



Non-Financial Variants of Multilevel Marketing Strategy, Perception of Network Entrepreneurs and Growth of Network Marketing Companies in Nigeria

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Abstract

The Nigerian market in the last two decades has witnessed an unprecedented influx of companies using the multilevel marketing strategy (MLM) to promote their products beyond national borders. Questions have been raised as regards the ethicality of the business model, however research is sparse addressing this in the Nigerian context. Two major non-financial variants of the MLM strategy (referral policy and nature of product/service) were used. Perception of network entrepreneurs was the mediator while the independent variable was growth of network marketing organizations (NMOs). The study was a descriptive survey of network entrepreneurs affiliated with Swissgolden, Piuni, AIM Global and Longrich. Using a web-based survey which lasted for 12weeks, a total of 202 network entrepreneurs participated in the survey. The data gathered were analysed using descriptive and inferential statistics. Correlation and simple regression analysis were used to test the hypotheses. The results showed significant relationship between referral policy, nature of product/service and network entrepreneurs' perception of MLM. Findings revealed that perception of non-financial variants of MLM accounted for 29.6% variation in NMOs growth, with referral policy contributing 33.6% and nature of product/service contributing 68.9% to NMOs growth potential. The study concluded that non-financial variants significantly shaped the perception of network entrepreneurs which in turn had mediating effect on growth of NMOs in Nigeria. The study recommended that network entrepreneurs be incentivized for actual sale of NMOs product than for recruiting or referring new entrepreneurs. NMOs should focus on developing self-selling products that actually meet the needs of the market.

Keywords: Non-financial variants, Referral policy, Product/service, Multilevel marketing, Network marketing organizations, Perception

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Introduction and Problem Statement

The world is rapidly turning into a single global market. Although we are not yet there but the current economic development suggests increasing level of integration and commonality (Levitt,



1983; Durand, 2019). Companies therefore whether local or global are constantly developing and testing various marketing strategies to either maintain their market share or expand into new markets. One of the oldest marketing strategies and yet unexplored marketing strategy is the multi-level marketing strategy (MLM) (Nat & Keep, 2002; Keep & Vander Nat, 2014; Oladele & Laosebikan, 2019b). This marketing strategy has been in existence for decades as far back the 1940s (Oksanen, 1999; Kumar & Satsangi, 2018), with firms such as Herbalife, American way (AMWAY), Oriflame and Nutrilite Food Supplement championing the application of this strategy to spread their tentacles beyond the shores of their local market (Grob & Vriens, 2017). A lot of legal and moral issues have however been raised against the use of this strategy ever since, yet most research studies have ignored their implications on corporations and society at large (Oladele & Laosebikan, 2019a). Failla (1996) averred that though MLM is one of the fastest growing industries it still remains the least understood. MLM is a strategy that allows firms to bypass middlemen, converts customers to distributors (entrepreneurs) and compensates the entrepreneurs both for selling the product and for recruiting and training other entrepreneurs to become distributors. In this study, these distributors were described as *entrepreneurs* (Wigren, 2017).

The MLM strategy comprises components germane to the success of any MLM business; recruiting (Gbadeyan & Olorunleke, 2014; Lee, Lau, & Loi, 2016), product/service (Albaum & Peterson, 2011), compensation plan (Coughlan & Grayson, 1998) and upfront fees/registration fees/start-up capital (Droney, 2015). Most MLM if not all build their businesses around these major elements. The antecedents are further grouped into financial variants (recruiting, product/service) and non-financial variants (compensation plan and upfront fees). This study focused on the non-financial variants.

The strategy as mentioned earlier has been heavily criticised and under scrutiny of government agencies such as Federal Trade Commission (FTC) (Deliema, Shadel, Nofziger, & Pak, 2018). Notable critics include (Bloch, 1996; Koehn, 2001; Muncy, 2004; Taylor, 2011; Khare & Verma, 2016a). Though caught between the web of ethics and legality (Grob & Vriens, 2017) many new companies are seen launching new products using the same strategy and this leaves the question: What are the business implications for these new companies launching their new products using the MLM strategy and for existing companies newly expanding their operations especially into Nigeria in the recent decade?

Nigeria has witnessed an unprecedented influx of various firms using MLM strategy in the last few years (Tepede, 2011). These firms have carefully taken advantage of the economic downturn to promise Nigerians "*residual income sources*". A strategy that has actually worked so far as the number of MLM entrepreneurs keep increasing by the day. There is much evidence that the concept of MLM is still new to the Nigerian market as a form of marketing relative to what is obtainable in other western countries. However, the operations of NMOs (network marketing organizations) have not gone unnoticed (Effiom & Effiong, 2015). Some of the oldest MLMs in Nigeria are Longrich, Golden Neo-life Diamite Company (GNLD), Tianshi, Forever Living, Oriflames while newly emerging ones are Piuni, Swissgolden, Water Logic, Harbin Yeekong. The growth of MLM also birth the invasion of pyramid/ponzi schemes following the order of China, India, America and Malaysia (Oladele, 2017; Oladele & Laosebikan, 2019a). Gbadeyan and Olorunleke (2014) asserted that the invasion of MLM into the Nigerian market can be mostly traced to the saturation of the home market.

