
A Comprehensive View of Multi Level Marketing- Its evolvement and growth scenario in Indian Context

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Abstract

Multilevel Marketing is most lucrative business model now a day. It is a mix of distribution of goods along with building network of sales force. It is a low investment, less risky and safest way of doing a business. It is a form of direct selling as there is no middleman involved. It is a type of compensation plan which involves earnings both on sales as well as on recruitments. Some of the top rated MLM company in India include Vestige Marketing Pvt. Ltd, Modicare Ltd, Amway India Enterprises Private Ltd, Smart way India Enterprises LLP, Herbalife International India Pvt. Ltd, etc which have flooded the Indian markets with wide range of products along with massive employment opportunities to youth, students, housewives, retired, and unemployed people. Thus, this paper has been prepared to give an insight of Multi Level Marketing and its evolution and growth prospects in Indian context.

Keywords: direct selling,, down line distributors , intermediaries ,referral, compensation plan, CAGR

INTRODUCTION

The **old marketing system** has some defects regarding distribution, promotion and pricing, also, it involved intermediaries who stand between the manufacturer and the final consumer resulting in raising the cost of products. To get rid of these defects, a new marketing strategy, known as **Direct Marketing** evolved, that establishes direct association between the buyers and sellers resulting in elimination of all the middlemen from the distribution channel. One of the major forms of Direct Marketing is *Direct Selling*.

Direct selling (DS) means the sale of products and services directly to the customers, not at a fixed retail outlet, but at homes, offices or any other places of their choice, by demonstration and explanation of the products. *Single Level* and *Multi Level marketing (MLM)* are exclusively used models of the direct selling.

Multi Level as the name suggests, work with a pyramid like business model where levels are pre defined and one should attain these levels by increasing their sales as well as enrolling other people in the same business. It is popularly known as Network marketing (as a

network of interconnected people is maintained), Referral marketing (as word of mouth publicity is there mainly to friends, relatives etc), Matrix Marketing or Chain Marketing (as the structure is like a chain or matrix). It is the unique and latest method of marketing which gives the opportunities of making self-income to an individual by making them a part of sales activity. It converts consumers into sellers of the company. It is one of the marketing method by which an individual can earn remuneration by creating a chain of new customers. They are known as business owners, consultants, distributors, agent, independent agents, associates, product consultants, sales consultants and by many other names. It is teamwork. In MLM system, individual worker of the network is authorized for marketing products/services, in order to avoid more middlemen. Scott (2013) stated that “Multi Level marketing is a marketing form that is specified by three or more levels in an organization of sales, in which one sales person engages other sales people and obtain an authority on commission on sales that person gets and also authority on the commissions on the sales that the recruit brings in”.

The concept of MLM is shown in fig.1

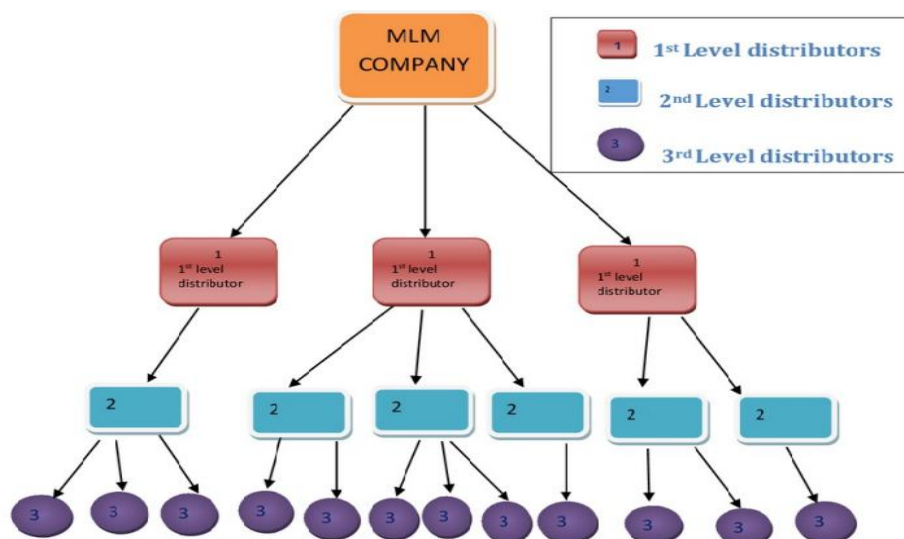


Fig.1 Concept of MLM

DIRECT SELLING IN INDIA

Evolution in India

- Direct Selling (DS) industry took birth in India in early 1980.
- After 1990s, the nation had opened up to worldwide markets and the industry expanded.
- In the pre-liberalization era, Direct Selling was in the form of some chit fund companies like Sahara India.

