

Network Marketing In India

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ABSTRACT

Network Marketing is a business model of direct selling in which consumers/customers get products directly from the company or any of its stores instead of stepping out for any other retail stores. Multi-level marketing in India is a broad terminology given to marketing that takes place through a distributor network such as a pyramid scheme or a direct selling scheme in India. Since unemployment is one of the biggest problems for the government to look over, it requires a combined effort of government and industries. The multi-level marketing or MLM business plan hit the Indian business industry in 1995 with global MLM company Oriflame being the flagbearer of network marketing in India. Soon Tupperware's multi-level marketing was launched and the Indian market was flooded with MLM business opportunities. The direct selling industry has shaped the career of millions of people in India especially the unskilled ones who are suffering to get placed in the company.

This paper tries to describe Network Marketing Business in INDIA and its potential of reducing unemployment by Providing self-employment opportunities to many people to raise their standards of living as The Prime Minister of India has also focused on generating self-employment skills through the "Skill India" Campaign and along with the case study of two Indian top network marketing companies (Vestige & Amway).

Key words: Network Marketing, MLM, SLM, Direct selling, Employment.

I. INTRODUCTION

Network marketing is a business model that depends on person-to-person sales by independent representatives, often working from home. A network marketing business may require you to build a network of business partners or salespeople to assist with lead generation and closing sales.

(A business model in which a distributor network is needed to build the business.)

Traditional sales channel:

Company → C/F agents → Distributors → wholesalers → Retailers → Customers

Direct selling / Network Marketing:

Company → Customer

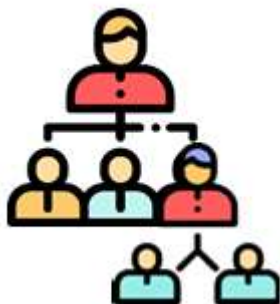
On the basis of compensation plans direct selling organisations can be divided into two different ways to distribute the products namely Single-Level Marketing (SLM) Firms and Multi-Level Marketing (MLM) Firms.

SLM companies reward **sales representatives** for their own personal sales activity by giving a percentage of their sales income as commission.



Sales person → customer

In a MLM company, sales representatives can create their **own distribution network** by adding more sales representatives to the network.



Multi-level marketing (pyramid selling, network marketing, and referral marketing) is a marketing strategy, where the revenue of the MLM company is derived from a non-salaried workforce selling the company's products/services, while the earnings of the participants are derived from a pyramid-shaped or binary compensation commission system.

History of Network Marketing:

Network marketing is the event of marketing which was started just before the period of world war 2.

In the year 1939, as per the "The History of Network Marketing," Carl Rehnberg founded The California Vitamin Company and soon thereafter rebranded it as Nutrilite.

In the year 1945, to help boost sales, Carl invented "MLM" (Multi-Level Marketing) which was then developed into a highly profitable method.

In 1949, Rich DeVos and Jay Van Andel returned from military service and became distributors for Nutrilite vitamin supplements in 1950.

In 1972, two guys by the name of Jay Van Andel and Rich DeVos became Nutrilite distributors and set up a company they called Amway. In time, Amway eventually bought a controlling interest in Nutrilite.

In 1994, Jay and Rich (as Amway) took over full ownership of Nutrilite, and now Amway is the largest MLM company in the world!

II. RESEARCH METHODOLOGY

The following research methodology has been used for this study:

2.1 Objectives of the study:

This paper has the following objectives for study-

- To understand Network Marketing & its scope.

- To analyse network marketing in India & its scope during the year 2025
- To consider network marketing as passive income and a source of personality development with case study of **Vestige & Amway**.

2.2 Sources of Data:

The Present study mainly uses Secondary data as the nature of research is explicit in nature and so various books, magazines, web sources have been used for the research work.

2.3 Limitations/scope of study:

This complete study determines the scope of Network Marketing that it has by the year 2025 in India and also the case study of two top MLM companies.

III. NETWORK MARKETING IN INDIA

India and network marketing, a sleeping Giant is awakening.

