

**BENEFITS AND CHALLENGES OF MULTILEVEL MARKETING IN
KENYA: A CASE OF GOLDEN NEOLIFE DIAMITE
INTERNATIONAL DISTRIBUTORS IN NAIROBI KENYA**

By

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DECLARATION

This Management Research Project is my original work and has not been submitted for another degree qualification of this or any other University or Institution of learning.

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DEDICATION

I dedicate this Research Project to God for His abundant blessings, which has made it possible for me to go through this program under challenging circumstances.

To my daughter Vanessa, for enduring my long absences from home and support during the period that I was pursuing this degree programme. To my faithful house help Rachel for being there and taking care of things at home. To my parents Michael and Gladys for being a source of strength and inspiration.

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LIST OF ABBREVIATIONS

GNLD	Golden Neolife Diamite International
USA	United State of America
MLM	Multi Level Marketing
MLMs	Multi Level Marketing Organizations
NYSE	New York Stork Exchange
USD	United States Dollar
UK	United Kingdom
ICEA	Insurance Company of East Africa
SPSS	Statistical Package for Social Sciences
WFDSA	World Federation of Direct Selling Association

ABSTRACT

World over Multilevel marketing (MLM), also called Network marketing has become a successful concept that empowers ordinary people to turn into successful entrepreneurs. This concept is about distributing products directly from the manufacturers to the end consumers, thereby doing away with the traditional channel of distributors, wholesalers and retailers, so that the consumers get the entire benefit of direct selling. The multilevel marketing industry as a whole has grown over the years and the reasons for this among many others is that there are more people looking either to supplement or replace their incomes. There are also more opportunity seekers in any recessionary period due to the uncertainty of their present financial situation. This study aimed to find out the benefits and challenges of Multilevel marketing as practiced by Golden Neo-life Diamite International (GNLD) distributors in Nairobi, Kenya.

A descriptive survey research design was used in this study. The population of interest was all the practicing distributors of GNLD products based in Nairobi, Kenya. A convenient sample size of 200 distributors was used in the study. Primary data was collected using a semi structured questionnaire which was administered through personal interviews by research assistants. A total of 189 questionnaires out of 201 were filled and returned, representing a response rate of 94.5%. The data was analyzed using measures of central tendency, mainly frequencies, mean scores and standard deviations and the results presented in tables and graphs.

GNLD is a classic example of how the MLM concept works in Kenya. Besides being a source of income for those involved, the study revealed that other benefits of MLM amongst GNLD distributors included the low barriers to entry into the business and its flexibility, the fact that MLM has no age or education restrictions as compared to traditional jobs. Ranking high was also the fact that MLM acts as a social support network for those involved. It helps people to grow and develop not only their business skills but also personal life skills.

Under challenges, the study revealed that MLM appealing to people's greed and promise of making quick money was a major obstacle in conducting the business. Only a small minority of people take their time to fully understand the business concept to be able to work it out well, many others drop out before long thereby propagating the negative perceptions about MLM. This challenge is closely linked to the concern that some MI Ms may use deception and overzealous product claims to recruit individuals, further aggravating the negative publicity that surrounds the subject of MI M.

CHAPTER ONE

INTRODUCTION

1.1 Background

The world economy is being shaped by several forces such as globalization, deregulation, technology advancement and privatization (Kotler, 1985). As a result of these forces the customer is now empowered with information and has a wide range of choices. This has led to new marketing challenges. Customers are growing more sophisticated, price sensitive, are short of time, want more convenience and have high service expectations (Kotler, 1985).

The implications of these changes pose a significant challenge both to industry and governments throughout the world and promise to alter not only the nature and structure of competition, but also the balance of economic power (Gilligan, 1989). Prominent amongst the causes of this change are shifting demographic profiles, ever greater levels of political intervention in the market mechanisms, and perhaps, most importantly of all, an increasingly competitive and malevolent market environment in which only the fast moving and proactive organization is likely to prosper (Gilligan, 1989).

Companies must either respond to the challenges posed by this new environment or recognize and accept the long-term consequences of failing to do so. It is a change, which to a greater or lesser extent will ultimately affect companies of all sizes in virtually all markets, (Gilligan, 1989). Jeannot and Hennessey (1993) have also observed that the increase in globalization has also contributed to companies re-examining the manner in which they do business internationally. They argue that clear globalization trends are evidenced at three levels: customers; markets; industry; and competition. This therefore has forced companies to adopt global strategies for survival.

The pressures of the international environment are now so great that the opportunity to survive with a broadly reactive strategy no longer exists. Recognition of the significance of these pressures are reflected in the rapid growth in recent years of the number of strategic alliances between firms in various parts of the world in a desperate attempt to gain the

economies of scale in production, distribution and marketing that are needed if a viable competitive profile is to be maintained. In a nutshell it has seen a lot of marketing activity extended beyond domestic frontiers in a process called internationalization (Gilligan, 1989).

Albaum et al (1998) agrees with this argument and indicates that companies started this process of internationalization in the 1980s but increased during the 1990s. They further assert that the current interest by business firms in international marketing can be attributed in a large part to shifts in demand and supply characteristics in markets throughout the world as well as the ever changing competitive environment. They also argue that companies that have been serving only domestic markets are finding that these markets are reaching the point where supply, at least in terms of productive capacity is exceeding demand. In Kenya, drastic changes have occurred in many sectors, opening the domestic market to competition. Companies are now facing intense competition from domestic and foreign brands which is resulting in rising promotion costs and shrinking profit margins.

1.1.1 Multi-level marketing

Multilevel marketing (MLM), also known as Network marketing is one way for a manufacturer or supplier to reach consumers of its products or services (Babener, 2003). Instead of using retail shops, national advertising and any number of other marketing methods, the company offers to individuals the opportunity to sell its products. In order to recruit enough "independent distributors" and to build turnover to worthwhile levels, the originating companies devise a commission structure which rewards every distributor for selling products and for finding and training new distributors to do the same. Different Multilevel or Network marketing organizations will vary in the details of their operations but the objective is always the same however, to build a consumer products and /or services marketing company that distributes through a vast network of salespersons who sell both consumer products and services, as well as recruit and develop an even larger network of salespersons to sell, and for which remuneration is paid on the sales volume of those "down line" recruited networks (Babener, 2003).

Kodhek (2005) described the multilevel marketing concept as simple and involving tapping into friends, family and acquaintances, and subsequently the group of people that they know, to sell not only a product, but also the opportunity to set up themselves as new distributors. These new distributors then start the process of developing their own networks for selling and recruiting. According to Kodhek (2005), multilevel marketing in general involves selling a product or service that is produced and supplied by a "mother" company, and any other company can choose to use network marketing to expand their distributor base. This business is structured in such a way that once a person joins the business, he can make money in various ways. It can either be through retail profits by selling directly to customers, or by earning sales volume bonuses when they introduce others into the business (Kimutai, 2005).

Internationally the influence of the US style MLM business continues to grow both here in Kenya and abroad, and shows no signs of slowing down. These networks of member - distributors, who earn income both from selling retail products and recruiting new members, are currently enjoying remarkable growth. Presently there are thousands of Multilevel Marketing companies operating throughout the United States, Canada, Mexico, South America, the United Kingdom, Europe, Australia, New Zealand, Israel, Japan and the Pacific Basin. Little Malaysia alone has more than 800 active Multilevel Marketing companies. Multilevel Marketing is reported to be a 100 billion dollar industry, internationally, made up of FORTUNE 500 and New York Stock Exchange (NYSE) companies (Stewart, 2004).

In Kenya apart from the Golden Neolife Dianite International (GNLD) Company, other companies using the MLM strategy include Tianshi, Swissgarde, Tasly, Dynapharm and more recently Forever Living Products. Although these companies deal in diverse products, their mode of operation is basically the same. A member registers with the sponsoring company at a fee, after which one is assigned a unique reference number. This is the code that is used each time they make a purchase or introduce a new member into the group. Depending on the company the registration fee entitles one to training, product literature and in some cases a number of products to launch the sales process.

The details of the commission structures (usually called sales and marketing plans) vary greatly from company to company but the principles remain the same. A typical plan might pay out around 50% of the retail price in commissions and bonuses. Perhaps half of this will go to the person who makes the sale, the rest being split into smaller amounts that are paid out to various distributors "up line", if they have qualified for bonus payments under the relevant criteria in the marketing plan. The result of all this, is that a very attractive business opportunity is available to distributors who duplicate their efforts by finding and teaching others to sell, recruit and teach. At the same time, the originating company is effectively increasing its turnover at possibly less cost than other more traditional methods of marketing.

Although a significant force with upwards of USD 30 billion in the USA sales and USD 90 billion in worldwide sales, the MLM industry is nevertheless an ultra niche industry with its own culture and formatting. Those who understand this focused culture and business model can prosper, and others will be "strangers in a strange land" (Babener, 2003). Multilevel marketing can rapidly and inexpensively create large distribution networks and these trends seem likely to continue, strongly suggesting that an examination of this organizational phenomenon is long overdue in the Kenyan context.

