

# International Journal of Marketing Strategies (IJMS)



**A MONITORING AND EVALUATION PROGRAM TO ASSESS  
IMPACT OF MULTILEVEL MARKETING ON LIVING  
STANDARDS OF YOUNG GENERATION**

**Dennis Mundavandi Gitonga and Dr. Jennifer M Kilonzo**



## A MONITORING AND EVALUATION PROGRAM TO ASSESS IMPACT OF MULTILEVEL MARKETING ON LIVING STANDARDS OF YOUNG GENERATION

<sup>1\*</sup> Dennis Mundavandi Gitonga

PGD Student, Jomo Kenyatta University of Science and Technology

\*Corresponding Author's Email: dennogito12@gmail.com

<sup>2\*</sup> Dr. Jennifer M Kilonzo

Lecturer, Jomo Kenyatta University of Agriculture and Technology

### Abstract

**Purpose:** The purpose of this study was to establish the impact or effect of multilevel marketing among Kenyan youths who are unemployed.

**Methodology:** The study was associated with positivism research philosophy. The study employed Descriptive research design. Both Purposive sampling and stratified random sampling techniques were applied to select a sample for the study. Questionnaire and interviews were used in collecting primary data. For management of the qualitative data computer software for qualitative data analysis, ENVIVO 10 was used. The qualitative data was subjected to content analysis.

**Results:** For one to succeed in multi-level marketing must have skills and knowledge of what multi-level marketing is. Internet is a key very important element in conducting multi-level marketing especially at this century where everything is digitalized. Most of multilevel marketing requires some initial investment for one to be a member. From the findings the facilities and equipment required to conduct multi-level marketing are; Android mobile phones, tablets, laptops and computers.

**Unique Contribution to Theory, Practice and Policy:** The study recommends that in order for more youths to join multilevel marketing, The Multilevel marketing companies should reduce the amount of money one needs to pay to become a member. The Multilevel marketing companies should also offer numerous trainings to new individuals joining the business to equip them with more knowledge on how they can become successful as they carry on this type of business. The multilevel companies for instance insurance industries should come up with more innovative products that address needs of consumers.

**Keywords:** *Multi-level marketing, young generation, living standard, monitoring and evaluation.*

## 1.0 INTRODUCTION

### 1.1 Background to the Study

In Multilevel marketing also referred to as Network Marketing or Direct Sales each Multilevel marketing Company dictates its own specific “compensation plan” for the payout of any earnings to their respective participants. The common feature which is found across all multilevel marketing is that the compensation plans theoretically pay out to participants only from the two potential revenue streams. The first stream of compensation can be paid out from commissions of sales made by the participants directly to their own retail customers. The second stream of compensation can be paid out from commissions based on the sales made by other distributors below the participant who had recruited those other participants into the multilevel marketing; in the organizational hierarchy of multilevel marketing, these participants are referred to as one's “down line” distributors (Clegg, 2000).

Multilevel marketing salespeople are, therefore, expected to sell products directly to end-user retail consumers by means of relationship referrals and word of mouth marketing, but most importantly they are incentivized to recruit others to join the company as fellow salespeople so that these can become their down line distributors (Vander Nat & Keep, 2002). According to Taylor (2011), multilevel marketing or Network marketing is the low-cost and now high-tech, industry that invites you to Build your own business and earn a potentially high income while working from Home on your own schedule. You earn immediate income and serious long-term residual income by selling products and services directly to consumers and convincing others to do the same (Taylor, 2011).

According to Roller (1989), multi-level marketing or network marketing is a system by which parent company distributes its services or products through a network of independent business people, throughout the world. These independent business people or entrepreneurs then sponsor other people to help them distribute the product or service. Further, Kotler, (1994) defined this subject as follows: "Multilevel marketing (also called network marketing), describes systems in which companies' contract with individuals to sell a set of products door to door or office to office. It is called multilevel because a contractor can also invite others to work and earn money on their performance." The sales representative thus has incentives to enlarge the sales force and to earn added commissions on the sales of his or her recruits.

Multilevel marketing (MLM) is, strictly speaking, not marketing at all but a form of direct sales with special features, of which recruiting is fundamental. A person, recruited by the company to sell a product, earns commissions; if that person recruits others, this second layer is called the person's "down line." The person earns a cut on the sales of people in the down line, called an "override." But those in the second level may also recruit others and create their own "down lines." The first person in the chain gets an "override" from every level, however many there may be, although always less the farther removed the source is (Taylor, 2000). Often recruits are required to purchase an initial "starting inventory" of the product. In many cases the multilevel marketing Company will not repurchase this inventory or will do so at a much reduced price. These characteristics have caused multilevel marketing to be associated with pyramid schemes; and some technically are such schemes. Not surprisingly, reputable direct marketing companies and the associations to which they belong are continuously engaged in policing the field and in

advocating legislation aimed at setting clear and unambiguous rules. The term "network marketing" is in part used because "multi-level" marketing has at best an ambiguous reputation (Micklitz, Monazzahian & Rößler, 1999).

