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# Analysis & International Expansion Opportunities for Multilevel Marketing

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**ABSTRACT** Multi-level marketing is a marketing approach that motivates its participants to promote a certain product among their friends. The popularity of this approach increases due to the accessibility of modern social networks, however, it existed in one form or the other long before the internet era began (the infamous pyramid scheme that dates back at least a century is in fact a special case of multi-level marketing). MLM industry is reinventing itself electronically on the internet. This online MLM not only for those who need the product itself, but also for those who need additional income. That makes it different from normal online shopping concepts.

## I. INTRODUCTION

Multilevel marketing (MLM) is described as a network of member-distributor whose earnings come both from selling products and recruiting new members. Multilevel marketing is a marketing approach that motivates its participants to promote a certain product among their friends. The popularity of this approach increases due to the accessibility of modern social networks. The fundamental idea behind multilevel marketing is that a customer, who already purchases the product, is rewarded for "referrals", i.e., for purchases made by his / her friend as a result of his promotion. The reward mechanism associated with multilevel marketing may take various forms. In particular, a former customer may be rewarded for both purchases made by the later and for their own referrals in a recursive manner. The aim of this paper is to study a system of M.L.M (Multi-level marketing) agency and all their processes in a systematic way... Members operate their distributorships by purchasing inventories of branded products from corporate producer and then selling those products to their customers. As an incentive to grow the organization, members also receive a commission on the products sold by the new members, they recruit into their MLM, as well as on sales by their recruits 'recruits, and so on. This practice of paying commission on multiple levels of recruits' sales prompted to term 'Multilevel Marketing'.

## II. WHAT IS MLM?

MLM business or multilevel marketing, is a method, businesses use to market their product directly to consumers through relationship and direct selling. Distributors are generally non-salaried and make their money by commission off sales made by their own independent organization. These organizations are made by either building up their own customer base who purchase directly from the parent company or by recruiting other sales people who perform all the leg work for the distributor. A distributor can make money by selling the parent company's products wholesale to their own organization. Another way to make money in MLM business is by hiring other distributors. MLM business in India is still new and as such has a very bright future. Multilevel marketing, is a business the objective of which should not be to pressure and coerce loved ones to trust you, instead to identify individuals who have a need or want for what you are offering. Business ethics must still apply and harassing friends and relations might affect important relationships. Some lead companies can produce good quality home business leads, but invariably the most responsive leads will often be very expensive. As conversion rates are often very low with cold market or unresponsive business leads, you are likely to be required to spend a lot of money before you are able to reap the rewards by building a profitable down line. So, what is the solution for newbie multilevel markets or MLM business owners who are not willing to approach relatives and do not have the collateral to pay for leads? One recommended approach is to find, or to create low cost information products, such as the e-book, that will offer masses of value to individuals interested in earning an income from home, as well as those who are already researching MLM business, no matter in US, UK, India or anywhere else. You can then concentrate the majority of your time on promoting your low cost product to individuals who are actively researching and are ready to find out more. This shift in balance in your favour for number of reasons: firstly, it offers a budget for advertising your info product so you can show the value to more qualified contacts and secondly it offers a strategy for generating your own self-liquidating business leads, Anyone who purchases your product is qualified



