-existing distributors must recruit or hire new distributors. Network marketing companies, however, have no legal authority or power over the distributors, as distributors are "freelancers" that they can quit the business at any time they want without having to make a proper and formal announcement (Lee & Loi, 2016).

As a result, it's critical to comprehend the elements or factors that could encourage and motivate distributors to continue on the job. Although there are a lot of research that were done about normal salaried employee's loyalty and satisfaction,

there isn't much study that were done on independent agents like MLM distributors (Lee & Loi, 2016).

1.3 Research Question

Based on the research background and problem definition, the researcher came up with five research questions:

1. What are the problems or burdens distributors have towards Network Marketing companies in pursuing its business, that could potentially make them lose interest and quit the business?
2. What is the ideal product quality offered by Network Marketing companies that are favored by distributor?
3. What are the factors that contributes to distributors satisfaction in a Network Marketing company?
4. What are the characteristics of favorable Network Marketing business for distributor?

1.4 Research Objectives

Based on the research questions and problem definition, the researcher came up with four research objectives:

1. To investigate the problems or burdens distributor have or face towards Network Marketing companies in pursuing its business, that could potentially make them lose interest and quit the business.
2. To investigate the ideal product quality offered by the Network marketing companies that are favored by distributors.
3. To investigate the influential factors that contributes to distributors satisfactions towards Network Marketing (MLM) companies.
4. To investigate the characteristics of potentially favorable Network Marketing business for distributors.

1.5 Scope of Research

This research is done in order to give an understanding behind the distributor's satisfaction towards Network Marketing (MLM) companies, and the factors that contributed to their satisfaction. As so, this research will solely focus on the distributor of a Network Marketing company, as the subject of the research, and not covering normal salaried employees or other type of labored worker as part of this research.

This research will utilize the theoretical framework that were developed by Lee and Loi (2018), which consists of Methods of diffusing business opportunity, Perceived quality of recruiting process, Perceived quality of training, Up-line support, Perception of products and services, Monthly-income, and Distributor satisfaction. By so, this research hopes to dig in and investigate influential factors that contributes to distributor's level of satisfaction using the above theoretical framework as a guidance

framework in conducting this research, thus understanding favorable and ideal Network Marketing businesses in the eyes and thought of distributors.

This research was done and proceeded during the times where lockdowns, “work-from home” and social distancing was applied all over the society and places due to the global pandemic of Covid-19. As well with the time constraint and strict deadline, the research may not provide or offer optimum result. Although with limited given time and an unfortunate external condition, the author has optimized the following research in a hope to provide helpful information and data with the limitations at the current times.

1.6 Research Benefits

1.6.1 Theoretical Benefit

Through this research, the author aims to provide a deeper understanding and insight about possible new factors and elements that contributes to the satisfaction of distributors who pursue Network marketing or multi-level marketing business. Also, the researcher hopes to deliver different ways of thinking and understanding in viewing Network marketing, providing a new and broader insight and perspective to its understanding.

Lastly, as for the author himself, the author hopes to find and understand various, possible new factors that influences distributors satisfaction for the sake of this research, and hope that this research could contribute in adding to a wider spectrum of studies in the fields of Network Marketing, or Multi-level marketing research that are relatively limited and scarce in terms of academic benefit.

1.6.2 Managerial Benefit

This research aims to provide a useful information and data for those who're considering and thoughtful of pursuing to join any Network marketing or multi-level marketing business should they decide to pursue the business, whether as their career option or part-time (side job) job, regardless of age, gender, job, education degrees, economic condition, or experiences. Last but not the least, this research hopes to provide helpful information towards the Network marketing or Multi-level marketing industries, through the collected data based on the thoughts and lived experience of distributors to improve their business and providing an understanding of distributor's satisfaction from the eyes and perspective of the distributor themselves.

1.7 Research Systematics

This research has been broken down into five different chapters accordingly in a systematic way to provide a clear and detailed illustration of the whole research.

Chapter 1. INTRODUCTION

Includes the discussion of the background of the research, problem definition, research objectives, benefits the research can offer, research limitations, and research systematics.

Chapter 2. LITERATURE REVIEW

Presents the literature review on the relevant topics surrounding Network marketing and Multi-Level marketing industries and its systems (MLM).

Chapter 3. RESEARCH METHODOLOGY

Details the methodology, which includes the conditions and properties of the interview and the backgrounds of each interviewee interviewed for the purpose of this research.

Chapter 4. FINDINGS & ANALYSIS

Includes the analysis of the findings and emerging core concepts both through literature review and interview data.

Chapter 5. CONCLUSION

Conclusion and result of this thesis along with explaining the limitations and future recommended studies that can be made based on this research.