1.1.2 Golden Neo- Life Diamite Company

Golden Neolife Diamite Company (GNLD) as it is today is a merging of three different companies. According to McAfee (2006), Golden was begun by Jerry Brassfield in the United States and experienced tremendous international expansion growing into Australia and then into Africa and Europe. Jerry Brassfield later came to own Neo-Life and Diamite. Golden was a pioneer in biodegradable cleaning products while Neo-Life began in California and grew out of years of nutritional research conducted at Hollywood Presbyterian Hospital. Diamite is a company which was built in North America and was noted for its exceptional aloe beverage which is still available through GNLD today (McAfee, 2006).

Having been founded by Jerry Brassfield in Central California USA in 1958, GNLD has for the last 50 years embraced nature's connection to health, operating on the forefront of science to provide safe products to consumers around the world. Having launched its operations in Kenya in 1995, GNLD is perhaps a classical example of how network marketing works in Kenya, with the number of people joining the GNLD business having almost reached the 500,000. GNLD has had remarkable growth especially in the last 5 years (Kimutai, 2005). Kagiri a GNLD distributor in Nairobi, Kenya sums it up by saying that "with GNLD you can work from your house while doing other things at the same time. You only need two hours every day!"

GNLD has two distributor service centres in Nairobi, the headquarters located at ICEA building, Kenyatta Avenue and another centre on Witu Road, Industrial area. The GNLD business is sold as an opportunity. An opportunity to make mad cash, make your dreams come true and be a boss of your own business. With a line up of the finest healthcare, homecare and skin care products in the world, and a brilliantly conceived marketing plan that enables people to earn independent incomes beyond their expectations, GNLD provides ordinary people the chance to live extra ordinary lives of fun and fulfillment (Sunday Nation, 14th February 1999, Pg 17).

GNLD has a Global Business Support System (GBSS). The GBSS is designed to enable distributors to develop and grow their businesses with the full backing and support of facilities and infrastructure spanning over 50 countries around the globe. This support includes both operational and marketing facilities by providing outstanding service in the areas of product supply and warehousing to the remotest parts of the globe. In Africa alone, there are over 20 warehouses and distributor service centres that guarantees that provision of products to both distributors and customers. With the GBSS, the distributors are in business for themselves but never by themselves. Top international and local trainers provide product information, business skills information and motivation to train distributors and help them run the best independent businesses. Sophisticated computer systems help to monitor the progress of each independent distributor business as it develops and expands across the world or in one's own home town. The GNLD range of products includes

healthcare, home care products, herbal alternatives, personal and skin care products and weight management products. From an initial slow beginning caused by the negative attitude that Kenyans had on the products due to their being new in the market, and due to the marketing strategy that many were not familiar with (no advertising), it has evolved into a household name among many Kenyans. GNLD's success continues to attract other MLM companies with similar goods into the Kenyan market.

The GNLD opportunity means different things to different people. It may mean maintaining a certain lifestyle, being able to pay for an education, buying a new car or house. But to all, it is the opportunity to advance to whatever level one chooses based solely upon their effort to build a business as large or small as they want, to earn a little for a little work, or with more effort, to earn the income one has dreamed about and a chance for the family to work together as a team. Each GNLD distributor gets sponsored by another already in the business. Upon joining the business there are various levels that distributors go through as they build their business networks. Distributor level is the entry level with the highest rank being that of a Diamond director. From distributor level, the next rank is that of a Manager followed by Senior Manager level. This is followed by the Director status, of which there are several levels, Emerald, Sapphire, Ruby and finally Diamond. The distributors need to qualify for the next rank based on the business volume and sales network they have developed in any given period.

1.2 Statement of Problem

World over MLM has become a successful concept that empowers ordinary people to turn into successful entrepreneurs. In 2007, the DSA estimated that worldwide retail sales by its members (56 National DSA's worldwide), accounted for more than US\$109 Billion through the activities of more than 58 million independent sales representatives (direct sellers). According to reports by the DSA (2007), 500,000 new distributors (direct sellers) join the industry across the globe each week. Global trends show that the industry is attracting more full-time sales people, more men and couples, and more retirees as distributors. For example, in South Africa, DSA statistics as at end 2006 indicates that the number of those involved with direct selling in 2006 was 729,000 with annual sales of R

4.6-billion and the industry provided full-time employment for over 3400 people. According to Richard Clarke, Chairman of the Direct Selling Association of South Africa, it is notable that even though the South African MLM industry is the best developed in Africa, it has a long way to go before coming anywhere close to the industry's per capita representation in the US.

In Kenya, the MLM industry though not very well developed provides a direct source of employment for many Kenyans while at the same time providing income for thousands of distributors involved with the industry. Mr. Kuria a GNLD distributor says of the GNLD business, "This business isn't a pyramid scheme or scam. It is an industry that emancipates people from the slavery of wages, and creates millionaires. But you cannot make money if you yourself aren't helping other people make money" (Mochama, 2005). Records obtained from the Sales Director GNLD East Africa C. Methu indicates that there were in excess of 1 million registered GNLD distributors in Kenya as at end 2007. However, only approximately 40,000 were actively involved with the business in Kenya, 20,000 in Uganda and another 30,000 in Tanzania in the same period. The average monthly recruitment rate in 2007 stood at 1500 distributors in Kenya. This shows that even though very many people get recruited into the GNLD business in any one year, a very small percentage stay on in the business. The sales force turnover is extremely high which would point to some challenges in conducting the business. The fact that there are a certain percentage of recruits who stay on in the business would also be an indication that there are benefits to be derived in the MLM business.

Various researches have been conducted on Direct selling, Network marketing and MLM especially in the developed countries. Sargeant, A & Msweli, P (1999) carried out an exploratory study of consumer perceptions about Network Marketing in South Africa while Koehn (2001) did a study on the ethical issues connected with Multilevel marketing schemes. Koehn found out that MLMs pose many ethical challenges and that succeeding in a MLM business is not easy. The attrition rate is high and MLMs consequently depend upon a sales force that continually recruits new sales people into the MLM. Brodie, S et al (2004), conducted a study on the public perceptions of Direct selling: An international

perspective covering eight different countries USA, South Africa, Australia, New Zealand, Taiwan, The Phillipines, Finland and the UK. This study dealt with the public perceptions and experiences of Direct selling as a channel of distribution for goods and services and also as a personal business opportunity. The study found out that a majority of the people have a positive perception of direct selling, with 58% having bought goods and services through direct selling at some point. The results of the studies in the developed markets cannot be generalized to represent the case in Kenya, given the differences in culture and lifestyles of the people and the state of the economies. The developed countries have better performing economies than Kenya and therefore people can live more affluent lifestyles.

In Kenya, there is no empirical research on the subject of MLM. However, there have been various newspaper and magazine articles on the subject mainly featuring the operations of the various industry players in the market place. Given the high monthly recruitment rate of distributors over the years and the fairly low number of active distributors in GNI.D in Kenya (at 40,000 by end 2007), it makes sense to do an empirical study of the benefits and challenges in this business. This research will help to document the pertinent issues with regard to the practice of MLM by GNI.D distributors in Nairobi. This study will seek to answer the research question "What are the benefits and challenges of multilevel marketing as practiced by GNI.D distributors in Nairobi?"

1.3 Objectives of study

The objectives of this study were to determine:

- i. The benefits that GNLD distributors in Nairobi, Kenya derive from participating in Multilevel marketing
- ii. The challenges that GNLD distributors in Nairobi, Kenya face in participating in Multilevel marketing

1.4 Importance of Study

This study will be of great importance to the following groups of people:

- i. Marketing practitioners who will use this study to enhance and to better understand multilevel marketing as practiced in Kenya.
- ii. Companies and firms already in this field and those that would wish to apply this marketing strategy in selling their products. Existing companies will use this knowledge to improve on their sales.
- iii. Scholars and researchers who will use this study as a reference point and assist in areas of further study.
- iv. Ordinary Kenyans who would like to join the multilevel marketing industry as distributors.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on the review of literature related to this research study. This was done with a view to collecting views, perspectives and opinions on multilevel marketing and its benefits and challenges as a business model. The review was based on theoretical literature from books, research journals and papers, magazines and newspaper articles and information from the internet.

2.2 Multi level Marketing

Multilevel Marketing (MLM) is a subset of direct selling and is also known as "network marketing", "structure marketing" or multilevel direct selling" (The world Federation of Direct Selling Associations (WFDSA), 2000). Multilevel marketing can best be described as a direct selling channel that focuses heavily on its compensation plan because the distributors (members of the network) may receive compensation in two fundamental ways (Poon, 2003). It has proven over many years to be a highly successful and effective method of distributing products and services directly to consumers, and compensating independent sales persons or distributors.

Multilevel marketing or network marketing as it was called in the 1960's and 70's has evolved over the past 20 years because it appears to be the least expensive, lowest risk, fastest path to achieving the American dream. MLM is at the core of the exploding "home based business" segment of the economy (Gitomer, 2000). Heritage (1997) argues that MLM is a system of selling in which a participant signs up other people to assist in the selling and obtains a percentage of the profits obtained from them. MLM describes a type of business in which sales representatives not only sell products, but also attempt to recruit new sales representatives. Existing sales people usually have a financial incentive to expand the sales force. In MLM, representatives sell the company as well as the product, encouraging others to join the sales team (Roha, 1997).

