

Why Malaysians Join and Stay on in a Multi-Level Marketing Company

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Studies on the Multi-Level Marketing (MLM) industry have noted its impressive exponential growth in the past 30 years in terms of total volume of sales and number of salespersons involved. The purpose of this study is to identify the reasons why Malaysians join and continue to remain in the industry. It was found that the main reasons for joining and remaining in MLMs can be grouped into financial independence, personal freedom, types of products and benefits, product credibility and incentives. The initial data was collected by interviewing a sample of MLM distributors in Kuching and Kota Samarahan, Sarawak, Malaysia. The findings were then extrapolated onto a questionnaire to a larger sample throughout Malaysia. Generally, the findings indicate that the desire for money and product features made respondents to join and stay on. The management of MLM companies should look more into the development and promotion of the product rather than the method of selling. This paper provides new knowledge of why people remain in MLMs, and this is important to academia as well as for MLM management.

Introduction

The Multi-Level Marketing (MLM) business is perhaps one of the most controversial industries in modern commerce. It is therefore not surprising that MLM as a business practice was much frowned upon and viewed suspiciously when it was first introduced to the public. Every MLM company promises personal freedom and financial independence (Feinberg and Eastlick, 1997). Yet, there are detractors who claim that the impressive growth of MLM distributors and the industry's phenomenal business turnover over the years are not the absolute truth; that in fact, 93%-95% of those involved in MLM lose money or do not make the kind of money that was promised (Clements, 2001). Despite this, millions of Malaysians continue to involve in various MLM businesses. They are expected to sacrifice and work hard, have strength of character despite the insults of others and to build experience, strength and self-assurance in order to succeed (Bloch, 1996).

MLM was born in the early 1940s with companies such as NutraLite Food Supplement Corporation, Shaklee, and Amway Company, Mary Kay and Herbalife (Fearer, 1999a). The industry refers itself sometimes as network marketing, multilevel marketing or just plain MLM (Poe, 1999; and King and Robinson, 2000). It is a large industry, generating a turnover in excess of RM 3.0 bn in Malaysia alone (Fournier and Faltinsky, 1992; and Anonymous, 1998). MLM allows a person to earn income from what

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