- But after liberalization and globalization, many companies entered in India and Direct Selling become fastest growing non-store retailing formats.
- In the year 1995, the first global direct selling corporation viz. Amway had entered in India.
- Oriflame International started its operations in India in 1996 and soon became one of the fastest emerging cosmetics firms in the world.
- Towards the end of 1996, Avon entered in India.
- Tupperware also entered in 1996, with a product line of serving containers and plastic food storage.
- Herbalife entered in India in 1999.
- After that, the industry was crowded with many companies.
- Avon, Amway, Oriflame, Tupperware and few Indian companies such as Lotus Learning, LB Publishers, Vestige and Modicare constitute to be main players in the Indian market.
- Other MLM companies entered in India are Team lifecare, Conybio, Indian Noni, Nascent Retails, RMP InfoTech, Stemtech India, Secure life, RCM business, Big Banyan Tree, Altos, AMC Cookware, Jafra, Klink etc. More than 400 MLM Companies are operating in India by the year 2021 with turnover more than INR 18000 crores.

The above mentioned, evolution and expansion of direct selling industry in India is clarified in fig.2

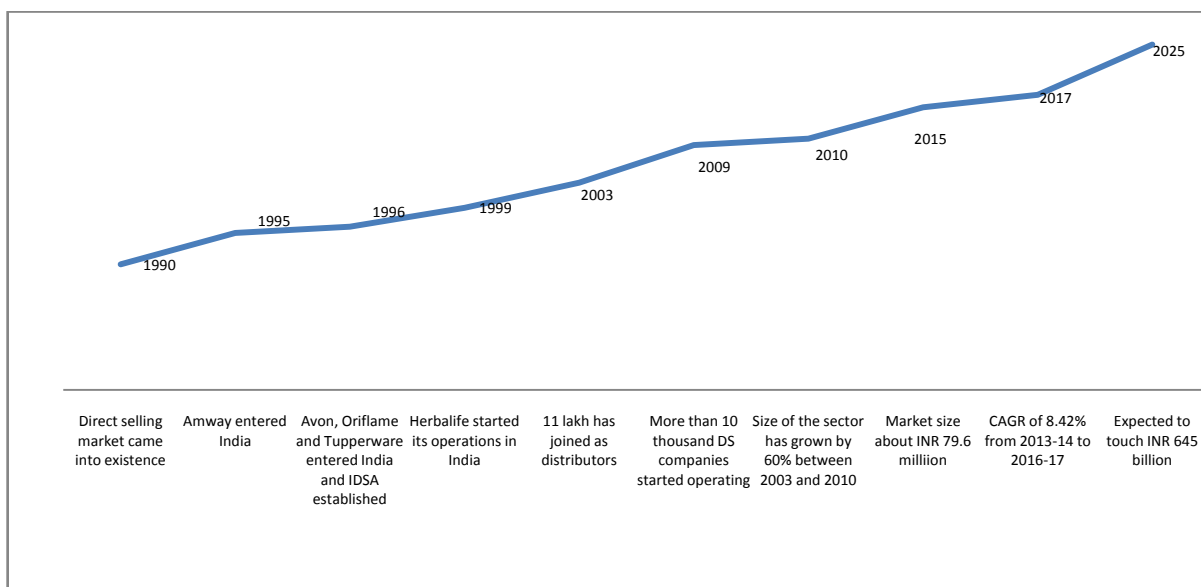


Fig.2 Evolution and Expansion of Direct Selling in India

Source: Compiled from IDSA, PHD Chamber, ICREAR, Direct Selling News, Industry Discussions, IDSA Direct 2016 and DS in India, Annual Survey Report 2016-17, mlmunion.in, Direct to home - Economy News - Issue Date: Jul 28, 2003

Direct Selling Industry Sales

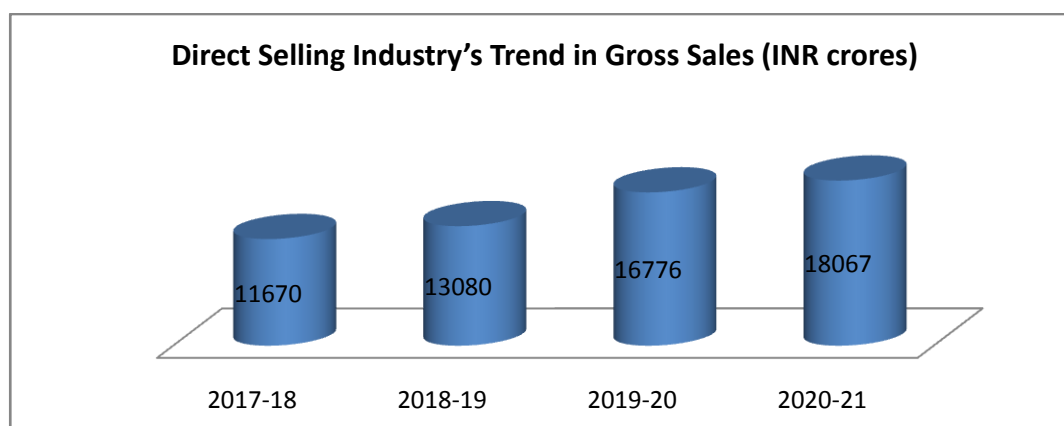
The gross direct selling industry's sales has grown to INR 11670 crores in 2017-18 from INR 13080 crores in 2018-19 as depicted in Table 1. The year on year growth rate shows a tremendous hike with a rise in growth rate from 12.08 percent in 2018-19 to 28.25 percent in 2019-20. In 2020-21, it again rises by 7.69 percent. The Indian DS industry has shown a remarkable CAGR of 15.7 percent over the period 2017-18 to 2020-21. It can also be explained in fig 3.