Sherman (2004) has reported (in his book franchising & licensing) that six states explicitly regulate multilevel marketing: Georgia, Maryland, New York, New Mexico, Wyoming, and Louisiana. So does Puerto Rico. Laws regulating multilevel marketing typically:

- Require that multilevel marketing companies explicitly permit their agents to cancel their agreements and to agree to repurchase inventories at not less than 90 percent of the original transfer price;
- Prohibit inducements under which the agent is told that he or she will earn a specific amount of money
- Prohibit the purchase of a minimum inventory
- Prohibit operations under which agents are only paid for recruiting others. Many states without multilevel marketing regulation nevertheless have laws prohibiting pyramid schemes under which they attempt to police multilevel marketing companies that overstep the line.

In a strictly functional sense, multilevel marketing is a way to exploit natural networks of acquaintances, with participants (predominantly women), first selling/recruiting others in their circle; these latter, in turn, do the same, and so (in the hopes of the MLM company) ad infinitum. Many individuals participating in these networks do so part time. In due time they've sold all of their friends; success begins to fade. For this reason multilevel marketing companies are frequently tempted to make all sales final in the early stages so that inventories don't come trickling back (Taylor, 2014).

In the hands of effective sales companies with appropriately chosen products, multilevel marketing has produced some very successful organizations. Among them are Amway, Mary Kay Cosmetics, Pampered Chef, and Longaberger Baskets. Here in Kenya we have multilevel marketing companies such as Tiens, Alliance in motion global, social business club, Insurance companies and among others.

Multilevel marketing businesses usually appeal to people who want to work part-time and need a flexible schedule, like students and mothers of young children. The Direct Selling Association has concluded from its studies that 90% of multilevel marketing sales representatives work fewer than 30 hours per week, and 50 % work fewer than 10 hours per week. In addition, multilevel marketing businesses usually do not require a long-term commitment from their sales representatives (Akinyi, 2008).

An agent can enter an multilevel marketing business on very little capital (around \$100)—and yet will feel as if in business for him or for herself. According to Gitomer (2006), writing in the Business Journal, noted that many people value the opportunity to be their own boss and control their own destiny. "The secret to successful network marketing is you—the messenger—and your willingness to dedicate and focus on preparation," he wrote. "Your willingness to become a salesperson who believes in your own ability to succeed. Everyone wants success, but very few are willing to do what it takes to be successful". Of course, like any other entrepreneurial venture, reaching significant success requires much more than a bit of selling here, a bit there.

Only a tiny proportion of people entering this form of direct sales stay in it and make a good living. They do so because they work the job like any other successful sales agent operating between a customer and a producer.

## **1.2 Statement of the Problem**

There are about 500,000 youth who graduate from various tertiary institutions ready to enter the job market every year. However, due to the slow economic growth, corruption, nepotism and demand for experience by potential employers, 75% remain unemployed. To deal with this issue regarding to unemployment there are Youth empowerment programs and development funds (Kenya National Youth Policy, 2007).

Youth empowerment has become a subject of intense national discourse, given the central position young people occupy in the development agenda. Increasingly, a number of programmers are being rolled out targeting youth, including an enterprise fund to give them seed money to enable them to get into productive ventures. A gap exists, though, in terms of policy and reality and this arises from the fact that some of the interventions are not predicated on actual needs assessment (Kenya National Youth Policy, 2007).

The Kenya Youth Survey Report, a study commissioned by the Aga Khan University's East African Institute, brings out some of the issues worrying youth, among them unemployment, lack of access to capital, high levels of corruption and lack of recognition, especially in national leadership. Although unemployment and lack of access to enterprise funds have been widely discussed, there are numerous other nuanced but impactful issues that remain below the radar. Whereas the study highlights the young people's concern over integrity deficiency, for example, it also shows that some of them have come to accept that vices such as bribery and tax evasion are not bad, after all, and if circumstances permit, they won't find difficulty engaging in them. (Awiti & Scott, 2016)

Even more pointedly, youth are willing to participate in elections to determine the national leaders, but a sizeable population declares that they would only vote for those who induce them and here comes the challenge. High levels of unemployment have created a pool of malleable fellows who can easily be swayed to vote for dubious characters, which undermines democratic goals and breeds bad governance and, in turn, perpetuates poverty and depravation.