Clothier (1997) claims that, in MLM the only suppliers other than the manufacturer are the independent distributors, and they sell to consumers at every level of the organization. Additionally, the income of MLM comes from 3 sources. The first is "Linear income"; this is similar to traditional marketing. The second is "residual income", this is income earned in respect of work done at some time in the past, which remains economically relevant for a certain period of time. Third and finally comes "network income" This is the residual income with added benefits. MLM businesses appeal to people who want to work part-time and need a flexible schedule, like students and mothers of young children. They also attract people who are dissatisfied with their current job situation or who have come to believe that large corporations do not reward loyalty the way they did in the past.

Multilevel marketing is a rapidly growing industry. According to the Direct Selling Association, MLM businesses employed between 9 and 12 million people in 1999, up from 5 million in 1991. Some of the best-known companies that use MLM techniques include Amway, Mary Kay Cosmetics, Pampered Chef, and Longaberger Baskets in the USA. Multilevel marketing is therefore not a new concept. It has been around for the last 50 years. Indeed, several companies in America, China and other countries in the developed world have adopted this marketing strategy. Multi-level marketing organizations (MLMs) have long been an active part of the American business landscape. MLM business models have been so successful in America due in no small measure to the natural entrepreneurial spirit upon which America was founded. The chance at "striking it rich" and gaining financial independence are elements of American culture that are as strong now as ever. The continued growth has led to Multilevel Marketing being incorporated as part of the curriculum of some universities abroad (Sparks and Schenk, 2001).

Imura (2004) indicated that sales in network marketing were USD 28.69 billion in the US alone for 2002, with some 13 million independent distributors spread throughout the country. This is equivalent to almost five times the annual budget of Kenya and employment of almost a third of the entire population. According to the Direct Selling Association (1999), from 1991 to 1998, MLM participation grew from 5.1 million to 9.7 million members (75 per cent of whom are women) while annual sales grew from 13

billion to nearly 23 billion dollars. Traditional sales method companies such as Colgate-Palmolive and the Gillette Company have Network Marketing subsidiaries. Mary Kay is bigger than Johnson & Johnson in the US. Sam Walton, the founder of Wal-Mart is quoted as saying, "I would rather run a profitable business in an unconventional industry than an unprofitable business in a conventional industry" (Stewart, 2004). Traditionally limited to household cleaners and cosmetics, MLMs today sell such diverse products and services as jewellery, nutritional supplements, children's toys, life insurance and long distance telephone services (King, 1996; Salter, 1997).

2.3 The Multilevel Marketing Strategy

Strategy is the scope and direction of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment to meet the needs of markets and to fulfill stakeholder expectations (Johnson and Scholes, 1998).

Multilevel marketing (MLM) as a business model is in a class of its own. MLM is perceived as anybody, everybody can do business. As a result, anybody and everybody is seen as a prospect for this business model. There are no specific qualifications for the person who wants to join the MLM company. According to Then (2007), MLM is a home based business. It involves the sale of a consumer product or service, person to person, away from a fixed retail location. As the term "multilevel" suggests each salesperson is a part of the chain, called a distributor, a representative or a consultant depending on the company they represent. These independent sales people market products and services to customers primarily through personal relationships and one on one retailing. The strategy is to distribute the products or services through local channels thereby saving on distribution costs and at the same time providing some alternative income for the people acting as independent distributors.

This strategy is not much different from advertising through the media or using distributors, manufacturer representatives, salesmen and retailers (Mwangi, 2007). MLM companies rely on word of mouth, a form of personal selling which revolves around people

sharing their experiences with others who may not have had the benefit of the same. Whereas word of mouth can easily build the reputation of a company's products, it can also destroy that reputation within no time. Multilevel marketing companies therefore rely on word of mouth or personal selling as their preferred strategy (Mwangi, 2007).

Instead of employing the services of various agents in the marketing chain, the products are moved directly from the manufacturer through a single level or distributor, down to the consumer. These reduced levels of the marketing chain end up reducing manufacturing companies selling costs, while the market share continues to increase (Mwangi, 2007). The savings accrued from the reduced marketing chains are shared between individual distributors who now form the marketing chain amongst themselves. Each person's earnings depend on the level of contribution or seniority in the chain. This chain is what is referred to as multilevel or distributor network.

In Kenya most of the multilevel marketing companies deal with natural products meant for healthy living through healthcare and beauty. Other examples include soaps and detergents. In the developed world, any company can adopt multilevel marketing regardless of the nature of business. More consumers are slowly influenced into changing spending habits by existing product users and distributors in multilevel marketing companies. These consumers will, for example, start buying consumables from multilevel distribution shops as opposed to favourite supermarkets. One can even order preferred products, one earns more and more discounts as they continue buying. By introducing more consumers to the chain, one continues to obtain more discounts as well as rise up in the hierarchy of distributorship. The higher the level in the chain, the higher the rewards and recognition by the manufacturer too.

2.4 The Nature and Structure of Multilevel Marketing

Multilevel Marketing companies (MLMs) consist of corporate-level producers that market branded goods or services (For example Mary Kay Cosmetics, Amway Products) through networks of independent, member owned distributorships, which are usually operated from member's homes (Sparks and Schenk, 2001). Starting a MLM distributorship simply

requires purchasing training and promotional materials from the corporate level producer and agreeing to purchase a certain amount of inventory during a specified period. Members then resell their inventories primarily to retail customers, often beginning with family and friends.

MLM distributorships provide members with two sources of income. The first comes from product sales. Relying on the same basic skills as outside industrial salespeople, successful MLM members identify and qualify sales prospects, contact them, arrange to meet them and present the benefits of the good or service, then close the sale. To grow their distribution networks, corporate level producers offer members a second source of income: commissions on sales by new members that current members recruit. To enhance this recruiting incentive, most MLMs pay commissions on multiple levels of recruits – hence, the term multilevel marketing. That is, members receive commissions not only on the sales generated by new members they recruit but also on sales that their recruits bring into the organization. Thus, MLM members could conceivably receive commission from sales by hundreds of other members.

Although MLM members own independent home based businesses, they do not operate in isolation from one another. In fact, MLMs establish elaborate systems of support through which members receive guidance and leadership from each other. Two components of these organizational support systems play crucial roles in the working relationship among members. First and foremost are the relationships between “sponsor” and “recruits”. A sponsor is an existing member who persuades a new member, or recruits to start a distributorship. Technically, all MLM members are recruits in the sense that some current member persuades every new member to join in. Thus, any member who has recruited at least one other member is at once a sponsor and a recruit (Sparks and Schenk, 2001).

A second factor influencing the nature of member relationships are informal working groups of MLM members created by sponsors for their recruits – a kind of sales team referred to as a “unit”. Through units, members meet regularly to exchange information and ideas (e.g. selling tips), create shared opportunities (e.g. sales workshops), and provide very

practical forms of assistance to each other (e.g. loaning inventory and materials). Although members operate independently, units provide a tangible organization through which members create and maintain a sense of belonging, develop a feeling of *esprit de corps*, and acquire resources helpful to their individual distributorships. Moreover, units serve as a vehicle for socializing members into the norms and values of the MLM and a conduit through which members can mutually reinforce the effects of sponsors' leadership behaviours (Waidman and Yammarino, 1999; Yammarino and Dubinsky, 1992).

2.5 Benefits of Multilevel Marketing

Although MLM may require a lot of effort, it delivers many benefits. According to past research, MLM could create three main benefits such as competitive advantage, a boost in sales and profits while saving time, money and stress. Smith (1999) suggests MLM could wrap communication around customers, and help them move through the different stages of the buying process. The distributor builds dialogue and relationships with customers. This marketing strategy could be seen as a powerful competitive advantage.

Yeshin (1998) suggests that MLM could be used as a strategic tool in communicating a company's corporate image and the benefits of its products and services. Smith (1999) emphasizes that MLM could save money in things such as advertising and therefore increase profits through increased effectiveness. Nakra (1991) also claims the use of MLM saves time and money and improves a firm's ability to protect the integrity of the product. Moreover, Organizations can maximize their return on investments and minimize selling stress through MLM (Tortorici 1991).

According to Smith (1999), MLM could help a brand consolidate its image by developing a dialogue and nurture a relationship. Since its focus is on building and sustaining long term relationships, it's more effective than the traditional advertising and marketing. MLM companies will provide one-on-one training, as well as motivational seminars and a full compliment of training materials to it distributors. After all, in Multilevel marketing, when one succeeds all succeed. Distributors can be provided with an excellent bonus plan with many incentives for those who excel.

Multilevel marketing also makes it possible for companies to understand their customers better over time and in greater depth, making them better able to meet their customers changing needs and expectations. By shifting focus from other prospects to customers only, companies are saved from falling into the trap of short term promotions, price discounts, or catchy advertisements that bring customers in but are not enough to keep customers coming back. Results of a study by Reichheld and Sasser (1990) show that across industries customers tend to spend more each year with a particular partner than they did in the preceding period. Evidently as the consumers are satisfied with the quality of its services relative to that of its competitors, they tend to give more of their business to the firm. Retained customers cost less to service as maintenance costs drop over time. These customers are also less likely to be motivated solely by price. The marketing costs per unit of sales are typically lower for existing customers than for prospects (Berry, 1995).