Although India has a huge population of 1.3 billion people with over 50% youth population and the 3rd largest economy (PPP) in the world, Multi-Level Marketing is only one billion dollars in annual sales in India and growth is stagnant.

MLM started in India by European major Oriflame in 1995. Although Direct Selling was legal as per the Indian law, Multi-Level Marketing often confused with Money Chain, which is banned by Prize Chit & Money Circulation Schemes (banning) Act, 1978.

The situation became critical when many innocent investors committed suicide due to the collapse of the Kolkata based Saradha Scam in April 2013, in which 1.7 million people lost \$5 Billion. Subsequently, Amway India's CEO was arrested by Police in the next month (may 2013) suspecting them also is as a Ponzi Scheme like Saradha. THE total MLM industry in India got a standstill.

The trade unions of mainstream political parties in the state of Kerala organized scattered MLM Distributors. They conducted series of activities including hunger strikes, demonstrations, lobbying, etc. for reinstating the MLM industry, arguing that MLM and Money Chain are different and 1978 law is not intended to stop 1995 born MLM in India.

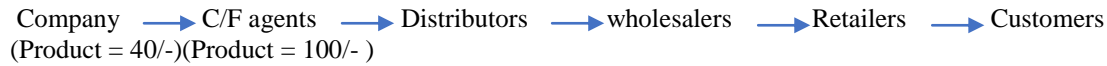
Finally, on 13th March 2015, Kerala Finance Bill gave legal acceptance for Multi-Level Marketing. As a result, 29th July 2015 extraordinary gazette published by the State Govt. of Kerala amended the Kerala Value Added Tax Act to include Multi-Level Marketing among commercial activities.

3.1 Functioning of Network Marketing

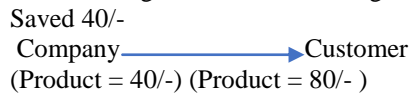
In Multi-Level Marketing the compensation or commission is generated/given in two ways.

Firstly, the sales made by individual members or distributors and secondly sales that are done by the downline team/network that was created by every individual.

Traditional sales channel:



Direct selling / Network marketing:



In the scheme of Direct selling the products will be available at a low price compared to the market price. And in the above example, the 40/- rupees which were saved by the company will be again distributed to the costumers/distributors through a business plan which is known as network marketing.

This distribution of money/pay-outs/commission is given based on the sales/purchases they have made personally and also based on sales/purchases that are made by every individual in his network of representatives/distributors.

- Forever Living (1978)
- Medicare (July 1973)
- RCM (April 1988)
- Mi Lifestyle Marketing Global Private Limited (March 2013)
- Oriflame (1967)
- Avon (1886)
- 10. Future Maker (2015)
- 11. 4Life (----)
- 12. DXN India (1993)
- 13. NASWIZ (----)
- 14. K-Link Healthcare (India) Pvt Ltd (2001)
- 15. Unicity (1972)
- 16. SARSO (2011)
- 17. SAFESHOPE (2000)
- 18. RMCL (1994)

3.2 Top 18 MLM companies in India

- Amway India (November 1959)
- Vestige (June 2004)
- Herbalife (February 1980)

3.3 Scope of Network Marketing in India

Direct 2017-Ease of doing business in India
 As per FICCI & KPMG projections, Direct sales in India will reach Rs. 64500 crore by 2025 and there will be estimated 1.8 Crore direct sellers in India, 60% of whom will be women.

FICCI – Federation of Indian Chambers of Commerce & Industry

KPMG - International Cooperative (or simply KPMG) is a multinational professional services network, and one of the Big Four accounting organizations

COUNTRY	POPULATION	TURN OVER
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USA	32 CR	2,12,550 CR
CHINA	140 CR	1,77,450 CR
JAPAN	12 CR	1,16,350 CR
KOREA	5 CR	94,250 CR
BRASIL	20 CR	92,300 CR
GERMANY	8 CR	55,250 CR
MEXICO	12 CR	52,650 CR
FRANCE	6 CR	34,450 CR
MALAYSIA	3 CR	30,550 CR
INDIA	132 CR	7,800 CR

Direct selling, one of the oldest and traditional forms of selling, is likely to reach **Rs. 64,500**crores billion in India by 2025, as per FICCI-KPMG report.