Aggarwal and Kumar (2014, p.76) agree that MLM presents a "*host of attractive benefits to all who are willing to participate in the business*". To be a part of this kind of program does not require a specialized skill set or training or qualification. A successful implementation of the

true and legit MLM strategy in Nigeria, may mean, a lot of Nigerians will be engaged, poverty will be significantly reduced. However, closely tied to the success of a MLM company is the perception of the consumers towards the MLM. A negative perception towards a MLM could mean that the company may not have a long life span in Nigeria. Recent trends in the Nigerian market seem to threaten the operations of NMOs and this has serious perceptual and attitudinal implication especially towards new NMOs that are just exploring the Nigerian market. Following the significant growth of MLM in Nigeria, this study seeks to examine MLM strategy and the behaviour of Nigerians towards the model and how it affects the success of NMOs. The study focused on important elements of attitude with respect to motivation and perception. Attitude is a major predictor of behaviour and hence serves as a good measure (Verhallen & Pieters, 1984). Specifically, this study first examined the connections between the demographic characteristics (sex, age, experience, monthly income and affiliation) of entrepreneurs and their perception of MLM. Secondly, the study examined the link between MLM referral policy and the perception of entrepreneurs on MLM. Thirdly, the study evaluated the effects of nature of product/service offered by NMOs on the perception of MLM and finally assessed the relationship between perception of non-financial variants in MLM strategy and growth of new NMOs in Nigeria.

Literature Review

Multilevel marketing and network marketing organizations (NMOs)

Oksanen (1999) taking into account the legal aspect and importance of social network contact of MLM, related that MLM is “*the development of a legitimate retail selling and distribution network that grows via a social network*”. It involves applying social communication tools to sell products using word of mouth (Rezvani & Haddadi, 2017). By implication, entrepreneurs depend on a network of friends who also depend on their network of friends to grow their network organization (Oksanen, 1999; Gbadeyan and Olorunleke, 2014). Keep and Vander Nat (2014) attempted to capture MLM from the perspective of the network marketing organizations (NMOs) that develop the concept as a means of making available the goods and services as well as the compensation plan to motivate entrepreneurs and the perspective of the entrepreneurs who make the goods available to the end users and also expand the organization. Between the MLM strategy and NMO growth stands the “entrepreneur”. They make the business work (Oladele & Laosebikan, 2019b). Oksanen (1999) describes these entrepreneurs as those who accomplish the marketing function. The entrepreneurs take care of the moving of the products and delivery of the products to the end users (Rezvani & Haddadi, 2017; Kumar & Satsangi, 2018). The model also shifts the responsibility of recruiting, training and supervising new entrepreneurs from the NMO to the existing entrepreneurs (Keep & Vander Nat, 2014).

Tamang (2008) views MLM from the perspective of the company adopting the strategy providing an interesting insight into what some studies failed to mention. According to him, MLM is a strategy of bypassing middlemen and selling products directly to the customers. The work of Makni (2015) also provided support for this notion. The MLM strategy was made popular in the 1950’s by American Way Association (Amway) in the United States of America (Choudhary & Haryana, 2013) although Keun (2004), Keep and Vander Nat (2014) and Khare and Verma (2016b) credited Nutrilite as being the first company to adopt the MLM strategy. Ever since, the strategy has been adopted by many firms (Khare & Verma, 2016b). Avon and May Kay famously known as single level direct selling companies later joined the train of MLM companies following the success of Amway using the MLM approach (Yen *et al.*, 2008; Keep and Vander Nat, 2014).

Most direct selling companies especially in the United States of America are MLM (Nat and

Keep, 2002; Yen *et al.*, 2008; Keep and Vander Nat, 2014) and 99% of direct sellers are independent entrepreneurs (Effiom & Effiong, 2015; Liu, 2018) while NMOs generated 70% of revenue in the direct selling industry (Choudhary & Haryana, 2013; Khare & Verma, 2016a). A recent study by Wigren (2017) shows a 7% annual growth of direct selling association (DSA) industry with over 103million direct sales personnel in the world. Another survey by Deliema *et al* (2018) showed that 20.5million Americans took part in NMOs generating over \$36.12billion in sales.

Failla (1996) however asserted that despite MLM being one of the fastest growing industries it still remains the least understood. According to Aggarwal and Kumar (2014), in modern commerce MLM is one of the most polemic industries. This was corroborated by (Oksanen, 1999) iterating that the silence, polarization and hostility towards the concept of MLM is due to the belief that MLM companies are Pyramid schemes in disguise. Failla (1996) in his book "own your life" claimed that the number one reason people do not do MLM is because they do not understand it. Tamang (2008) further claimed that MLM model is one of the most dynamic business opportunity ever conceived by man. In tandem, Worre (2015) pointed out in his book "GO PRO" that network marketing may not be perfect, yet it is better. He argues that the world is changing to an era where people are paid clearly based on performance and companies will prefer to better pay entrepreneurs' commissions for promoting the company's products to the world rather than invest heavily in advertisement.