There are numerous costs associated with attracting new customers, for instance advertising costs, promotion costs, operation costs of setting up accounts and systems and time costs of getting to know the new customer. Sometimes these initial costs can even outweigh the revenue expected from the customers in the short term. A successful MLM develops loyal customers who provide a firm with strong word of mouth endorsements. These forms of advertising can be more effective than paid advertising and has the advantage of reducing the cost of attracting new customers. A stable base of satisfied, loyal customers makes it easier for a firm to retain its employees. Human nature is such that people like to work for companies whose employees are happy and loyal. They find their jobs more satisfying and they are able to spend more time fostering relationships than scrambling for new customers. The customers are also more satisfied and become even better customers. As employees stay longer with the firm, service quality improves and overall costs and staff turnover are reduced, further increasing profits.

In a MLM strategy, apart from the inherent benefits received from a product/service, customers also benefit from the long-term relationship in that such associations contribute to a sense of well being and quality of life. In many cases the customers preferences are met and services are tailored to meet their needs. Simplifying the decision-making process

also reduces the demands on the customer's time and money further improving their quality of life. In some instances the service provider actually becomes part of the customer's social support system (personal and/or work life) hence providing benefits above and beyond the technical benefits of the product/service provided (Zeithaml and Bitner, 1996).

MLM is highly expandable, there are no restrictions on territory and most "mother" companies can supply to many countries especially with the internet (Kodhek ,2005). For example with GNLD, one may build the business in more than 50 countries in the world. A global plan makes international expansion easy such that some distributors operate businesses in more than 10 different countries. The changing work place has also demonstrated that there is no security in the traditional corporate structure and career path. Automation and technological advances are streamlining business and changing entire industries. Millions of people will be out of work searching for the same kinds of jobs their former employers just eliminated, in another company that has not yet streamlined. This is postponing the inevitable. Marketing on a part time effort can provide a financial cushion of residual income to protect oneself from such events. This is exactly what multilevel marketing provides. People are searching for ways to build a future that develops leadership and provides a balance in their lives for their families and each other, without sacrificing their sanity in the process

According to the DSA, MLM provides important benefits to individuals who desire an opportunity to earn an income and build a business of their own; to consumers who enjoy an alternative to shopping centers, department stores or the like; and to the consumer products market. It offers an alternative to traditional employment for those who desire a flexible income earning opportunity to supplement their household income, or whose responsibilities or circumstances do not allow for regular part-time or full time employment. In many cases, MLM opportunities develop into a fulfilling career for those who achieve success and choose to pursue their independent direct selling business on a full time basis. Additionally, the cost for an individual to start an independent MLM business is typically very low. Usually, a modestly priced sales kit is all that is required for one to get started, and there is little or no required inventory or other cash commitments to

begin. This stands in sharp contrast to franchise and other business investment opportunities which may require substantial expenditures and expose the investor to a significant risk of loss.

Consumers benefit from MLM because of the convenience and service it provides, including personal demonstration and explanation of products, home delivery, and generous satisfaction guarantees. Moreover, MLM provides a channel of distribution for companies with innovative or distinctive products not readily available in traditional retail stores, or who cannot afford to compete with the enormous advertising and promotion costs associated with gaining space on retail shelves. MLM enhances the retail distribution infrastructure of the economy, and serves consumers with a convenient source of quality products.

In MLM, there are no required levels of education, experience, financial resources or physical condition. People of all ages and from all backgrounds have succeeded in MLM. MLM people are independent contractors implying that one is a boss of their own. This enables them to either work part-time or full-time, set own goals and determine how to reach them and earn in proportion to their own efforts. The level of success possible is limited only by the willingness to work hard and distributors of MLM firms receive training and support from an established company.

2.6 Challenges of Multi-level Marketing

A challenge can generally be defined to mean an issue that confronts, poses a hindrance, a limitation or problem that needs to be overcome. On the other hand a factor can generally be defined as a consideration, aspect, a reason or feature that needs to be taken into account when undertaking something. For the purposes and scope of this study, some of the factors that distributors consider when joining a MLM business can also be a hindrance.

Multilevel marketing is an interesting business. It contains two paradoxes which are interesting to look at. On one side, many millionaires in the Americas owe their millionaire status to multilevel marketing. On the other side, multilevel marketing contains one of the

highest drop out rates of any industry. The failure rate for this business is estimated at 90% (Fitzpatrick, 2004). But everyday thousands of individuals across the world are signing up for the newest, greatest MLM company. So what is the problem? What determines success in the MLM industry?

Despite their rapid growth, MLMs often attract controversy in part because they are associated with chain letters, pyramid schemes, and other fraudulent business practices. What distinguishes true MLMs from classic pyramid schemes is whether member's earnings come primarily from product sales to ultimate consumers instead of from recruiting new members. Importantly, in legitimate MLMs, earnings generated by recruiting must be limited to commissions from recruits' sales and not from recruiting itself.

MLM combines attributes of traditional industrial selling with small retail entrepreneurship and features an unusual and fluid organizational structure with little formal hierarchy due to members' independent ownership of their MLM distributorships. Older members can advise and assist the new members they recruit, but cannot direct and supervise the new members' work activities. In other words, sponsors are not managers or supervisors, and although corporate level producers provide incentives encouraging sponsors to serve as leaders to their recruits, sponsors hold none of the formal leverage ordinarily held by sales managers. Sponsors cannot promote, discipline, or dismiss recruits; they cannot alter recruits' compensation; they cannot direct daily work activities. The absence of the normal supervisory tools that typically accompany leadership positions therefore limit sponsor' choice of leadership styles. Collectively, these circumstances leave the characteristics of effective leadership in MLM's an open question (Graen and Cashman, 1975).

According to Bartlett (1995) and Dunkell (1995), although some members join MLM primarily for additional income, many connect their MLM participation to a variety of "higher order values" that extend beyond profit making or financial success. For example, some members identify so strongly with the benefits of products they represent that selling them assumes a special importance: e.g., educational toys advance the cause of children;

weight management programmes enhance self confidence and so on. Other members view MLMs as a way to strengthen family ties by working from home. Still others believe that MLMs are a means for women to control their own professional destinies through entrepreneurship, opportunities many view as less available through traditional corporate avenues. The extent to which members ascribe higher purposes to their work may appear to be associated with their performance in MLM.

Another challenge of MLM is that there may be restrictions on some of the most common business practices e.g. advertising. Because companies that sell their products through the normal retail outlets spend huge amounts of money in advertising and promotions to create awareness about their products, MLMs may not be able to generate awareness about their products at the same rate. This mode of business also tends to rely heavily on the success of the mother company and its ability to deliver its products or services on time. The level of education, training and other infrastructural support offered to distributors by the mother company is also a major determinant of how well distributors will be able to conduct their independent businesses.

Some MLMs encourage participants to sell products to family members and friends and to recruit them into the MLM. This marketing strategy poses certain ethical difficulties (Koch, 2001). Participants desperate to succeed at their new MLM business may feel driven to pressure relatives and friends into buying products. According to Koch, MLMs can alter human relationships, encouraging people to "instrumentalize" relations rooted in love and affection. Relatives may feel somewhat forced into buying goods in order to show support or avoid family conflicts. Such customers may not like the goods they buy, or the goods may prove defective.

MLMs typically recruit people by promising them "immediate and unlimited rewards", "financial freedom and "geometric growth" (Barrett, 1999). Prospects are encouraged to dream and to envision themselves earning millions of dollars, living in large houses and driving expensive cars. Indeed, MLMs circulate tales of people who have been wildly successful using their techniques. Success is always measured in purely material terms.

MLMs do not invite people to reflect upon their desires or upon what makes for a genuinely good and satisfying life. Instead, the message is one of pure greed – dream of obtaining whatever you would like and then go for it using the system (Koehn, 2001). By encouraging greed, MLMs put people on a dangerous course – they can be tempted to do whatever it takes in order to realize their dreams.

In many MLMs, the sales personnel or distributors are also major consumers of their company's products. And because MLMs typically identify various levels of performance e.g. Manager, Senior Manager, Director, Ruby etc. agents make greater money as they advance to higher levels because they become eligible for new types or levels of bonuses and commissions. Since the up-lines get bonuses and commissions on the purchases made by down-lines, MLMs may be susceptible to a lot of internal pressure to buy more goods, being exerted on down-lines by up-lines in order to reach a higher level. This pressure maybe a problem for some distributors, especially because some MLM products are relatively expensive compared to generic goods on the market. Requiring the sales force to purchase pricey products in order to retain status as an active distributor begins to look like a form of coercion applied to people who are not in a strong position to resist the pressure. Many participants have spent thousands of dollars buying the products from MLMs that supposedly were providing them with lucrative "business opportunities" (Mills, 1996).

