

# Multilevel marketing: a legitimate business opportunity

[Business](#), [Marketing](#)



This article addresses some of the common misconceptions that are often associated with ultimately marketing companies. Lastly the article provides a method and a process In which to recognize and Identify a legitimate opportunity from an Illegal pyramid scheme. Introduction While it is considered to be a form of Direct Selling it is often referred to by many different names: multilevel marketing (ML), network marketing (NM), and network marketing direct selling organization (ENDS).

It is commonly misunderstood and regardless of what it is called multilevel marketing is often a disparaged form of direct selling which can be more simply defined as a form of retail distribution in which the selling of it's products or services is done face-to-face or person-to-person away from a fixed retail location (Album 1989). One of the misconceptions and most common allegations Is that multilevel marketing companies may be illegal pyramid schemes and that such companies are unethical.

This paper addresses the characteristics of multilevel marketing companies that are often criticized and misrepresented and presents an argument from an objective, non-bladed perspective that multilevel marketing companies are In fact a legitimate, viable and ethical model of doing business. In order to do so, this paper presents the origins of multilevel marketing and a basic overview of the multilevel marketing industry. Secondly, it presents some of the issues and legalities that the industry faces.

Thirdly, it presents a method that an individual can use to identify a legitimate and viable multilevel marketing opportunity as well as identify and determine if an opportunity is an illegitimate opportunity and an illegal

pyramid scheme. Literature Review: Multilevel Marketing ; Pyramid Schemes

Multilevel Marketing, also preferred to as network marketing, is a form of retail direct selling specifically face-t()- face or person-to-person selling away from a fixed retail location that additionally has a multilevel compensation structure (Album 1989. Multilevel Marketing Is considered to be a particular retail channel of dilutions wherein salespeople or distributors are in business for themselves and operating as independent offer multilevel compensation programs have been in existence now for over 70 years. The first direct sales company to introduce a multilevel compensation plan was company called Nutritive, which was founded in 1941 by a scientist by the name of Carl Rehiring (Bogart, 1990. ) Rehiring believed that nutritional supplements were important and that people could improve their health by including them into their diet.

However, while this would most likely seem to be common knowledge by today's standards in 1941 it was something that was considered to be controversial at the time. Rehiring believed that his nutritional supplements that were made from natural resources were superior to those at the present time that were synthetically produced. In order to sell his product and accurately educate consumers he needed to disseminate a lot of information in order to sell his natural vitamin supplements when he was presently competing against much cheaper synthetic alternatives.

Rehiring believed that the most effective way to educate consumers on the benefits of vitamin supplements in addition to the advantages of natural supplements over synthetics was through direct selling (Bogart 1990. )

Rehiring found that the best way to recruit salespeople as well as employee a better sales team was to compensate existing salespeople when they recruited new salespeople. Rehiring believed that if he offered people a means to become invested in the products and the company that they would ultimately contribute a greater sales effort and be more productive employees.

Therefore, the origination of multilevel marketing came out of an ethical place not some dishonest marketer who was trying to deceive people through a get rich quick illegal pyramid scheme. On the contrary, it came from a scientist who was an entrepreneur whose innovation lead him to develop a method in which allowed him to be able to get as much information as possible to as many people as possible. One of the most common misconceptions in the (ML) industry is that (ML) companies are pyramid schemes.

In reality, (ML) companies are legitimate businesses, which are regulated by the government and are required to adhere to a code of ethics (Vender Nat and Keep 2002). In order for an individual to be able to determine whether or not a multilevel marketing company is a legitimate business and a viable opportunity it is an essential component to this paper as well imperative that an individual understands the differences between a legitimate (ML) opportunity or an unethical one as well as an illegal pyramid scheme.

In order to distinguish the differences between a legitimate (ML) company and an illegal pyramid scheme there are five determining factors that will

help any individual whose considering pursuing direct sales through a (ML) company to determine if the company is a legitimate (ML) company or an illegal pyramid scheme. The determining factors that can distinguish whether or not a (ML) company is legitimate are as follows.

When inquiring about how money and profits are generated a legitimate (ML) company will compensate their salespeople for selling actual products or services to ultimate consumers rather than simply circuiting people. On the contrary, if a company is only offering to pay its representatives for recruiting and not for selling products or services it is an illegal operation and should be avoided since it will be shut down immediately as soon as it is discovered by the appropriate regulating officials (Brakes 1997).

Secondly, in a purchased by individuals other than the ones who are selling them. Thirdly, evaluate the cost of being involved. Since almost all direct selling organizations require a registration fee to get involved, these fees typically cover the costs of maintaining lolls such as a website or literature to get started. In some cases depending on the products or services that the company is selling you may be asked to purchase products or supplies in order to demonstrate the products to potential customers.