Research has shown that many more companies are adopting this strategy (Ong *et al.*, 2007; Friberg, 2008; Das, 2012; Keep and Vander Nat, 2014). Tamang (2008) recommended in his study that network marketing be incorporated in the Nepal government policy. He suggested that MLM presents a good business opportunity such as self-dependency; export opportunity; employment opportunity; higher standard of living and economic growth. There are certain components that are peculiar to most (if not all) NMOs. MLM strives on *recruitment* of their entrepreneurs; *entry fees/upfront fees/registration fees* paid by new entrepreneurs; an attractive *compensation bonus plan* for sales and recruiting of new entrepreneurs and *product/service* offered by the NMOs. Broadly, these variants can be classified as financial (registration fee and compensation bonus plan) and non-financial variants (product/service and referral/recruitment). This study however focuses on the non-financial variants.

Referral/recruitment processes in MLM

The activity of recruiting other entrepreneurs is a core attribute of all MLM companies. Ideally, entrepreneurs in MLM do not get commission for the mere recruiting of entrepreneurs but for the sales/purchase made by the new recruits (Muncy, 2004; Albaum & Peterson, 2011; Koroth & Sarada, 2012). The very existence and survival of MLM companies depends largely on the ability to make more and more new entrepreneurs to expand the network and also replace those who have discontinued (Koroth & Sarada, 2012; Khare & Verma, 2016b; Vahidi, 2016; Liu, 2018). Some scholars criticize this activity to be fraudulent (see Bloch, 1996; Koehn, 2001; Taylor, 2011; Aggarwal & Kumar, 2014). Their argument is based on the finite nature of a particular market as against the endless recruitment chain required by MLM structure (Keep & Vander Nat, 2014) and the inability of a previously exploited market to be explored in the future by entrepreneurs (Legara, Monterola, Juanico, Litong-palima, & Saloma, 2008; Aggarwal & Kumar, 2014). In other words, MLM requires entrepreneurs to also recruit and train more entrepreneurs and this chain continues to expand at a faster rate than the population of a market and as such at a point it will be very difficult for new partners within the same market to recruit others, Aggarwal & Kumar (2014) calls this market saturation.

Also, once a particular market has been exploited and partners have been recruited, in the future that same market cannot be explored hence a new market may have to be sourced though entrepreneurs have no access to data that will provide information as to the proportion of the market that has already been captured (Aggarwal & Kumar, 2014). Dai *et al* (2007) identified attracting new entrepreneurs and retaining existing entrepreneurs as major challenges facing NMOs. This particular dilemma has actually prompted many MLM to source international markets different from the home market and this explains the influx of new MLM companies into Nigeria in recent times.

Critics of MLM support the motion that many abhor the idea of referring people. As such, many entrepreneurs have been trained to avoid using words like recruiting rather they propose terms such as sponsoring, replicating, duplication which euphemises the real term recruiting (Bloch, 1996). New entrepreneurs are encouraged to invite their prospects to seminars where their morale is boosted and the only thoughts they may likely to have is how to join the NMOs. MLM also encourages entrepreneurs to sell to or invite their friends and family to be part of the company. Scholars (Koehn, 2001; Taylor, 2011; Aggarwal & Kumar, 2014; Grob & Vriens, 2017) equated this act to exploiting social relationship which they consider unethical. Conversely, Albaum & Peterson (2011) holds that as long as expenditure is involved the relationship obligation or feeling of such obligation is eroded and family members or friends become more objective and as such they may even turn down the seemingly finest opportunity, after all, it is not by force.

The recent trend in the Nigerian market has been “*just register we will help you get your downlines*”. Network entrepreneurs have started promising prospects to help them recruit their downlines unknown to the prospects, its more than getting downlines but about building an enduring organization alongside making product/service sales. Prospects also do not take note that the offer of getting downlines is promised to everyone and as such the entrepreneur acts as a manager placing newer recruits under older recruits. At the end of the day the “*so called manager*” makes so much money at the top while the downlines make little if they make at all at the bottom. The promise of downlines makes many come into the business without appropriate knowledge and training about the company and its products/services giving rise to the recruitment of many “*deadweights*” into the system who eventually do not last a year before they want to opt out.

This trend doesn't present a good image of NMOs and can hamper the reputation of the company and her entrepreneurs as well as other NMOs and network entrepreneurs as well as affect the perceptions of the people about MLM. The role of the entrepreneur on perception here is very important. Gbadeyan and Olorunleke (2014), Effiom & Effiong (2015), Lee and Loi (2016) and Lee *et al* (2016) have documented findings that show that the use of referral policies. NMOs affects the perception of network entrepreneurs. These arguments motivate the following proposition:

H₀1: Referral policy of MLM strategy significantly affects Nigerian network entrepreneurs' perception of MLM

Products/services in MLM

Charoenrungsirri and Oonsuphab (2010) iterated that network entrepreneurs must know the characteristics of the products they are promoting in order to be able to channel the right strategy and market. For NMOs also it is important for them to ensure quality of product and selection of suitable products for target market. A wrong choice of product may fail in the market even if the MLM strategy is applied. Charoenrungsirri and Oonsuphab (2010) added that MLM products should be easy to explain and demonstrate among other traits such as distinctive uniqueness, high

effectiveness, multi-function, specialized offering, high product quality, long product and market life cycle, non-technical after sale service, high relative price, high market familiarity, repurchasing nature.