MLMs constantly have meetings to teach and train their distributors on the business. Besides, the distributors must make time to meet people in an effort to expand their businesses. Given the busy pace of life that most urban dwellers have, time becomes a major challenge for anyone getting involved in a MLM business. The time dilemma is a major factor in getting people to consider a part-time, home based business (Imura, 2004). Closely linked to the time challenge, is the pervasive "salary man" mind set that most professionals have. Imura indicates that in Japan, it is common for everyone to follow the ~~same~~ path and that MLM presents an alternative to the salary man path, challenging the traditional structure of Japan. Imura concluded that most Japanese professionals, while regretting their long work hours, are addicted to the artificial security their positions give

them. Even if they are extremely dissatisfied, most people are unwilling to take action to change. This situation may well be reflective of the case in Kenya.

According to Yarnell (2002), Network marketing is one of the most fun and rewarding businesses in the world, but eventually all network marketers are faced with certain widespread and universal challenges. Yarnell expresses the view that no matter how long one participates in MLM and no matter how successful they become, there is always the possibility that they will be shot down temporarily by the most prevalent and dangerous weapon of all – the Rejection rocker. He indicates that rejection will strike at any time, rendering the multilevel marketer immobile, thus destroying the enthusiasm and excitement which are essential qualities for success.

2.7 Summary of the Literature Review

The most fundamental fact of life in our world today is change. As a rule, people are reluctant to change and like to stay within the comfort zone of what is known and accepted by most. This is human nature. Multilevel marketing like all powerful concepts, has also met resistance due to a lack of understanding. However, MLM is not new and has been around and growing for the last 50 years. Worldwide, cultural and economic trends indicate that continued success and wider acceptance are on the horizon for the MLM industry (Chad, 2005). With continued exposure to professional and entrepreneur/business owner distributors and the increasingly global nature of MLM companies, more distributors are likely to choose to expand rather than contract their businesses worldwide. MLM companies appear to be in the right category of new business models that will successfully challenge the status quo in the years to come.

Given the unique business model of MLM, the distributors stand to benefit immensely but there are also many challenges. According to Yarnell (2002), the fascinating thing about network marketing is that in many instances, survival i.e. staying in existence after others leave the business is precisely what leads to dramatic wealth. Attrition is a considerable factor in the business. In MLM, one either perseveres or perishes. While priorities vary as widely as do people, some people choose MLM as a means to an end (wealth) while others

enjoy it for its own benefits. MLM provides an opportunity for people to build their confidence, widen their circle of friends and feel more productive. Time freedom is also a major motivation for people to join the MLM industry. At this time in history, when traditional businesses offer so little security, MLM offers the ultimate in free enterprise. It is a system in which common people can invest a small sum and through sheer tenacity and determination, rise to staggering levels of financial reward and personal freedom.

Many studies have been carried out on the MLM industry but with a focus on the developed countries where the MLM industry is more established. Brodie, S etal (2004) carried out an international survey on the public perception of the direct selling industry covering eight different countries USA, South Africa, Australia, New Zealand, Taiwan, The Philippines, Finland and the UK. Their findings may not be fully relevant to the Kenyan market because of the different cultural and economic environments operating in those markets. Besides, the above study did not focus on the benefits and challenges of MLM. It is therefore necessary to carry out a study to determine the benefits and challenges of MLM in a Kenyan context. By understanding these benefits and challenges, Kenyans who wish to join the MLM industry will be able to exploit fully the opportunities in MLM for improved livelihood.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design, the targeted population, sampling procedure and the data collection and analysis instruments that were used in the study.

3.2 Research Design

This was a descriptive survey study that was aimed at establishing the benefits and challenges of multilevel marketing amongst Golden Neo-life Diamite distributors based in Nairobi, Kenya. According to Donald and Pamella (2003), a descriptive study aims at determining the what, when and how of a phenomenon which was the concern of this study. The survey method is useful for collecting large amounts of data for comparison purposes.

3.3 The Population

The target population of this study was the distributors of GNLD products based in Nairobi. According to a GNLD sales report as at December 2007, there were approximately 40,000 active distributors in the entire country. A sizeable number of these distributors were based in major urban centres with Nairobi and environs taking up about 50% (20,000) of the entire GNLD business in the country.

3.4 Sampling

A sample size of 200 distributors was used and considered adequate for the study. The 200 was chosen as a convenient sample size. The distributors were selected using shopping centre sampling method. The research assistants positioned themselves at various distributor training venues in Nairobi and interviewed distributors as they came in to conduct their businesses at the centres. This was a good and convenient way to get the distributors of GNLD products in Nairobi.

3.5 Data Collection

Primary data was collected using a semi-structured questionnaire (see appendix 2), administered by Research assistants through personal interviews. The use of personal interviews helped to clarify any issues on the questionnaire so that all respondents had the same understanding of the questions. The questionnaires were administered to the distributors representing all levels of the GNLD hierarchy. The questionnaire was divided into three sections. Section A contained general information questions aimed at establishing the profile of the respondent distributors. Section B contained questions aimed at identifying the benefits of multi-level marketing while section C dealt with the challenges of multilevel marketing.

3.6 Data Analysis

The data collected was analyzed using descriptive statistics. Part A containing general information questions was analyzed using frequency distribution and percentages, while Parts B and C were analyzed using measures of central tendency (mean scores and standard deviation). Statistical package for social sciences (SPSS) was used for data capture and analysis.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter contains summaries of data findings together with their possible interpretations. The chapter is divided into three sections. Section one covers analysis of the general profile of the GNLD distributors who responded to this study. The second section covers the benefits of multi level marketing, while the third section focuses on the challenges faced by GNLD distributors who are involved in MLM.

The questionnaires were personally administered through research assistants who were briefed and trained by the researcher. A total of 189 questionnaires were received and analyzed. This represented a response rate of 94.5%. Measures of Central Tendency (frequencies, percentages, mean scores and standard deviations) have been used in describing the findings that have been presented in tables and charts.

4.2 General profile of respondents

4.2.1 Gender

As indicated in table 4.1, out of the one hundred and eighty nine respondents, 47% were male while the rest 53% were female.

Table 4.1- Gender

Gender	Frequency	Percentage
Male	88	47
Female	101	53
Total	189	100

4.2.2 Age Group

Table 4.2 indicated the age distribution of the respondents to this study. Analyses revealed that majority (36%) of the respondents were between 40 - 49 years of age, followed by 30 - 39 (31%).

Table 4.2 - Age Group

Age	Frequency	Percentage
10 - 19 Years	2	1
20 - 29 Years	49	26
30 - 39 Years	59	31
40 - 49 Years	67	36
Over 50 Years	12	6
Total	189	100

26% of those interviewed fell under the 20 - 29 age bracket, while 6% were above 50 years of age. Only 1% was in the 10 - 19 year age bracket.

4.2.3 Education Level

In terms of education level, 40% of the respondents had managed to get to the diploma level, 31% were graduates and 17% had only managed to get to the secondary level. Primary level and Post graduate respondents were at 6% each.

Table 4.3 - Level of education

Level of Education	Frequency	Percentage
Primary Level	11	6
Secondary Level	32	17
Diploma Level	76	40
University Graduate	59	31
Post Graduate	11	6
Total	189	100

4.2.4 Duration in GNLD Business

The study had also sought establish how long the respondents had been engaged in Multilevel marketing with GNLD. The findings are presented in table 4.4

Table 4.4 - Duration in GNLD Business

Duration	Frequency	Percentage
Between 0 – 1 Year	41	22
Between 2 – 4 Years	43	23
Between 5 – 7 Years	53	28
Between 8 – 10 Years	27	14
Between 11 – 13 Years	19	10
Over 14 years	6	3
Total	189	100

Analyses further revealed that 28% of the respondents had been with GNLD for between five to seven years. 22% had been in the GNLD MLM business for between two to seven years. 21% were amongst the youngest in the business as they had been with GNLD for less than a year. The minority group, 3% of all respondents had been with GNLD for more than fourteen years.

4.2.5 Level within GNLD Hierarchy

Respondents were asked to state at what level they were in within the GNLD hierarchy. Responses were recorded and summarized in the table 4.5. From the analysis 31% of the interviewees were distributors, 19% had risen to the manager level, 17% were at the senior manager level, 13% of the respondents had made it to the level of director, 10% were at the level of Emerald Director, 5% were sapphire directors, 3% were ruby directors while only 1% had climbed up to the level of diamond director.