The significance of this study is that it provides a starting point for engaging in deeper discussion on what can be done to tackle the real challenges facing young people and prepare them for the future.

Therefore due to such challenges affecting most of Kenyan youths some have opted to get involved in Network marketing also known as multi-level marketing (MLM) at least to be able to meet their daily needs. Multi-level marketing is real and not all are pyramid schemes, but the big question should be, is it for you? What we fail to understand in life is that for one to succeed, hard work is a must. Network marketing is a type of business opportunity that is very popular with people looking for part-time, flexible businesses.

Network marketing gives people an opportunity, with very low risk and very low financial commitment, to build their own income-generating asset and acquire great wealth

In Kenya, companies like Mary Kay, Alliance in motion global and forever living are making billionaires out of network marketing; they recruit on a daily basis and grow their network daily too. Network marketing requires patience. Although the uptake of these businesses has been slow despite the huge returns promised, there has been progressive growth.

Many youth are joining the business while others find it difficult to invest the amount of money required to become a member of that particular company. Research from Life plus company that sells Forever Living products, states that, their members are able to make \$1,500 amounting to approximately Sh127, 500 every month. In Multi-level Marketing, members are required to be very aggressive and persistent in order to make great sales. Multi-level marketing has been highly successful in Asian markets. The business environment for network marketers is not favorable in Kenya, but as people continue to learn this might be a partial solution to tackling growing unemployment in the country.

For those open to the idea of joining network marketing they should know that it takes time, effort and energy to build a business but after that, they will start enjoying financial freedom, doubling the number of customers as time goes by thus more money for you. The best part is that you get to build your own fortune since you are working for yourself. A good number of youths who have a good knowledge of multi-level marketing, are able to make quite large amount of money and their living standards have improved within a short duration

### **1.3 Research Objective**

The objectives of the research were to:

1. To determine the effect of multi-level marketing on living standards of Kenyan youths.
2. To establish devices required to conduct multi-level marketing.
3. To determine the knowledge and skills required for one to get involved in multi-level Marketing.
4. To establish youths accessibility to internet.
5. To determine availability of finances among youths to conduct multi-level marketing.
6. To examine the risk arising with multi-level marketing business.

## **2.0 LITERATURE REVIEW**

### **2.1 Theoretical Literature**

Coughlan and Grayson (1998) reveals in their research paper “Network marketing organizations: Compensation plans, retail network growth, and profitability” in the International Journal of Research in Marketing as under:

Network marketing organizations, or Network marketing organizations, are retail selling channels that use independent distributors not only to buy and resell product at retail, but also to recruit new distributors into a growing network over time. Commissions and markups on personal sales volumes and net commissions on the personal sales volumes of down lines are the methods of compensation commonly used to motivate Network marketing organizations distributors.

In this paper, researcher develops, analyze, and calibrate a dynamic decision model of the growth of retail Network marketing organizations. It shows how compensation and other model parameters affect distributor motivation, sales, and network growth and profitability. In short it is important for the distributor's point of view to have a good compensation and incentives plans to remain in the business and earn reasonable profit.

Vander and Keep (2002) reveal in their research paper "Marketing Fraud: An approach for differentiating Multilevel Marketing from Pyramid schemes" in Journal of Public Policy & Marketing as mentioned: The researcher focuses how multilevel marketing is different from pyramid schemes. In 1996, the Better Business Bureau in the United States warned the Pyramid schemes of all over the country to terminate their operations. In 1997, a large percentage of Albanians lost their saving in two ponzy schemes, losses prompted citizens to riot, threatening the stability of the national government. During March 1998, the U.S. Securities and Exchange Commission (SEC) filed suit against International Heritage Incorporated, allegedly the largest pyramid schemes in Securities and Exchange Commission history till date. In May 1998, the Chinese government halted the operations of all direct selling firms because of the government's inability to stop the growth of Pyramid schemes.

The researcher described the difference between multi-level marketing and Pyramid Schemes: Multilevel marketing is a way of distributing products or services in which the distributors earn income from their own retail sales and from retail sales made by their direct and indirect recruiters. Members at any level of a multi-level marketing model can make income through the company's products and/or services without signing up any new members. As a form of direct selling, multi-level marketing involves non-store retailing based on face-to face communication between a selling representative and a potential buyer. Contrary, pyramid schemes are only based on recruitment of members and there is no any product or services to offer and to generate the business. A pyramid scheme is a non-sustainable business that involves the exchange of money, usually in the form of a sign-up fee, and usually has no product or service. The only people that are able to make money on a pyramid scheme are the people at the top of the pyramid and this may lead to a fraud and misguide the society.