Keep and Vander Nat (2014) grouped common MLM product into three namely: Home, family care and household products; wellness; beauty products. These broad classifications can be further expressed to include cosmetics and beauty products, nutritional supplements and food and drink, utensils and household care products, health and fitness products, cleaning agents and electrical appliances (Charoenrungsirri & Oonsuphab, 2010; Coughlan & Grayson, 1998; Effiom & Effiong, 2015; Franco & Gonzalez-perez, 2016; Rattanaphan, 2012; Droney, 2015; Yin, 2015). However, more recently service organizations such as Non-governmental organizations (NGOs), agricultural sector, educational and even the banking sector, are increasingly incorporating elements of MLM into their marketing strategy. Service standardization, variety limitations, availability of service at time needed has however been some of the challenges confronting firms attempting to, or offering services as their major products using the MLM strategy (Charoenrungsirri & Oonsuphab, 2010).

The main difference between MLM and Ponzi or Pyramid schemes identified is the product or service offered by the organization claiming to be an NMO. Koehn (2001) argues that for a MLM to be legitimate it must not only have a product that is moved to the retailers, but it must focus more on the retail sales than on recruitment. According to Koehn (2001) organizations that incentivizes recruitment than retail sales are unethical and illegal. Albaum and Peterson (2011) argued that some customers become entrepreneurs simply for internal consumption while some grow to become endorsers and entrepreneurs of the product because they believe so much in the product. Koroth and Sarada (2012) has found that due to pressure from friends who are existing entrepreneurs, new entrepreneurs have also joined with relatively less regard for the product quality. Quantitative study carried out by Rattanaphan (2012) attempted to examine why consumers patronized direct selling companies of which MLM is part. The study found that perceived quality of products and variety of products as well as special discounts offered by direct selling companies were major motivators resulting in positive attitude towards direct selling companies of which NMOs is part. Conversely, the study of Ong *et al* (2007) in Malaysia on reasons why Malaysians join and stay in MLM using factor analysis found that though consumers perceived MLM products to be of high quality, credible and of immense benefit, these characteristics don't constitute the main reason why people join MLM but plays a major role in sustaining customers membership in the industry. This is at variance with the findings of (Jain, Singla, & Shashi, 2015) who found that of all tested variables, product quality significantly motivated people to join MLM. These assumptions birth the second proposition of this study:

H₀₂: Nature of product or service significantly affects the perception of Nigerian network entrepreneurs' towards MLM.

Referral, nature of product/ service and growth of NMOS

The business of networking revolves around people (entrepreneurs) what Vahidi (2016) called "people power". The success or growth of NMOs is therefore contingent on the perception of the customers which influences their willingness to become distributors for the company. This resonates with the fundamental assumption of the theory of planned behaviour highlighting that perception of individuals about an object shapes their behaviour towards the object (Dai *et al.*, 1995, 2007; Dai, 2012; Ajzen, 2015). Without the ability to recruit marketers/entrepreneurs who will push the company's' product or services, the company cannot remain in operation. In other words, when marketers do not perceive that a company has product or services capable of meeting the needs of the public thereby making further recruitment feasible, the marketers may

not embrace the offerings of such companies (Koroth & Sarada, 2012; Vahidi, 2016; Khare & Verma, 2016b). Despite myriads of report claiming the public has negative perception of MLM, many Nigerians still find themselves signing up with one NMO or the other. Different factors account for this kind of behaviour. However, because NMOs incentivize entrepreneurs more for recruiting than for actual sale of products there is tendency that the rate of growth of NMOs may be attributed to referral than the product itself. This influenced the third hypothesis of the study.

H₀₃: Perception of non-financial variants of MLM does not significantly impact on growth of NMOs.