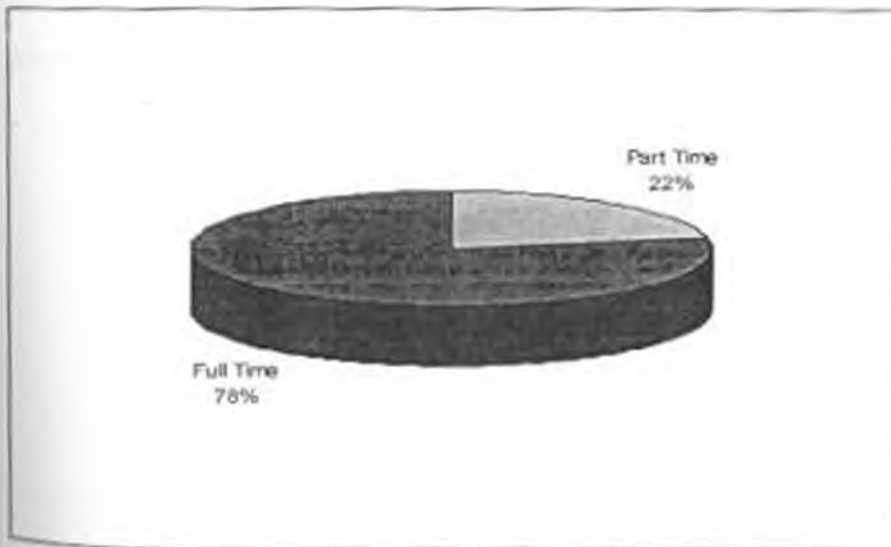
Table 4.5: Level within the GNLD Hierarchy

Level	Frequency	Percentage
Distributor	59	31
Manager	36	19
Senior Manager	33	17
Director	25	13
Emerald Director	18	10
Sapphire Director	10	5
Ruby Director	6	3
Diamond Director	2	1
Total	189	100

4.2.6 Type of GNLD Distributor

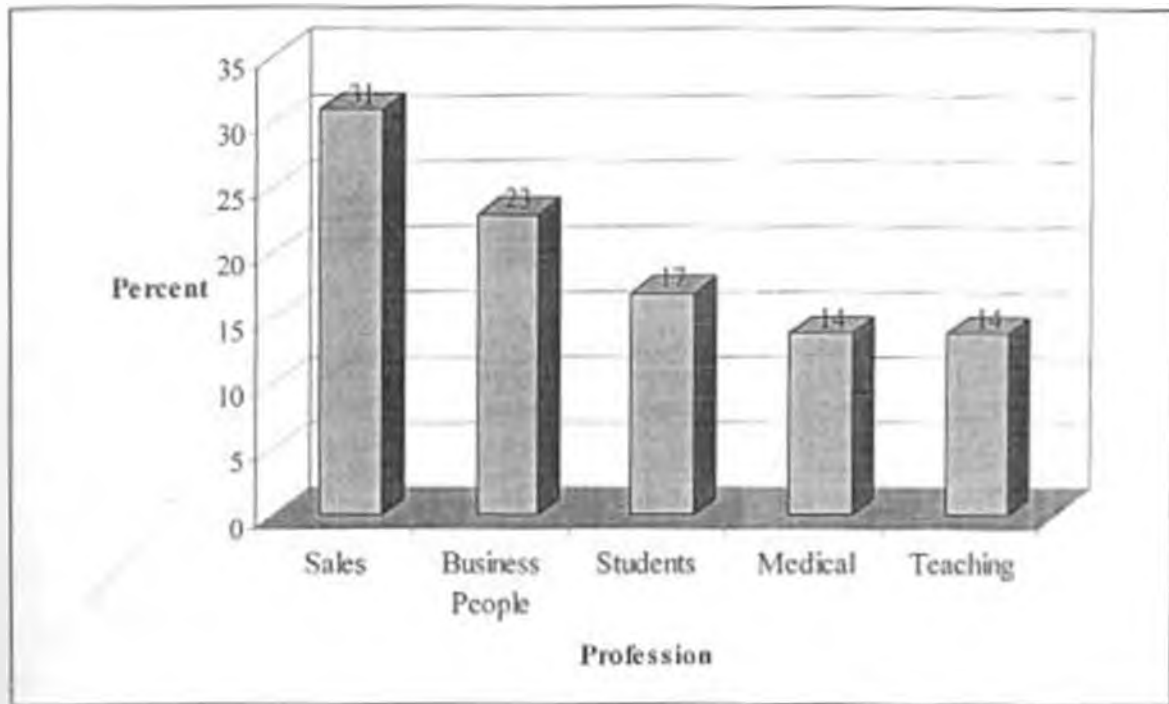
Respondents were also required to state whether they were full time or part time distributors of GNLD products. As indicated in Figure 4.1, 78% indicated that they were full time distributors and only 22% constituted part time distributors.

Figure 4.1 - Type of GNLD Distributor



The study also sought to find out what professions that those who are in part time employment (22%) with the GNLD are engaged in. Results are indicated in *Figure 4.2*. Overall, 31% indicated that they are in the sales profession while 23% indicated that they are business persons.

Figure 4.2 - Part time categories



Other main professions indicated are students (17%), medical (14%) and teaching (14%)

4.3 Benefits of Multi Level Marketing

A number of benefits are derived by people when they engage in various businesses. These benefits vary from individual to individual. Like in any business, persons engaged in the GNI.D Multi Level Marketing derive some benefits. The researcher therefore sought to find out the benefits derived by those engaged in the GNI.D Multi Level Marketing. The researcher was interested in determining the extent to which these persons derive some benefits. This was measured in way of a five-point Likert scale, where respondents were required to indicate to what extent they agreed with some benefit statements.

The range was 'Very Large Extent'(s) to 'No Extent at all' (1). The scores of 'No Extent' and 'Small Extent' have been taken to present a benefit which is derived by to a small extent (S.E) by the person (equivalent to mean score of 0 to 2.5 on the continuous Likert scale; $0 \leq S.E < 2.5$). The scores to 'To Some Extent' have been taken to represent a benefit that is enjoyed to a moderate extent (M.E.) by the person (equivalent to a mean score of 2.5 to 3.5 on the continuous Likert scale; $2.5 \leq M.E. < 3.5$). The score of both 'Large Extent' and 'Very Large Extent' have been taken to represent a benefit, which is derived to a large extent (L.E.) in the market (equivalent to a mean score of 3.5 to 5.0 on a continuous Likert scale; $3.5 \leq L.E. < 5.0$). A standard deviation of >1 implies a significant difference in the extent to which the benefit is enjoyed by those in the MLM and vice versa.

From table 4.6, it can be observed that all the benefit statements scored mean scores of between 4.00 and 4.76 implying that the persons in the MLM derive the benefits presented to a large extent. The other observation is that there no significant differences in the rating of the items as the standard deviation was <1 in all items other than only in one.

An observation that can be made is that one of the key benefits from this business is because it of its ease in entry and management issues. It was noted generally that it is a good social networking tool among the members, besides being flexible given that one manages himself/herself (self boss syndrome).

Table 4.6: Benefits of Multi level Marketing

	Benefit	Mean	Standard Deviation
a)	MLM acts as a social support network for distributors – i.e. a good way to meet and socialize with people	4.76	0.59
b)	There are no age limitations with MLM	4.67	0.90
c)	There are no education limitations with MLM	4.64	0.93
d)	One is a boss of their own in MLM	4.62	0.84
e)	MLM is a good way to earn extra income	4.62	0.56
f)	Offers flexible working schedules and terms	4.58	0.63
g)	MLM is highly expandable and one can easily build an international business	4.58	0.69
h)	As a business, MLM has low barrier to entry	4.50	0.64
i)	With MLM earnings are in direct proportion to efforts	4.42	0.84
j)	MLM is an easy avenue for one to own a business	4.42	0.70
k)	MLM is convenient as it is a home based business	4.35	0.96
l)	Education and training is offered by an established company like GNLD in MLM	4.35	0.68
m)	MLM meets customer needs and expectations better	4.31	0.54
n)	No prior experience is required to enter into the business	4.27	1.09
o)	MLM nurtures customer relationships better than traditional businesses	4.19	0.73
p)	MLM offers job security	4.15	0.72
q)	Provides financial security due to residual income	4.15	0.91
r)	Low to minimal start up capital required to start the business	4.00	0.78

Providing social network was scored highest (4.76), followed by no age limitations to enter (4.67), no education limitations (4.64), one is his/her own boss (4.62), provides extra income (4.62), flexibility in working hours (4.58), ease of expanding to international

business (4.58). Relatively, low minimal capital to set up was ranked lowest at a mean score of 4.00 out of 5 among the benefit statements given to be ranked.

Other mentioned benefits that the respondents indicated related to increase in quality of lifestyle and health. That the business also provides an avenue of creating and extending business opportunities besides enhancing individuals selling experience. The business also provides an opportunity for social change. It also opens one to the option of highly competitive products besides increasing traveling chances especially when one goes higher up the hierarchy ladder.

4.4 Challenges in Multi Level Marketing

In any profession and activity that people engage in there are a number of challenges that they face. One of the objectives of this research was to establish the challenges faced by members in the MLM. These challenges vary from individual to individual. The researcher therefore sought to find out the challenges faced by those engaged in the GNLD business opportunity. The researcher was interested in determining the extent to which these persons face these challenges. This was measured by way of a five-point Likert scale, where respondents were required to indicate to what extent they agreed with some challenge statements presented in the questionnaire.

The range was 'Very Large Extent'(s) to 'No Extent at all' (1). The scores of 'No Extent' and 'Small Extent' have been taken to present a challenge faced to a small extent (S.E) by the person (equivalent to mean score of 0 to 2.5 on the continuous Likert scale; $0 \leq S.E. < 2.5$). The scores to 'To Some Extent' have been taken to represent a challenge that was faced to a moderate extent (M.E.) by the person (equivalent to a mean score of 2.5 to 3.5 on the continuous Likert scale; $2.5 \leq M.E. < 3.5$). The score of both 'Large Extent' and 'Very Large Extent' have been taken to represent a challenge that is faced to a large extent (L.E.) in the market (equivalent to a mean score of 3.5 to 5.0 on a continuous Likert scale; $3.5 \leq L.E. < 5.0$). A standard deviation of >1 implies a significant difference in the extent to which the challenge is faced by those in the MLM and vice versa.