Chonko, Wotruba and Loe (2002) explain in their research paper "Direct Selling Ethics at the Top: An Industry Audit and Status Report" in the journal of Personal Selling and Sales Management as: Ethics is important in direct selling organization. If ethics are not followed by sales people, it will contribute to loss to bottom line and indirectly lose customer. Self-regulation by industry has become an important strategy in improving the ethical environment. This study audits the direct selling industries and their code of ethics as it complies with the Federal Sentencing Guideline(FSG) and establishes a benchmark against which subsequent ethics research in the direct selling industry can be compared.

In this research survey were sent to the 1700 direct selling corporate officers of 150 firm listed in the Direct Selling Association publication. Out of which 286 officers replied their opinions. The executive feels that opportunities for unethical behavior in direct selling may have lessened. There is some feeling that opportunities for unethical behavior in direct selling is less frequent than in other industries. Chonko, Wotruba and Loe (2002) concludes that there is less unethical behavior opportunities of practices in Direct Selling Ethics members in direct selling than that of non-members do direct selling.

## **2.2 Empirical Review**

Herbig and Yelkur (1997) examined the phenomenon in an interesting but quite cursory manner may be mixing some fiction originating from the industry handbooks with facts from the same source. Croft and Woodruffe (1996) assessed network marketing against six strategic criteria for channel management, in order to analyze its suitability as a channel of distribution in international markets. They concluded that although network marketing in terms of cost, capital, control and coverage has some advantages over conventional channels, these apparent strengths are frequently outweighed by particular shortcomings. Coughlan and Grayson (1998) focused on the development and analysis of a dynamic decision model of the growth of a retail Network marketing organization. The descriptive and prescriptive insights in their article show how compensation and other model parameters affect distributor motivation, sales, and network growth and profitability.

A conclusion drawn from these scarce studies on networking marketing practices is that there exist some unique and distinctive characteristics both in the structure of a Network marketing organization as well as the implementation of marketing functions in this context, which raise several managerial problems unlike in traditional sales organizations.

## **3.0 RESEARCH METHODOLOGY**

The study was associated with positivism research philosophy. The study employed quantitative and qualitative research design. Both Purposive sampling and stratified random sampling techniques were applied to select a sample for the study. Questionnaire and interviews were used in collecting primary data. For management of the qualitative data computer software for qualitative data analysis, ENVIVO 10 was used. The qualitative data was subjected to content analysis.

## **4.0 RESULTS AND DISCUSSION**

### **4.1 Knowledge and skills to conduct Multi-level Marketing**

For one to succeed in multi-level marketing must have skills and knowledge of what multi-level marketing is. Moreover, he/she must have general idea of how multi-level marketing business operates. For instance, with regard to this research conducted a good number of youths practicing multi-level marketing have a clear concept of how multi-level marketing business operates. A few have got no idea mostly the new individuals who are referred by their friends, relatives or those recruited into the business by multi-level marketing companies but with time they get to learn.

### **4.2 Accessibility to internet**

Internet is a key very important element in conducting multi-level marketing especially at this century where everything is digitalized. From our findings most of the youths are able to access internet especially through their mobile phones thus being able to reach a large number of customers within short duration and market their products to them.



### **4.3 Capital**

Every successful business requires some initial investment in terms of capital. From our findings in this research, capital becomes a challenge to most number of youths since they are not able raise the minimum initial investment one needs to venture into multi-level marketing. For instance, most of multilevel marketing requires some initial investment for one to be a member.

### **4.4 Facilities and Equipment to Conduct Multi-level Marketing**

From the findings the facilities and equipment required to conduct multi-level marketing are; Android mobile phones, tablets, laptops and computers. Every youth especially those in higher institutions of learning, have got android mobile phones, some have got laptops others can easily get access to computers at cyber or at their homes. This therefore makes it easier to conduct multi-level marketing.

From the above findings Multilevel marketing/Network marketing is a simple business venture with lots of advantages to individuals who are patience and willing to risk their money, in order to earn lump sum future benefits and as well those eager to learn and practice multi-level marketing. As a result this provides good income to them thus improving their lifestyle which in a short duration brings about change in their living standards.