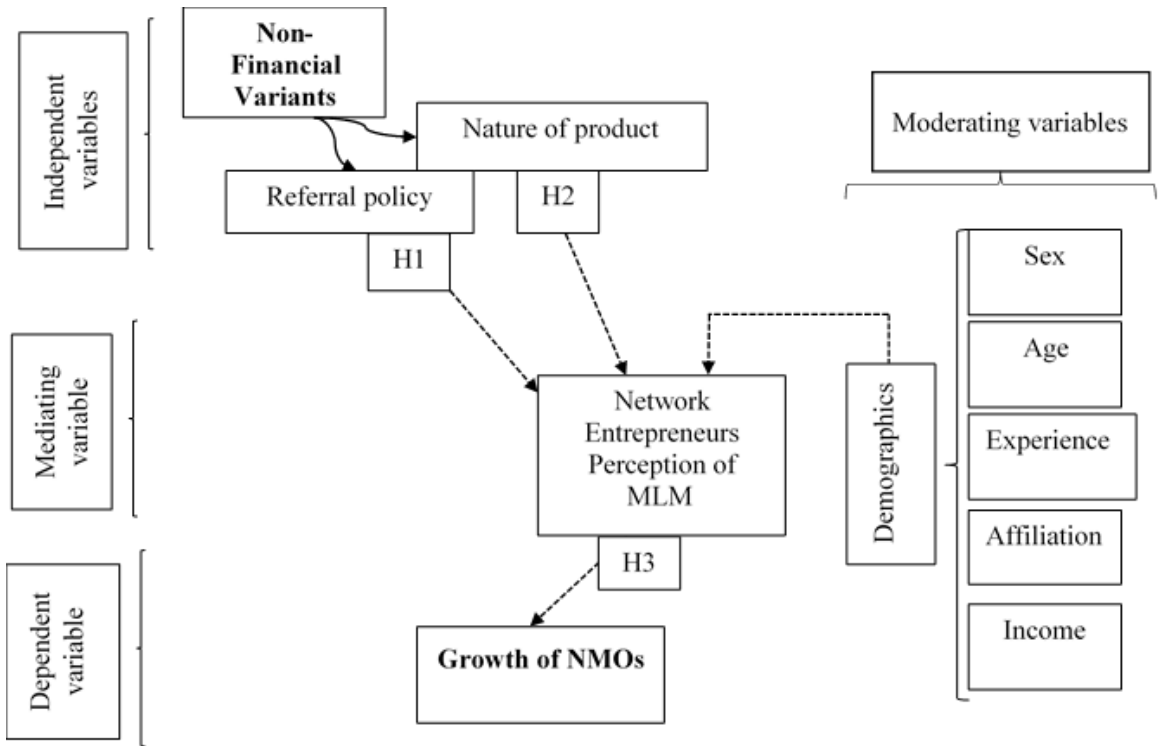
Theoretical Framework

The theoretical framework is predicated on the theories of planned behaviour and CAC theory. Perception (Kalra, Kondepudi, & Sridharan, 2016) (Dai, 2012) is treated as a cognitive element of attitude. CAC argues that the cognitive and affective work simultaneously influences the behavioural component. The cognitive component is influenced by the information a person has on an object or attributes of an object. The individual organizes the information available and forms an opinion (belief/disbelief) about the object (Jain, 2014). In the same vein, Theory of Planned Behaviour relates that intention/motivation towards an object (MLM) is a major predictor of their behaviour towards the object of study. Information about certain components of an object shapes the attitude of people towards the object. As such, entrepreneurs approach prospects with information about MLM. The entrepreneurs discuss about the product of the MLM and referral/recruitment and with this information, the customer forms his perceptions and beliefs which may serve as a motivation or demotivation and eventually reflect in liking or disliking for the object and finally overt behaviour towards the MLM which may be in terms of joining the MLM business or not (favourable or unfavourable). According to TPB, control belief is the perception of the individual as to how easy or difficult performing a behaviour can be. This is related to the self-efficacy theory. This perception is usually drawn from past experience as well as expected barriers or impediments (Dai *et al.*, 1995, 2007; Dai, 2012; Ajzen, 2015). As such, the prospect examines his ability against the requirement to succeed in MLM given the attributes of the business.

Conceptual Framework

The conceptual framework as depicted in Figure 1 defines the interrelationship between the main variables studied. Proxies of non-financial variants which is the independent variable include referral policy and nature of product or service. The mediating variable which is perception of network entrepreneurs towards MLM and the dependent variable is growth of NMOs. The diagram shows that the non-financial variants of MLM will influence the perception of network entrepreneurs which will in turn moderate the growth potential of NMOs. The model also shows demographic characteristics as moderating variables. The demographics captured include sex, NMO affiliation, experience in network marketing, age and monthly income from network marketing.

Figure 1: Research Conceptual Model



Source: Authors' Construct (2017)

Methods

The study is a descriptive survey of network entrepreneurs in Nigeria. The study focused on entrepreneurs registered with AIM Global, Longrich, Piuni and Swissgolden. These companies were selected using purposive sampling. The rationale for their selection were easy access to data and their relatively similar registration fees as well as year of establishment in Nigeria. The Non-probability sampling adopted in the study was convenience sampling. Many studies (Lee *et al.*, 2016; Wigren, 2017; Oladele & Laosebikan, 2019b, 2019a) on MLM have employed convenience sampling (non-probability sampling) in carrying out their research based on issues revolving around getting information as regards the population of study.

The study obtained primary data from a sample of 202 network entrepreneurs using a structured research questionnaire. According to Sekeran (2003) while using an online survey, the sample size for such cloud based survey is subject to the number of respondents inclined to participate in the survey. According to Wigren (2017), a cloud-based survey is suitable for such study as it allows for reaching a wider percentage of people with less bias. The research questionnaire included items and scales from the works of Ong *et al* (2007), Lee and Loi (2016) and Lee *et al* (2016), including other studies (Aggarwal & Kumar, 2014; Leng, 2015).

The questionnaire had two main sections to enable respondent have a seamless experience while filling the survey. In total, the questionnaire comprised 21 items including the demographic data. The questionnaire was administered via online platforms such as NMOs

Whatsapp group chat, Telegram, Instagram and Facebook pages using a link (Link: <https://goo.gl/forms/9ps5DxqeTsP1jbvC3>) which was live for 12weeks. Team leaders of each network organizations were officially notified to help boost participation and repeated reminders were sent severally. The data gathered were analysed using descriptive and inferential statistical tools. The hypotheses were tested using Pearson correlation and multiple regression analysis. The study analysis was carried out using the Statistical package for social sciences (SPSS).