Overall, it can be observed that the challenges faced scored mean scores of between 1.85 and 3.80 meaning that they fall in the category of a small extent to a moderate extent. MLMs appeals to people's greed and promise of making quick money was rated highest at 3.80 followed by the notion that some MLMs use deception and overzealous product claims to recruit individuals (3.58), MLM has high attrition rate (3.38), lack of a general understanding of the MLM concept among the public (3.36), MLM products are generally seen to be more expensive than their counterparts in normal retail stores (3.16)

Table 4.7: Benefits of Multi level Marketing

	Challenge	Mean	Standard Deviation
i.	MLM appeals to people's greed & promise of making quick money	3.80	0.73
ii.	Some MLMs may use deception and overzealous product claims to recruit individuals	3.58	0.77
iii.	MLM has high attrition rate- more than 50% of those who join in quit within the first 1 year	3.38	0.99
iv.	Lack of a general understanding of the MLM concept among the public	3.36	1.03
v.	MLM products are generally seen to be more expensive than their counterparts in normal retail stores	3.16	1.19
vi.	Lack of management control systems with sales territories which can cause the market to become highly saturated by many distributors	2.92	0.65
vii.	Lack of effective leadership by up-line sponsors	2.84	1.05
viii.	MLM products are not advertised like their counter parts in normal retail stores	2.74	0.65
ix.	MLM is highly labour & time intensive making recruiting difficult	2.68	1.09
x.	MLMs may be susceptible to internal pressure being applied to distributors to either achieve or retain hierarchy status.	2.61	1.28
xi.	MLM suffers image problems with the public and therefore high rejection and resistance from the public	2.58	0.82
xii.	Competition from other MLMs with similar product categories	2.58	1.28
xiii.	MLM as a business model has a pyramid infrastructure and is therefore fundamentally flawed by design	2.50	1.15
xiv.	MLM leverages family and personal relationships for business purposes which can strain and jeopardize such relationships	2.12	0.93
xv.	MLMs often sell commodity based products that can be found in normal retail stores	1.85	0.77

On the hand, MLMs often sell commodity based products that can be found in normal retail stores (1.85) were not seen as a challenge. It was followed by MLM leverages family and personal relationships for business purposes which can strain and jeopardize such relationships (2.12). Other challenges that were mentioned as facing those in the MLM business include the lack of capital and the struggle to keep the businesses afloat given the competition for resources. MLM is strictly a cash business and distributors may not always have cash upfront to purchase products from the GNI.D warehouse.

CHAPTER FIVE

SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Summary, Discussions and Conclusions

This chapter discusses the findings gathered from the analysis of the data, as well as the conclusions reached. The chapter incorporates the various suggestions and comments given by the respondents in the questionnaires. Findings have been summarized alongside the profile of the respondents and the objectives of the study, and conclusions have been drawn from the study and recommendations for action are also given.

5.1.1 Respondents' profile

From the respondents, 47% were male while the rest 53% were female. The age distribution of the respondents to this study revealed that 36% of the respondents were between 40 - 49 years of age, followed by 31% at age 30 - 39, 26% at the age of 20 - 29 while 6% were above 50 years of age. From this study, females participated more in the GNI.D business opportunity compared to men. This is in line with results from other studies in other markets that tend to indicate that women perform better at MLM and are also better purchasers of MLM products. The finding that the 40 - 49 years age group made up the majority of those involved with the business could relate to the general fact that this is the age group when people are most concerned about consolidating their financial position as they approach the reality of retirement, and so would be actively seeking additional sources of income.

In terms of education level, 40% of the respondents had managed to get to the diploma level, 31% were graduates and 17% had managed to get to the secondary school level. Primary level and Post graduate respondents were at 6% each. Level of education is a key factor in determining employment opportunities in a developing economy like Kenya. This is perhaps why the benefit that there are no education limitations with MLM was ranked among the top at a mean score of 4.63 out of 5.

The findings revealed that 28% of the respondents had been with GNLD for a period of between five to seven years. 23% had been in the GNLD business for between two to four years, 22% were amongst the youngest in the business as they had been with GNLD for less than a year. The minority group, 3% of all respondents had been with GNLD for more than fourteen years.

From the findings 31% of the respondents had attained the level of distributors, 19% had risen to the manager level, 17% were at the senior manager level, 13% of the respondents had made it to the level of director, 10% were at the level of Emerald Director, 5% were sapphire directors, 3% were ruby directors while only 1% had climbed up to the level of diamond director. These findings seem to support the argument that MLMs have a pyramid infrastructure as the majority of the people are found in the lower ranks with the triangle narrowing at the top for the higher ranks. This would also mean that the top earners in the business are relatively fewer in number compared to the majority whose earnings may not be very high.

78% of the respondents were full time distributors and only 22% constituted part time distributors. Out of those who are on part time employment 31% indicated that they are in the sales profession while 23% indicated that they are business persons. Other main professions indicated are students (17%), medical (14%) and teaching (14%). Of notable interest is that most of those in the GNLD business interviewed are persons engaged in sales or business. This is perhaps because the MLM business is a people business that relies heavily on networking and establishing contacts. This comes easy for those in the selling profession. However, one main attraction for people to join the MLM business is the need for no prior experience. MLM is said to be an everybody and anybody can do business, as long as one has a teachable spirit.

5.1.2 Benefits of Multilevel Marketing

The first objective of the study was to establish the benefits that are derived from Multilevel marketing by GNLD distributors. It was noted that it is a good social networking tool among the members, besides being flexible given that one manages

himself/herself (own boss syndrome). Providing social network was scored highest as a benefit (4.76), followed by no age limitations to enter (4.67), no education limitations (4.64), one is his/her own boss (4.62), is a good way to earn extra income (4.62), flexibility in working hours (4.58), ease of expanding to international business (4.58), in that order. The high mean scores of between 4.00 and 4.76 imply that the persons in the MLM derive the benefits presented to a large extent and there was no significant variation on this opinion as the standard deviation was <1 in all items other than only in one.

An observation that can be made from the findings on these benefits is that because excitement and enthusiasm are essential elements of success for individuals in any MLM business, it is possible that there may have been an element of over claim or exaggeration on the benefits such that nearly all benefits presented got very high mean scores. The distributors would have wanted to present a very positive picture of what MLM entails to attract people into it. Relatively, low minimal capital to set up was ranked lowest at a mean score of 4.00 out of 5 among the benefit statements given to be ranked. In reality, this is the reason why most people do MLM on a part time basis and the costs involved compared to any other businesses is much lower.

Other mentioned benefits that the respondents indicated related to increase in quality of lifestyle and health. Testimonials from the distributors affirm that the GINLD products are unequalled in terms of effectiveness and quality. The business thus provides an avenue for social change, not only enhancing a distributor's business skills but also acting as a tool for personal growth and development. The allure of international travel especially as one goes higher up the hierarchy was also mentioned as a key benefit.

Overall, it can be noted and concluded that it is easy for one to enter into the MLM business and there are immense benefits to be derived from the opportunity which are unique to the business model and are not found in the traditional business models. Indeed, the multi-level marketing business concept appears to be the least expensive, lowest risk, fastest path to achieving the financial dream of most people. Considering the difficult economic climate prevailing in the country, MLM is a good way of starting a profitable,

full time business with little investment. Also in tandem with existing careers, businesses or lifestyles, it is a good method of starting a second or part time business

5.1.3 Challenges of Multilevel marketing

The second objective of the study was to determine the challenges that GNLD distributors in Nairobi, Kenya face in participating in Multilevel marketing. Overall, from the study it can be observed that the challenges faced scored mean scores of between 1.85 and 3.80 meaning that they fall in the category of a small extent to a moderate extent. The challenge that MLMs appeals to people's greed and promise of making quick money was rated highest at a mean score of 3.80 followed by the notion that some MLMs use deception and overzealous product claims to recruit individuals (3.58). These findings may help to explain the high monthly recruitment rate at 1500 people into the GNLD business. The ease of entry into the business makes MLM attractive to people who may not be genuinely interested in hard work. Indeed, Yarnell (2002), confirms that Network marketing is one of the most fun and rewarding businesses in the world, but still poses a number of challenges to all network marketers.

According to Fitzpatrick (2004), MLM has high attrition rate and more than 50% of people who join MLM quit within the first year. This position is supported by the findings in the study that rated the challenge that MLM has high attrition rate at a mean score of 3.38. Because of this factor, the MLM business model depends on a sales force that has to continually recruit others into the business for sustainability and growth. Fitzpatrick indeed argues that MLM is more recruitment centered rather than product centered as a business. Lack of a general understanding of the MLM concept among the public ranked at a mean of 3.36 while the challenge that MLM products are generally seen to be more expensive than their counterparts in normal retail stores scored a mean of 3.16. These findings would support the general notion that despite its many success stories and rising levels of awareness of how MLM works, the stigma around it is not quite gone.