## **5.0 CONCLUSION AND RECOMMENDATIONS**

### **5.1 Summary of Findings**

In Kenya most of the youths are unemployed. Each year universities produce fresh graduates this doubles the number of unemployed youths. Many of Kenyan youths caught up in this situation start performing odd jobs which are not in line with their career. Those who lose hope in life get into abuse of drugs others find themselves getting involved in criminal activities.

A small number of youths who are open minded start something of their own for example a small business. Those with good knowledge about internet marketing venture into multilevel/network marketing. Thus youths who are in this type of business in long run they are able to earn more than people who are employed. Since in network marketing there is more room to grow since eventually you are your own boss.

### **5.2 Conclusions**

Multi-level marketing is a very important function in providing jobs for the jobless. The recruitment process looks for young jobless people and earns them an income from which they can support themselves. It is fun and a happy feeling to know that one is working and at the same time providing opportunities for the less fortunate to support them. It is also fun knowing that giving someone a job will increase ones pay.

The idea of multi-level marketing presents people with great and better learning of the multi-level marketing strategy. When people are recruited in to the business, they are trained about its functions. This training acts as a good way of future advancements in the field. It also helps these individuals to use the knowledge to their advantage once they leave the job. It is a good starting point for future success in the sales or marketing department as a whole.

The job presents flexibility in hours of work. One can work at any time they feel fits in their schedule. The vital thing is that they achieve the set targets. It also allows one to be feel like their own boss because of the freedom they get. They work under their own supervision, giving more freedom on the work.

### 5.3 Recommendations

Based on the findings and conclusions, the study recommends that in order for more youths to join multilevel marketing, the multi-level marketing companies should reduce the amount of money one needs to pay to become a member. The multi-level marketing companies should also offer numerous trainings to new individuals joining the business to equip them with more knowledge on how they can become successful as they carry on this type of business. The multilevel companies for instance insurance industries should come up with more innovative products that address needs of consumers.

### REFERENCES

- Akinyi, A. R. (2008). *Benefits And Challenges Of Multilevel Marketing In Kenya: A Case Of Golden Neolife 1) I A Mite International Distributors In Nairobi Kenya* (Doctoral Dissertation, University Of Nairobi).
- Awiti, A., Scott, B. (2016). *The Kenya Youth Survey Report*. East Africa Institute, 1-4.
- Chonko, L. B., Wotruba, T. R., & Loe, T. W. (2002). Direct selling ethics at the top: An industry audit and status report. *Journal of Personal Selling & Sales Management*, 22(2), 87-95.
- Clegg, B. (2000). *The Invisible Customer: Strategies for Successive Customer Service Down the Wire*. Kogan Page Publishers.
- Coughlan, A. T., & Grayson, K. (1998). Network marketing organizations: Compensation plans, retail network growth, and profitability. *International Journal of Research in Marketing*, 15(5), 401-426.
- Croft, R., & Woodruffe, H. (1996). Network marketing: The ultimate in international distribution?. *Journal of Marketing Management*, 12(1-3), 201-214.
- Gitomer, J. (2006). *Little black book of connections: 6.5 assets for networking your way to rich relationships*. Simon & Schuster.
- Herbig, P., & Yelkur, R. (1997). Differences between Hispanic and Anglo consumer expectations. *Management Decision*, 35(2), 125-132.
- Kenya National Youth Policy (2007). *Session Paper 3*.
- Kotler, P. (1994). Reconceptualizing marketing: an interview with Philip Kotler. *European Management Journal*, 12(4), 353-361.
- Micklitz, H. W., Monazzahian, B., & Rößler, C. (1999). Door-to-door selling—pyramid selling—multilevel marketing. *Study commissioned by the European Commission*.
- Roller, D. (1989). *How to Make Big Money in Multi-level Marketing*. Prentice Hall Press.
- Sherman, A. J. (2004). *Franchising & licensing: two powerful ways to grow your business in any economy*. AMACOM Div American Mgmt Assn.

- Taylor, J. (2011). The case (for and) against multi-level marketing: The complete guide to understanding the flaws—and proving and countering the effects—of endless chain “opportunity” recruitment, or product-based pyramid schemes. URL <http://www.mlmwatch.org/01General/taylor.pdf>. *Consumer Awareness Institute*.
- Taylor, J. M. (2000). When Should an MLM or Network Marketing\* Program Be Considered an Illegal Pyramid Scheme?. *Consumer Awareness Institute*, 62-63.
- Taylor, J. M. (2014). *Multi-Level Marketing Unmasked*.
- Vander Nat, P. J., & Keep, W. W. (2002). Marketing fraud: An approach for differentiating multilevel marketing from pyramid schemes. *Journal of Public Policy & Marketing*, 21(1), 139-151.