Results and Discussions

Descriptive statistics

Gender and perception of MLM

Respondents from the survey showed that 122(60.4%) of them were male while 80(39.6%) were female. This tend to agree with literatures that document male as more inclined to respond to web based surveys than their female counterparts (Sax, Gilmartin, & Bryant, 2003). The crosstab of sex against perception of MLM provides more insightful information as 35.1% of the male respondents considered networking marketing as a business opportunity, 19.8% agreed, 5% undecided and only 0.5% strongly disagreed. On the side of the female respondents, 20.8% strongly agreed, 15.3% agreed, 3% undecided, 0.5% disagreed. The chi-square (.561), Pearson correlation (.621) and Spearman correlation (.489) indicates no relationship between sex distribution and perception of MLM (See table 1).

Age distribution and perception of MLM

Results from the age bracket shows that a higher percentage (that is, 45.5%) of the respondents were between the ages of 24-29years, 22.8% of the respondents were between the ages of 30-35years of age. The crosstab details on age distribution and perception show that most of the responses of the age bracket were inclined towards strongly agreed and agreed (See table 1). The chi-square and correlation analysis provides more insight. The chi-square (.481), Pearson correlation (.784) and Spearman correlation (.256) indicates no significant relationship between age distribution and perception of MLM. The implication is that age does not necessarily affect how people feel about MLM and this is in line with the theory of planned behaviour that asserts that information and experience about a phenomenon (past and present) is what shapes people's perception (Dai *et al.*, 1995, 2007; Dai, 2012; Ajzen, 2015).

Experience and perception of MLM

Data on experience ranged from less than a year to above 20years. The results show that the majority of the respondents that is, 92.1% (< 1year, 49%, 1-5years, 43.1%) were relatively new in MLM business with not more than 5years experience. The remaining 8% were more experienced with more than 5years experience as network marketers. The crosstab shows that most of the respondents were tilted towards strongly agree and agree. The chi-square (.908) indicates no significant relationship between experience and perception of MLM. The experience gap may likely be a major contributing factor to the outcome.

Affiliation and perception of MLM

The NMOs captured in this study are Swisgolden, AIM global, Piuni and Longrich. At present, Piuni is no longer operational, however as at the time the study was conducted they were

still operational. The result shows that Swissgolden affiliates were more responsive to the online survey as 50.5% were Swissgolden entrepreneurs, 21.3% were AIM global distributors, 18.3% were Piuni affiliates and 9.9% were partners with Longrich. The crosstab shows relative variations in responses based on affiliation. Furthermore, the chi-square (0.02) indicates a significant relationship, however the Pearson correlation (.899) and Spearman correlation (.931) indicated no significant relationship (See table 1).

Table 1: Demographic Characteristics and Cross Tabulation with Perception of MLM

Variables	Options	Freq	%	Cross tab	SA	A	U	D	SD
Sex	Male	122	60.4	F(%total)	71(35.1)	40(19.8)	10(5.0)	0(0)	1(0.5)
	Female	80	39.6	F(%total)	42(20.8)	31(15.3)	6(3.0)	1(0.5)	0(0)
	Total	202	100.0						
Age bracket (in years)	18-23	30	14.9	F(%total)	15(7.4)	14(6.9)	1(0.5)	0(0)	0(0)
	24-29	92	45.5	F(%total)	46(22.8)	37(18.3)	7(3.5)	1(0.5)	1(0.5)
	30-35	46	22.8	F(%total)	32(15.8)	10(5.0)	4(2.0)	0(0)	0(0)
	36-41	18	8.9	F(%total)	14(6.9)	1(0.5)	3(1.5)	0(0)	0(0)
	42-47	8	4.0	F(%total)	4(2)	3(1.5)	1(0.5)	0(0)	0(0)
	48-53	7	3.5	F(%total)	2(1.0)	5(2.5)	0(0)	0(0)	0(0)
	54- above	1	0.5	F(%total)	1(0.5)	0(0)	1(0.5)	0(0)	0(0)
	Total	202	100.0						
Experience (in years)	< 1year	99	49.0	F(%total)	50(24.8)	37(18.3)	10(5.0)	1(0.5)	0(0)
	1-5	87	43.1	F(%total)	51(25.2)	30(14.9)	5(2.5)	0(0)	1(0.5)
	6-10	12	5.9	F(%total)	9(4.5)	2(1.0)	1(0.5)	0(0)	0(0)
	11-15	3	1.5	F(%total)	3(1.5)	0(0)	0(0)	0(0)	0(0)
	Above 20	1	0.5	F(%total)	0(0)	1(0.5)	0(0)	0(0)	0(0)
	Total	202	100.0						
Affiliation	Swissgolden	102	50.5	F(%total)	55(27.2)	36(17.8)	10(5.0)	0(0)	1(0.5)
	AIM Global	43	21.3	F(%total)	15(7.4)	24(11.9)	3(1.5)	1(0.5)	0(0)
	Piuni	37	18.3	F(%total)	30(14.9)	6(3.0)	1(0.5)	0(0)	0(0)
	Longrich	20	9.9	F(%total)	13(6.4)	5(2.5)	2(1.0)	0(0)	0(0)
	Total	202	100.0						
Monthly income (₹'000)	Below 100	147	72.8	F(%total)	69(34.2)	61(30.2)	15(7.4)	1(0.5)	1(0.5)
	101-500	44	21.8	F(%total)	34(16.8)	9(4.5)	1(0.5)	0(0)	0(0)
	501,-1,000	5	2.5	F(%total)	5(2.5)	0(0)	0(0)	0(0)	0(0)

