

# [Multi level marketing (mlm)](https://assignbuster.com/multi-level-marketing-mlm/)

### Chapter 2

### Literature Review

This chapter of the dissertation presents the important concept of Multi Level Marketing (MLM). They include an overview and definitions of Multi Level Marketing.

### 2. 1 An overview of Multi Level Marketing

Firstly, Multi Level Marketing was a legitimate business, which provided a way for small companies to get their unique products to consumers in small towns and rural areas, which these areas are difficult or impossible to access to these products. During the first time, the products sold themselves, and the multi level aspect was a way of giving a small reward to those who had worked hard to build the organization. However, the focus was always on the product.

Nowadays, Multi Level Marketing opportunity seems to be famous in this business world. This kind of marketing strategy is essentially any business where payouts occur at two or more levels. For example, when someone make a sale, both that person and the person who recruited first person will get the portion of the proceeds. The distributor network is needed to build the business. Moreover, the distributor must also buy the product for their personal use. However, this kind of marketing appears to be outside the mainstream of business as usual. It can be said that this kind of business sells hope, and promises wealth and independence to all.

If you choose to become a distributor with the Multilevel Marketing Company, you’ll earn money both through the sales of the MLM’s products and through recruiting other distributors, by receiving a portion of the income these distributors generate.

The distributors that you sign up with your Multilevel Marketing plan are called your downline. The distributor that originally recruited you is called your upline. Often he or she will give you some help getting started, including training.

Some companies require that an individual pay a sign-up fee and/or make an initial purchase of a minimum dollar value to become a distributor, while others may require only that an individual sign an agreement form.

Typically the person who brings in a new distributor is called that person’s sponsor; the new distributor and others brought in by that sponsor are all in the sponsor’s downline. Depending on the compensation model a company chooses, distributors may have multiple people in their first level, and many levels in their whole downline or organization.

One of the benefits of working in an MLM business is passive or residual income. Once a distributor has a substantial downline, she earns commissions even while taking vacation and not actively working the business.

Compensation for distributors of a given company is in the form of commissions based on the total volume of sales, which is a combination of sales to customers who buy direct from the company and sales to an individual’s downline distributors. Some distributors also earn income by purchasing products wholesale and Companies that use MLM range from decades-old companies to startups and from small companies with around a thousand distributors to large ones with hundreds of thousands. Some MLM companies are Amazon Herb Company, Avon, Pre-Paid Legal, Shaklee and Quixtar.

### 2. 2 Definitions of Multi Level Marketing

Multi Level Marketing is a term that describes a marketing structure used by companies, as part of their overall marketing strategy. Moreover, it is a system for selling products or services through a network of distributor. Multi Level Marketing is selling products by using independent distributors to build and manage their own sales force by recruiting, motivating, supplying, and training others to sell products. The distributors’ compensation includes their own sales and a percentage of the sales group. The essential type of Multi Level Marketing program works through recruitment. For example, you are invited to become a distributor, sometimes through another distributor of the Multilevel Marketing Company’s products and sometimes through a generally advertised meeting.

Multi Level Marketing is not simply a single marketing structure. However, most Multi Level Marketing’s have common characteristics. The simplest way to identify an MLM is to check out whether or not a distributor may recruit unlimited people into a downline structure. Unlimited people means unlimited competition. Unlimited competition means unlimited failure.

The classic Multi- Level Marketing scheme may firstly be defined by its reliance on a geometric progression recruiting model for the development of each distributor’s sales network. (A geometric progression is a variable mathematical concept. In MLM, its application is limited only by the mathematical capability and the imagination of the MLM scheme’s creators. Geometric progressions are also the basis for illegal Chain Letters and pyramid schemes).

Secondly, MLM marketing schemes will reward the distributor and his upline members financially for the distributor’s successful introduction of new distributors into his own group. (The matrix of recruited distributors formed under an MLM distributor from his recruiting is called that distributor’s downline. Those in direct linear connection above a given distributor are called that distributor’s upline).

Thirdly, distributors are most often required to purchase and personally use a minimum of their MLM’s consumable products every month in order to qualify for recruiting commissions and over- rides. (This requirement ensures an upline income from every new distributor). The reward or remuneration scheme for recruiting new distributors is integrated with the geometric growth recruiting model to produce an individual marketing scheme’s major distributor income characteristics.

### 2. 3 Components of Multi Level Marketing

The company that use Multi Level Marketing strategy will brings a product or service to the marketplace that is retailable and being retailed. In addition, the product or service reaches the end user through direct sales representatives, rather than through traditional retail establishment. Moreover, the company’ s compensation plan is designed to reward representatives for the sales of the product or service they make. It includes a feature that additionally rewards a representative who introduces an additional representative to the company, based on the sales volume of the second representative.