prospect who is already interested in what you can give and you have generated a token profit in finding that person. This person will be a much more responsive prospect than someone you work with, rather than a long-lost just found friend. Multilevel Marketing or MLM is business is one of the most powerful business concept that we have ever come across in the history of world business. However despite the thousands upon thousands upon thousands of people that have used this product distribution model have helped live a lifestyle that they would have only dreamed about, there is still a significant amount of people that have used this products distribution model have helped live a lifestyle that they would have only dreamed about, there is still a significant amount of people that have some absolutely terrible things to say about multi-level marketing let's take a look that at some of the Good, the Bad and the Ugly facts about multi-level marketing. Multi-level marketing, MLM is without question, in my opinion a business model that has changed lives for the better. I guarantee you that many people who have been able to create that type of income using traditional business or investing. This is because it offers several benefits that traditional business and investing simply do not offer, especially in India where MLM business is still to catch up. It offers the opportunity to work part time with potential to make full time wages. Some people make quite a bit of money with these programs, but it requires hard work to get to the top, There are so many them, and they will all offer you the potential to get rich with minimal effort, Here are some suggestions for choosing an MLM business program. This is part-time job, and you want to pick something you enjoy. When choosing an MLM business program, look for something new, something that not everybody is already doing. It helps if the product caters to a growing or underserved market. Start with a company that has been in business for several years. Multilevel marketing is a team use to describe the marketing strategy of certain companies as a part of their overall marketing structure. The term 'network marketing' can also be used to describe this strategy. Commonly referred to as network marketing or referral marketing, it is very simple and can be effective way of making money for the average person. The way that the system work is that individuals sign up to promote the company and to sell their products independently. They are able to gather their own customers and recruit their own 'distributors' who become part of their downline or team. It is these un-salaried, independent distributors who represent the company products and are solely responsible for the sales that the business generate. They can develop their own organizations within the business by building their own team or downline as well as their own active customer base. Loyalty will often lead to repeat sales, therefore good communication and inter-personal skill are key to the success of any independent representative. Whilst the money you earn through your own customer gathering will be a lot more than the small commissions you receive from your team, building a large team can lead to great wealth. The company will offer a compensation plan that also offers bonuses and promotions.

### III. HISTORY

Nobody knows exactly when MLM began, because it really evolved over a number of years, prior to World War 2. Most observers agree that Nutrilite – now an Amway subsidiary – was the first true MLM Company. In addition to begin the founders of network marketing, they were the founders of the vitamin and food supplements industry, way back in the 1920s. So the historical connection between MLM and nutritional products date back over most of the twentieth century a fact unknown to most people (especially those who think that, somehow, MLM companies are Johnny come-late lies to nutrition. Most of the major product breakthroughs in that industry have been pioneered by MLM companies, in fact.) In 1949, two young men named Rich DeVos and Jay VanAndel became Nutrilite distributors. In the ensuing decade, they build a large, prosperous organisation across America. But, in the late 1950s, a problem across that was to continue to plague many MLM companies even until now. And it almost sank their business. The manufacturing arm of Nutrilite was owned separately from the marketing arm. And, as often happens in such circumstances (not just in MLM), the money. There's nothing unusual in this. It's a fact of life that those who connect manufacture to their markets take the lion's share of the selling price, in any industry. To make a long story short, a standoff developed between the manufacture and the marketer. DeVos and VanAndel watched, alarmed, as their distribution network dwindled rapidly due to lack of product and the resulting lack of income from sales. Unable to bring the two parties to an agreement, they decide to create a product of their own that they could supply to what was left of their network.

### IV. DIRECT MARKETING VS MLM

Most experts would agree that multilevel marketing is a part of the direct selling concept where products or services are offered on a one-on-one basis and sold directly by the salesperson to the consumer. However, the two approaches offer very different benefits to the salesperson. Direct sales companies are known as "seller-based," which means they give more income to the distributor when he or she makes a sale at retail. Direct sales companies usually market higher-ticket, one-time-sale durable items such as air and water filters, cookware, art, home accessories, etc. With the direct sales business approach, the majority of the available profit designated for the salesperson's commissions goes to the person who makes the retail sale. That person usually earns a significantly higher percentage of the designated sale commission than does the sales management that may be supervising his or her work.



Unless they have been appointed as sales managers, successful direct sales people are paid based on their personal sales rather than on building or organization of the other salesperson. And since most products marketed by direct selling companies tend to be durable goods rather than consumable goods, there usually is limited potential for residual income. Obviously there are exceptions, such as the residual income experienced in insurance sales but usually when the sale is consummated, the salesperson is moving on to the next person and potential sale. Immediate commission checks are usually higher than in Multilevel marketing, so if you want quick money, direct sales is your ticket. If you want to build a long term residual income, however, you should consider multilevel marketing. Multilevel marketing distributor still sell, but the sales process usually begins with their “warms” market of friends and relatives. Multilevel marketing companies typically offer retail commissions that are much lower. Since more of the available commissions are directed toward bonuses paid to various upline management people in the sponsor tree. In turn, you can also sponsor a downline of distributors that only sell but also consume products, making them your customers as well. If the company has high quality product that are fairly priced and offer obvious benefits the distributor has the real opportunity of building a “lifetime customer”. Ongoing customer use creates residual income. Residual income is money you earn from your initial sales and records made by those you recruit and the ones they recruit, etc. This process continues to generate earnings for you long after your day-to-day attention the “sale” or your sponsoring efforts has ended. For example, the royalties a writer or performing artist earns on his or her creation is an example of residual income. So is the interest earned on stock investments? Consumable products such as vitamins, personal care, cosmetic etc. are more compatible with the Multilevel marketing business model, since records create the residual income driving the program.