	1.1M-2M	4	2.0	F(%total)	4(2.0)	0(.0)	0(.0)	0(.0)	0(.0)
	Above 2M	2	1.0	F(%total)	1(.5)	1(0.5)	0(.0)	0(.0)	0(.0)
	Total	202	100.0	F(%total)	113(55.9)	71(35.1)	16(7.9)	1(0.5)	1(0.5)

Demographic variables	Chi-square (X ²)	Pearson R	Spearman
Sex	.561	.621	.489
Age bracket	.481	.784	.256
Experience	.908	-	-
Affiliation	.020	.899	.931
Monthly income from MLM	.183	.000	.000

Note: SA, strongly agree; A, agree; U, undecided; D, disagree; SD, strongly disagree; F, frequency

Source: SPSS Output, Field Survey (2017)

Monthly income and perception of MLM

Monthly income as highlighted in the questionnaire ranged from below ₦100,000 to above ₦million. Respondents who earned below ₦100,000 monthly constituted the highest percentage (72.8%) followed by 21.8% who earned between ₦101,000 to ₦500,000 monthly. This can be attributed to the fact that most of the respondents were relatively new to the business and taking time to build their network. The cross tabulation of monthly income with perception of MLM offers further insight showing slight variation in responses along income classes. A fair number of below ₦100,000 earners (7.4%) were not sure yet of the business potential of MLM. The Chi-square (.183) indicates no significant relationship however, the Pearson and Spearman correlation (0.000) indicates a positive and significant relationship between monthly income and perception (*See table 1*).

In addition, the relatively high disparity in income level with most of the respondents below ₦100,000 may be explained with the relative newness of most of the respondents to the business as revealed in the level of experience. It may also be that this resonates with the assertion of critics such as Ong *et al* (2007) relating that 95% of Malaysians lose money to MLM and Tyre, Myer, Lazo, and Waters (2016) asserting that over 90% who join MLM business do not make it to the top. Similarly, Williams (2018) reported that 94% of network entrepreneurs lose money in the United States while 97% of them quit in their first year. Taylor (2004) further claimed that 99.9% of MLM participants lose money especially those beneath the top of the pyramid promoters (TOPP). Taylor (2011:4) expressed this asserting that “MLM is all about getting in early - or climbing to the top of the pyramid - where the big money is made – just like any other pyramid scheme”. The later entrants have been found to make less than their registration fee not to mention enjoying the benefits of the program (Leng, 2015).

Test of Hypotheses

Correlation and regression analysis were used to test the hypotheses postulated in the literature section of this study. Three hypotheses were postulated and stated in their null form.

Test of Hypothesis 1

Table 2 shows the results from the correlation test between referral policies and perception of network entrepreneurs about MLM. The Table shows that at a 0.01 level of significance, $r=0.449$, $p=0.0001$ (2-tailed test). This means that since $p < 0.01$, there is a positive relationship between perception of network entrepreneurs and MLM referral policies. The significance level of 0.05 implies a statistical confidence of above 95%. By implication, referral policy and perception of MLM in Nigeria is significantly and positively correlated. This corroborates the studies of Gbadayan and Olorunleke (2014), Effiom & Effiong (2015), Lee and Loi (2016) and Lee *et al* (2016) that documented findings that show that the use of referral policies in NMOs affects the perception of network entrepreneurs.

Table 2: Correlation of Referral Policies and Perception of MLM

		Perception of MLM	Referral
Perception of MLM	Pearson Correlation	1	.449**
	Sig. (2-tailed)		.000
	N	202	202
Referral	Pearson Correlation	.449**	1
	Sig. (2-tailed)	.000	
	N	202	202

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Output, Field Survey (2017)

Test of Hypothesis 2

H₀₂ relates that there is no significant relationship between the nature of product and service and perception of network entrepreneurs about MLM. The results shows that the test is statistically significant at 0.000 which is less than 0.01. Also, the relationship is positive (.582) (See table 3). In other words, there is significant relationship between the nature of product and service and perception of MLM. In line with this study is the report of Jain *et al* (2015) revealing that ease of entry and product quality are effective variables to convince prospects to join and grow a network organization. Lee and Loi (2016) also found perception of product and services to influence network entrepreneurs satisfaction with their network organization and also serves to motivate new participation.