On the other hand, that MLMs often sell commodity based products that can be found in normal retail stores rated at a mean score of 1.85 was not seen as a key challenge. This

finding could perhaps be explained by the fact that specifically the GNL.D products are considered top of the range in terms of quality and effectiveness and worthy to command premium pricing. Their pricing may not therefore be compared on the same basis with counterparts in normal retail stores. That MLM leverages family and personal relationships for business purposes which can strain and jeopardize such relationships (2.12), was seen as a challenge to only a small extent. This may not be quite in line with Koehn (2001) argument that the MLM strategy poses certain ethical difficulties because it can alter human relationships and encourage people to "instrumentalize" relations rooted in love and affection. Given the low ratings on the challenges from the study, it can be argued that the challenges that GNL.D distributors face in the MLM business are surmountable. As Yarnell (2002) indicates, the formula for success in the MLM business is severe and merciless and demands strenuous work and superhuman persistence. But for those who stick it out, it offers the realistic hope of genuine financial freedom.

In conclusion, MLM is not a way for the lazy or faint hearted to make money. Like any other business, in order for it to be successful one must invest a great deal of time and effort into it. It is not an easy get rich scheme. MLM has in the past received a lot of bad press and is associated in people's minds with pyramid schemes and this poses a challenge for anyone wanting to get involved in the MLM business. MLM distributors who are serious about building their businesses need to devote time to reading and learning about business basics and commerce, the latest sales and marketing techniques, strategies for networking and business development. MLM is a challenging business but the rewards can be sizeable.

5.2 Limitations of the Study

This study only concentrated on the distributors of GNL.D products based in Nairobi, Kenya. There are several other MLMs in the country that could have been included in the study for a difference in perspective and for comparative purposes. The input of these other MLMs would be crucial for a more enriched study as the findings may not necessarily agree with the findings in this study.

5.3 Recommendations for Further Research

The researcher suggests that future research be carried out to cover distributors of all other MLM organizations in Kenya perhaps at a national level so that comparative analysis of the findings can be done. Future studies could also consider determining the perceptions on the MLM concept between distributors involved in the business and those not involved in the business.

5.4 Recommendations for Policy and Practice

Given the benefits of MLM that are related to ease of entry into the business, it is a great opportunity and vehicle that can be used to empower people economically and transform lives. However, the practice of MLM is greatly hampered by negative public perceptions and image issues. The researcher recommends a periodic generic campaign to educate the public about the business opportunity. This kind of campaign is best carried out by an industry regulator and authority like the Direct Selling Association registered in various countries. For the MLMs operating in Kenya, it would be beneficial for them to form an umbrella body that would act on behalf of the individual brand owners. This could be done through a formal association to an already existing active DSA.

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APPENDICES

APPENDIX I: LETTER TO THE RESPONDENT

UNIVERSITY OF NAIROBI,
SCHOOL OF BUSINESS,
P.O. BOX 30197,
NAIROBI

Dear Sir/ Madam,

RE: COLLECTION OF SURVEY DATA

I am a postgraduate student undertaking a Master of Business Administration Degree at the School of Business, University of Nairobi. I am currently carrying out a research on the benefits and challenges of multilevel marketing in Kenya

My approach to this survey is both consultative and collaborative and ensures that it causes minimum disruption to your schedule of activities. I kindly request you to provide the required information by responding to the questions in this questionnaire. The information required is purely for academic purposes and will be treated in the strictest confidentiality.

A copy of the research project will be made available to you upon request. I will appreciate your co-operation in this academic exercise.

Thanking you in advance.

Yours faithfully,

Rosemary Akinyi Alon
Student

M. Ombok & Dr M Ooutu
Lecturer/Supervisor

APPENDIX 2: QUESTIONNAIRE

SECTION A - DISTRIBUTOR PROFILE DATA

1. Name of distributor (Optional).....
2. Gender: Female () Male ()
3. Age group
10 - 19 years () 20 - 29 years ()
30 - 39 years () 40 - 49 years ()
Over 50 years ()
4. Highest Level of Education attained
Primary level () Secondary level () Diploma level ()
University Graduate () Post Graduate ()
5. How long have you been in the GNLD business?
0 - 1 year () Between 2 - 4 years ()
Between 5 - 7 years () Between 8 - 10 years ()
Between 11 - 13 years () Over 14 years ()
6. What is your current level in the GNLD hierarchy of distributors?
Distributor () Manager ()
Senior Manager () Director ()
Emerald Director () Sapphire Director ()
Ruby Director () Diamond Director ()
7. a) Please indicate whether you are a part time or full time GNLD distributor
Part time () Full time ()
b) If part time, what is your other occupation?.....

SECTION B – BENEFITS OF MULTILEVEL MARKETING

8. Below are a number of statements describing benefits that are closely associated with MLM businesses. In your experience as a GNLD distributor based in Nairobi - Kenya, please indicate the extent to which you consider each statement a benefit based on the scale below.

- 1 – Not at all
- 2 – Small Extent
- 3 – Moderate Extent
- 4 – Large Extent
- 5 – Very Large Extent

Use a tick in the appropriate box

	Benefit	(5) Very Large Extent	(4) Large Extent	(3) Moderat e Extent	(2) Small Extent	(1) Not at All
a)	MLM acts as a social support network for the distributors – A good way to meet and socialize with people					
b)	Provides financial security due to residual income					
c)	MLM is an easy avenue for one to own a business					
d)	Offers flexible working schedules and terms					
e)	As a business, MLM has low barrier to entry					
f)	Low to minimal start up capital required to start the business					
g)	MLM is convenient as it is a home based business					
h)	With MLM earnings are in direct proportion to efforts					
i)	MLM offers job security					
j)	There are no age limitations with MLM					
k)	There are no Education limitations with MLM					
l)	Education and training is offered by an established company like GNLD in MLM					
m)	One is a boss of their own in					

	Benefit	(5) Very Large Extent	(4) Large Extent	(3) Moderat e Extent	(2) Small Extent	(1) Not at All
	MLM					
n)	No prior experience is required to enter into the business					
o)	MLM is a good way to earn extra income					
p)	MLM nurtures customer relationships better than traditional businesses					
q)	MLM is highly expandable and one can easily build an international business					
r)	MLM meets customer needs and expectations better					
s)						

9. Any other benefits (Please specify)

- a.
- b.
- c.
- d.

10. a) From the list above, please identify what you consider as the THREE top benefits for you as a distributor of GNLD involved MLM business?

- i.
- ii.
- iii.

b) In the same way, please give the THREE least important benefits.

- i.

- ii.

- iii.

SECTION C – CHALLENGES IN MULTILEVEL MARKETING

11. Below are a number of challenges typically faced by distributors of MLM organizations. To what extent have you as a distributor of GND products experienced the following challenges? Use either an x or a tick in the appropriate box.

	Challenge	(5) Very Large Extent	(4) Large Extent	(3) Moderate Extent	(2) Small Extent	(1) Not at All
i.	MLM suffers image problems with the public and therefore high rejection and resistance from the public					
ii.	MLM leverages family and personal relationships for business purposes which can strain and jeopardize such relationships					
iii.	There is lack of management control systems with sales territories which can cause the market to become highly saturated by many distributors					
iv.	MLMs often sell commodity based products that can be found in normal retail stores					
v.	MLM products are generally seen to be more expensive than their counterparts in normal retail stores					
vi.	MLM is highly labour and time intensive making recruiting difficult					
vii.	MLM has high attrition rate- more than 50% of those who join in quit within the first 1 year					
viii.	MLM as a business model has a pyramid infrastructure and is therefore fundamentally flawed by design					
ix.	MLM products are not advertised like their counterparts in normal retail					

	Challenge	(5) Very Large Extent	(4) Large Extent	(3) Moder- ate Extent	(2) Small Extent	(1) Not at All
	stores					
x.	Lack of a general understanding of the MLM concept among the public					
xi.	MLM appeals to people's greed and promise of making quick money					
xii.	Some MLMs may use deception and overzealous product claims to recruit individuals					
xiii.	Lack of effective leadership by up-line sponsors					
xiv.	MLMs may be susceptible to internal pressure being applied to distributors to either achieve or retain hierarchy status.					
xv.	Competition from other MLMs with similar product categories					
xvi.						

12. Are there any other challenges you have faced as a distributor of GNLD products involved in MLM? Please specify.

- a.
- b.
- c.
- d.

13. a) From the list above, what do you consider the THREE top challenges for you as a distributor of GNLD products involved in MLM?

- i.
- ii.

iii.
.....
.....

b) In the same way, what do you consider the THREE least challenging issues?

i.
.....

ii.
.....

iii.
.....

Thank you very much for answering the questions.

APPENDIX 3

COMPANIES THAT OPERATE USING THE MULTILEVEL MARKETING STRATEGY IN KENYA

- 1) Golden Neolife Diamite International
- 2) Tianshui E.A Ltd
- 3) Swissgarde
- 4) Forever Living
- 5) Goldbiz
- 6) Bizna
- 7) Jasly
- 8) Dynapharm

(Source: Registrar of Companies)