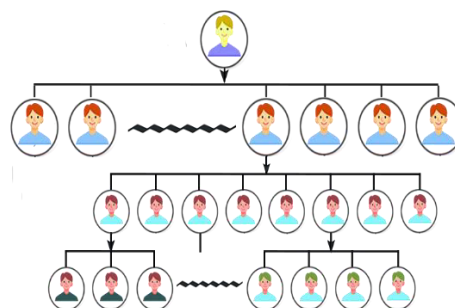
#### V. THE COMPENSATION PLAN

Compensation plans are ultimately the way in which you get paid in a network marketing business and therefore it is important that you understand how they work. In this chapter we will teach you how to understand a network marketing pay plan and in particular discuss the 4 basic compensation structure listed below. This chapter will also evaluate the benefits and limitation of each of the common pay plan structures and help you to identify the best compensation plan.

**! The four basic compensation plan structures as follows:**

##### 1) UNILEVEL PLAN:

Unilevel, as the name suggests, only enables you to sponsor one line of distributors, therefore everyone you sponsor is on your frontline. There are no width limitations to these plans (i.e. there is no limit to the amount of people you can sponsor in your frontline) and commissions are normally paid out on a limited depth (common plans that we have reviewed pay commissions between 5 and 7 levels deep). Therefore, the common goal of this plan is to recruit a large number of frontline distributors and then encourage them to do the same.

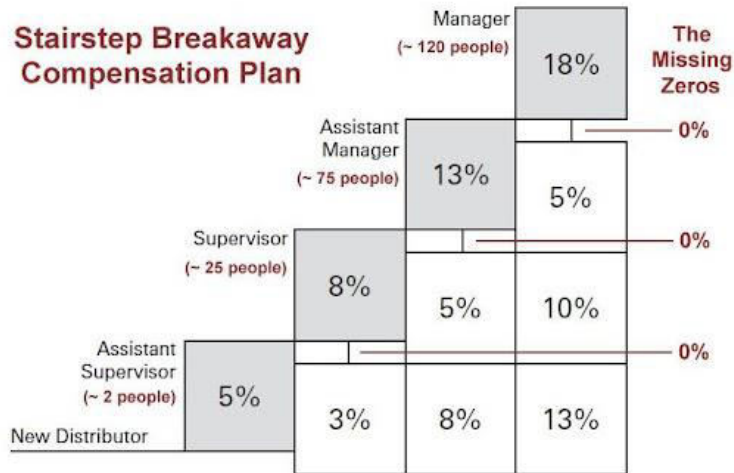


The unilevel plan has a few advantages, mainly the fact that it is easy to explain. Generally, the more distributor you recruit, the greater your commission cheque. These make it attractive to your experienced network markets, practically those that are gun recruits and have the ability to develop management and training systems for their growing downline. One of the main disadvantages of the plan is that every distributor you sponsor becomes cross-line to all of your other frontline distributors and therefore must work in competition with the others.



**2) STAIR STEP BREAKAWAY PLAN:**

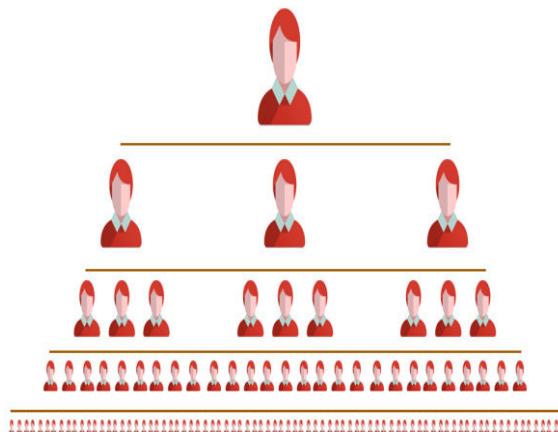
The name stairstep breakaway is derived from the concept that distributors climb the ladder of success and when they reach a certain level they are allowed to break away from their upline distributors and run their organization independently. As distributors break away from their upline these allows them to earn a greater commission.