If the situation exits, in which you are required to purchase products or supplies, then verify that the company has a provision to buy back unsold inventory. Ultimately, there is no pyramid if a product or service is being sold, the fee for becoming a distributor is fair and reasonable, there is no inventory loading, and there is buyback logic in place (Album 2008). Method

of Research Used In order to determine whether or not (ML) companies are in fact legitimate business opportunities the method of research that was determined would provide the best results was to use correlation research.

As stated previously, (ML) companies are often compared to pyramid schemes and there is often a misconception that (ML) companies and pyramid schemes, which are illegal and are unsustainable business models, are considered to be one in the same thing. However, they are actually completely different business models. Therefore, the method of correlation research was used in order to define and understand the variables and determining factors that exist in (ML) companies that make them legitimate business opportunities and allow them to be viable business models.

In researching (ML) companies it was determined that there are 5 determining factors that exist in legitimate (ML) companies. When these factors cannot be clearly identified then an individual should conclude that any (ML) company that is claiming to be a legitimate company without exhibiting any of the following determining factors is not a legitimate (ML) company and could therefore be a pyramid scheme. The 5 determine factors that were discovered through correlation research was that a (ML) company is first a method of supply chain distribution (Dyer 2001).

Secondly, because (ML) companies are methods of supply chain distribution there must exist an exchange of goods or services flowing down to the consumer in exchange for payment or profits that goes back to the company (Brakes 1997). Thirdly, the majority of the company's proceeds cannot come

from purchases made by the company's sales reps or distributors (Brakes 1997). Fourthly, the start up costs in order to be a distributor must not be excessive (Brakes 1997).

And the fifth and final determining factor should be that if the sales representative or distributor should choose not to continue his business then there should be a policy set in place in which the company will agree to buy back the purchased supplies or goods for a predetermined and agreed upon percentage (Brakes 1997). Data regarding people who would participate in (ML) companies Based on the research that was done the author could not report on any inclusive findings however here are the results of the recent survey that was done.

On April 15, 2013 a survey was done by sending a survey to 20 people by the methods of utilizing Email and Facebook. Out of the 20 surveys that were sent out 14 people responded for an overall response rate of 70%. Of the respondents who participated in the study ranged from ages 25 to 40. Of those who participated in the survey the primary majority of those that responded were between the ages of 30 and 35. For the 20 people that were surveyed the following five questions were asked. 1. Are you familiar with the concept of Multilevel Marketing Companies? 2. Have you ever participated in or worked for a (ML) Company? 3. Have you ever known anyone or been closely related to anyone who has participated in a (ML) Company? 4. If you were presented with a legitimate and credible opportunity would you ever consider working with a (ML) Company? 5. What would your primary reason be for working with a (ML) Company? Out of the 14 respondents who

participated in the study 100% of them stated that they were familiar with the concept of (ML) companies. Of the 14 that responded 10 stated that they considered (ML) Companies to be a pyramid scheme.

When asked if they had ever participated in or worked for a (ML) only four of the respondents stated that they had worked with a (ML) Company. When asked if they had ever Company 5 of the respondents stated that they had. When asked if they would ever consider working with a (ML) Company only 3 stated that they would. For the 3 individuals who stated that they would consider working with a (ML) Company each respondent stated that their primary reason would be that it would allow them to have their own business and work from home.

Due to the time constraints and the limited amount of people that were able to be surveyed the results that were gathered would not provide sufficient enough data to accurately determine which individuals would or would not participate in a (ML) company. However, if not limited to time constraints, a format for further research that would allow for more conclusive results would include a much larger sample of the population in addition to allowing a period of several years in which to collect the data. The sample size that would yield more accurate results would include roughly 1 , 000 to 3, 000 surveys.

Secondly, the research should last for a period of three years, as a minimum, but no more than five years. Having a greater number of surveys would allow the researcher to have a more accurate statistical analysis of the actual



demographics that exist in terms of who would take advantage of (ML) opportunities. Secondly, the extended period of time would allow the researcher to more accurately determine retention rates of those individuals that took advantage of (ML) opportunities as well as the varying levels of success that an individual might be able to attain as a result of staying with a (ML) business opportunity.

**Conclusion** In this article the author has examined and evaluated the (ML) industry and has determined that as a retail channel of distribution it is neither illegal nor unethical. Therefore, this article presents a positive view of (ML) Companies and has determined that do offer a legitimate business opportunity and offers a viable business model to anyone who is will to take on the responsibility of viewing this as a legitimate business and is willing to take on the responsibility of working at it. As in most business there are certainly always perceived risks as well as rewards.