Table 3: Correlation of Nature of Product/Service and Perception of MLM

		Perception of MLM	Nature of product/service
Perception	Pearson Correlation	1	.582**
	Sig. (2-tailed)		.000
	N	202	202
Nature of product/ service	Pearson Correlation	.582**	1
	Sig. (2-tailed)	.000	
	N	202	202

** . Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Output, Field Survey (2017)

Test of Hypothesis 3

H₀₃ stated that the perception of non-financial variants of MLM does not significantly impact on growth of NMOs. The results from the model summary suggests that perception of non-financial variants of MLM, that is, nature of product/service and referral policy accounted for less than 1% of growth of network marketing companies (See table 4). The ANOVA tables shows that the Fcal is 41.854 at 0.0001 level of significance (See table 3). The implication is that Perception of NFV is a significant predictor of NMOs growth. The coefficient table is a simple model that captures the extent to which NFV affects NMOs growth. The result shows that perception of referral contributes about 33.6% to NMO growth while Perception of product and service contributes about 68.9% of NMOs growth (See table 4). The value of $\beta = 0.215, 0.466$ for referral policy and nature of product and services respectively. Nature of product and service has the highest beta (0.466) while referral policy trails behind with 0.215 (See table 4). This means that although both variables affect NMOs growth, perception of product/service has the highest contribution to NMOs growth. This allows for the rejection of the null hypothesis, hence the alternative hypothesis that states otherwise is accepted. By implication, firms that focus on products that are innovative and of good quality will enjoy and not only enjoy competitive advantage but also grow. This result resonates with the findings of Gbadeyan and Olorunleke (2014) Lee and Loi (2016) and Lee *et al* (2016).

Table 4: Model Summary, ANOVA and Coefficient table of hypothesis 3

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.544 ^a	.296	.289	1.22022	
ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	124.635	2	62.318	41.854	.000 ^b
Residual	296.300	199	1.489		
Total	420.936	201			
Coefficient					
Model	B	Std. Error	Beta	t	Sig.
(Constant)	4.105	.483		8.491	.000
RF	.336	.094	.215	3.566	.000
P/S	.689	.089	.466	7.722	.000
a. Dependent Variable: Growth of NMOs					
b. Predictors: (Constant), perception of referral policies (RP) and product/service (P/S)					

Source: SPSS Output, Field Survey (2017)

Findings

Specifically focusing on non-financial variants (referral policy and nature of product/service) of MLM strategy, their relationship with perception of network entrepreneurs, and the resultant effect of such perception on the growth potential of NMOs, the following are the findings of the study:

- i. Among all the demographic characteristics of the respondents, only MLM affiliation and monthly income from MLM had significant relationship with perception of MLM. Other demographic characteristics including gender, age distribution and experience showed no significant relationship.
- ii. The study found significant relationship between referral policy of NMOs and the perception of network entrepreneurs about NFV in MLM given that $r = .449, P < 0.01$.
- iii. There was significant relationship between nature of product/service and perception of network entrepreneurs about NFV in MLM given that ($r = .582, P < 0.01$).
- iv. Perception of NFV accounted for significant variations (29.6%) in growth of NMOs. Specifically, perception of referral policy contributed 33.6% to increase in NMOs while nature of product and service contributed 68.9% to increase in NMOs growth potential. This was found true especially with the nature of product or service offered by the NMOs.

Conclusions and Recommendations

The activities of NMOs in Nigeria in the last two decades have been growing significantly. This study supports the argument that Nigerians perceive MLM to be a business opportunity. In line with the popular notion, most network entrepreneurs end up losing money to the business while only a handful at the top make the bulk of the money. This has by no means stopped the growth of NMOs in Nigeria and one of the reasons is the economic situation of the country as MLM thrives mostly in times of economic downturn. Most NMOs operate on referral matrix technique or the other as a way of recruiting new entrepreneurs and also they have product or services which they offer to their entrepreneurs. These are the two most prominent non-financial variants in the MLM strategy. The study concludes that these factors significantly shape the perception of network entrepreneurs about MLM and inadvertently affects the growth performance of NMOs in Nigeria. In lieu of the findings, the following recommendations are put forward:

- i. NMOs should focus on creating a strong brand name in the industry as the affiliation moderates network entrepreneurs' perception of MLM. NMOs should also pay attention to the reward. Building a network where a significant percentage of partners are able to earn laudable income moderates' perception of MLM.
- ii. NMOs need to intensify efforts with regards to the referral matrix they adopt. Marketers being at the frontline of promoting the company and its products to others must understand how the referral system works, the relevance of the products they are offering to the market and what differentiates their NMO from others. A profound understanding can lead to higher satisfaction with the referral matrix of the NMO. Most NMOs whose referral matrix is highly unprofitable for the marketers also need to consider to review their referral strategy to increase the chances of a "win-win" situation thereby leading to a positive perception.
- iii. Self-selling products that actually meet the needs of the market should be promoted more by the NMOs. NMOs who have quality products stand a higher chance of sustainability in the market place than others. Good products enhance positive perception leading to higher patronage and growth of NMOs.
- iv. Returns from actual sale of products should also be profitable enough to sustain continuous patronage. Network entrepreneurs should be incentivized for actual sale of products more than for recruiting new members. This step will go a long way in realigning the popular misconception that MLM is the same as a Ponzi scheme.

Suggestions for Further Studies

The study was able to cover network entrepreneurs' perception about MLM and the implication on NMOs growth. However, it failed to look at the perspective of those who have actually not joined the networking business. It would be interesting to know what they also think of network marketing and why they have not yet joined if they have heard of it. The study used majorly primary data and focused only on Nigeria. A broader scope like West Africa would provide more research insight into unveiling the mysteries beneath the MLM phenomenon. Finally, four NMOs were selected for this study from different industries, however, there are other industries that have not been examined that need to be explored for a more panorama understanding.

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