Breaking away from your applying has numerous benefits to the individual distributor (such as earning a higher commission rate), however it can have a serious negative impact to the organization in which you breakaway from. By breaking away, the volume that your applying previously received from you, no longer flows through your upline’s business at the same rate. For your upline, it is like losing their best customers.

**3) FORCED MATRIX PLAN**

The basic structure of these compensation plan is normally identified by a simple equation that distinguishes the width and depth or the plane (i.e. width \* depth). For example a 3 \* 5 plan suggest you can only sponsor a maximum of three frontline distributors and you have the potential to earn commissions up to 5 levels deep. Because there is a limited width to these compensation structure, distributor are encourage to assist there downline members to help there organization grow. Additionally any new recruits that are sponsored after your frontline is full must be positioned under one of your exiting downline distributors. These process is commonly referred to as “spill over” which is also used in the binary plane.

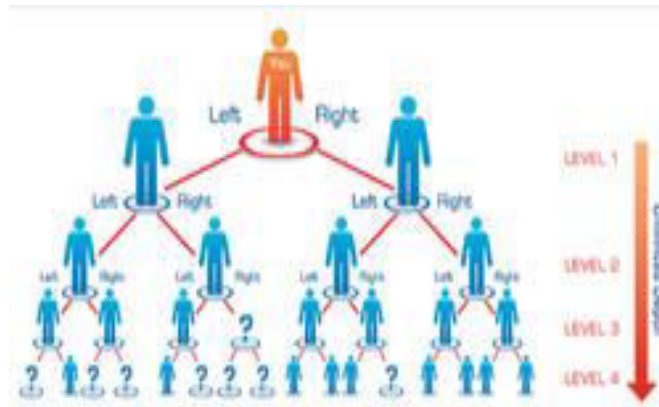


The main advantage of these concept is that it creates an element of team work where sum distributors within your organization can work together and mutually benefit.

**4) THE BINARY PLAN**

The binary plan as the name suggests is based around the number 2, which represents the maximum number of frontline associates that any business centre can have. Any additional distributors must then be placed

Under one of your existing frontline members. This creates a very supportive environment for new members as the easiest way for associates to achieve success is by assisting their new members to build their organisation. This team approach makes the binary plan very attractive as there is lot of support (both initial and ongoing) as all associates within your organisation work toward achieving a common goal. There are normally no depth restriction to the binary structure and each of your organisation is paid out on a consistent commission percentage making it easy to understand. One of the main distractions of the binary plan is that it is volume driven as opposed to level driven which means you do not have to have a large organisation to be successful. This also means there is an incentive to help new association in your organisation no matter How deep they are.



## VI. FUTURE OF MLM

Over the following decades, MLM has evolved and developed further into the wide array of companies, product ranges, reward plan and cultures that exist today. This unique, powerful system of free enterprise continues to grow, attracting more and more people to it. As we prepare to enter the twenty-first century, MLM has never been so well-respected so healthy, so attractive or so rewarding.

## VII. CONCLUSION

Multilevel Marketing also referred to as network Marketing is one of the fastest growing industries of all time, creating more millionaires today than the 'dot-com' industry did before the bubble burst and is now being endorsed by many business leaders as proven business system for anyone who wishes to achieve financial success. It is not surprising that an estimate 150 000 people like you are joining the industry every week.

We have presented a theoretical framework for multi-level marketing mechanisms. Our framework gives host too many possible reward mechanisms, with varying properties.

We have implemented an automatic text detection technique from an image for Inpainting. Our algorithm successfully detects the text region from the image which consists of mixed text-picture-graphic regions. We have applied our algorithm on many images and found that it successfully detect the text region.

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