While the direct selling industry in India is estimated at **Rs. 7,500cr** (2013-14), it is far lower than other comparable economies.

In the last five years, the industry has recorded strong growth rates, especially in Assam, Delhi, Punjab and West Bengal. North India emerged as the largest region by market size and accounted for Rs. 2,200 crores in 2013-14 with South India holding the second highest share at Rs. 1,900 crores.

3.3.1 Women Empowerment

Network Marketing/Direct selling has a huge capability of providing self-employment offer to wide range of people, especially for women. Direct selling provides a special flexibility where women can manage both personal and professional works at a time. This MLM industry in the financial year 2013 has provided self-employment opportunity to 3.4 million female distributors.

3.3.2 Reducing Unemployment

This MLM companies also generates many jobs regarding the functioning of companies like packing, delivery, maintenance and direct employment opportunity. People in MLM companies can work either on a part-time basis or on a full-time basis based on the interest of individuals. Direct selling companies in **India** set to generate nearly 2 crore **jobs** by 2025.

3.3.3 Additional income

This industry also provides an opportunity of earning an additional income so that people feel secured from future crisis. Till now as per the reports, nearly 5 million are engaged in this industry and are ready to setup their financial position secured.

3.3.4 CSR

In terms of corporate social responsibilities, these MLM companies are in front line by conducting and contributing social activities. Avon's Breast Cancer Crusade and Amway's Sunrise project for education are well known for their social impact.

IV. NETWORK MARKETING AS PASSIVE INCOME

Being a member of the network in Vestige, I have personally met some people who changed their lives and started earning passively with the

business module of vestige. I have also seen many people in Vestige who growing day by day for the level of Distributors to the level of Universal Directors and making money around lakhs every month.



SIDHARTH CHANCHAL ASSOCIATES
 (July 2020 Bonus **1,18,55,404/-**)

Business Building Bonus	INR 2100000.00
Leadership Bonus	INR 800000.00
Travel Fund	INR 100000.00
Car Fund	INR 80000.00
House Fund	INR 100000.00
Elite Club Bonus	INR 200000.00
Scheme Fund	INR 0.00
Total Payable	INR 11855404.00
TDS	INR 64678.00



Mr. KISHAL A SHARMA

DIRECTOR BONUS	INR 196511.00
LEADERSHIP BONUS	INR 418942.00
TRAVEL FUND	INR 89743.00
CAR FUND	INR 79209.00
HOUSE FUND	INR 77332.00
SCHEME FUND	INR 0.00
TOTAL PAYABLE	INR 922158.00

8,22,158/-
HIGHEST CHEQUE ON UCD IN VESTIGE AT JUST 24 YEARS
EXPONENTIAL GROWTH

MAY	JUNE	JULY
5,07,380/-	7,52,595/-	8,22,158/-



ATHMANIRBAR SUCCESS PLAN
 2nd Month (July 2020) Bonus

Mr. Veera Kumar Naidu
₹ 3,74,478 /-

PERFORMANCE BONUS	INR 442.00
DIRECTOR BONUS	INR 78565.00
LEADERSHIP BONUS	INR 191360.00
TRAVEL FUND	INR 25540.00
CAR FUND	INR 39756.00
HOUSE FUND	INR 38800.00
SCHEME FUND	INR 0.00
Elite Bonus	
TOTAL PAYABLE	INR 374478.00



THANK YOU GOD FOR EVERYTHING

DUSHYANT KHANNA
1,93,098/-

PERFORMANCE BONUS	INR 509.00
DIRECTOR BONUS	INR 50634.00
LEADERSHIP BONUS	INR 71338.00
TRAVEL FUND	INR 14983.00
CAR FUND	INR 25622.00
HOUSE FUND	INR 25012.00
SCHEME FUND	INR 0.00
TOTAL PAYABLE	INR 193098.00

There is person named Sidarth whose monthly income in Vestige is around **1,18,00,000/-** He also the Asias top earner in Direct Marketing/Network Marketing Industry.