Table 1
Direct Selling Industry's Trend in Gross Sales (INR crores)

Year	Gross sales of DS industry (INR crores)	Y-O-Y growth (percent)
2017-18	11670	-
2018-19	13080	12.08
2019-20	16776	28.25
2020-21	18067	7.69

Source: Compiled from Direct Selling in India, Annual Survey Report 2020-21 by Ipsos strategy 3

Fig. 3 Direct Selling Industry's trend in gross sales



Source: Compiled from Direct Selling in India, Annual Survey Report 2020-21 by Ipsos strategy 3

Region Wise Share in Gross Revenue

The region wise comparison in terms of share in gross revenue during the year 2020-21 is shown in fig.4. It depicts that the Northern region had contributed maximum percent (29 percent) in the gross sales revenue of Direct Selling industry followed by Eastern region (24 percent), Western region (23 percent), Southern Region (14 percent) and North-Eastern Region (8 percent) respectively during 2020-21.

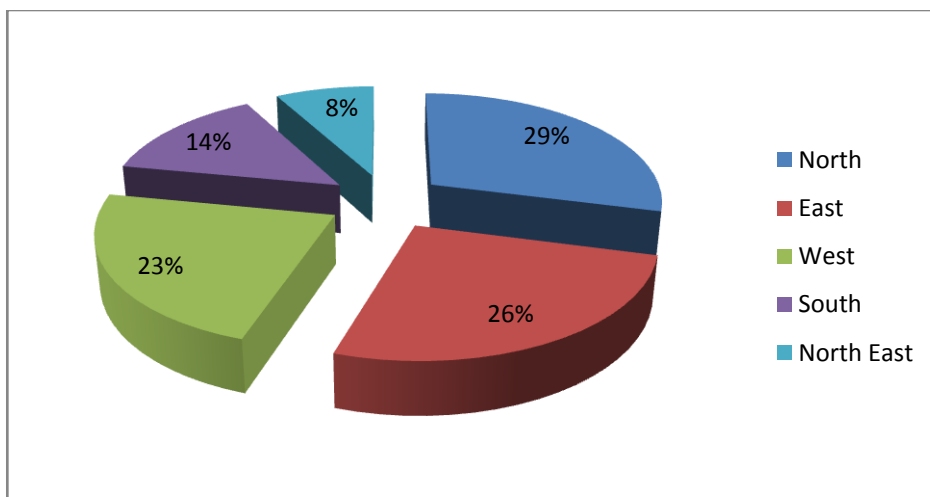


Fig. 4 Region-wise share in gross revenue

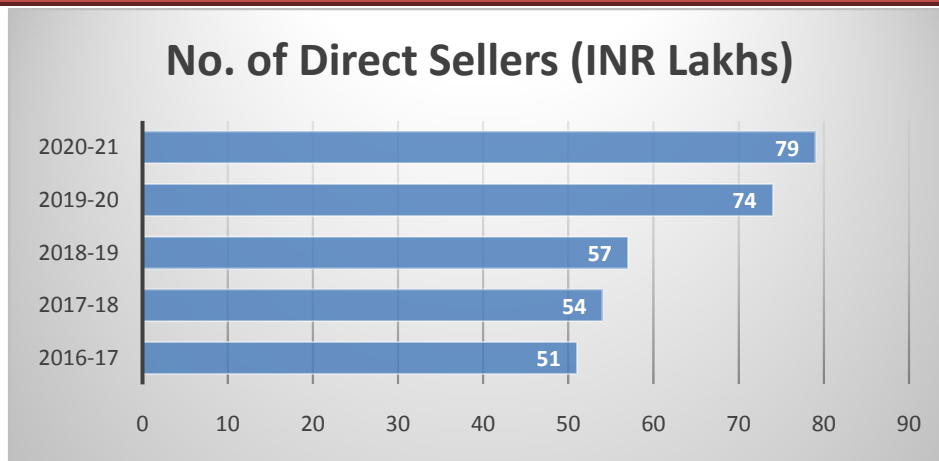
Source: Compiled from Direct Selling in India, Annual Survey Report 2020-21 by Ipsos strategy 3

Direct Sellers Count in India

The number of direct sellers in India shows a fluctuating trend. Their number rises from 51 lakh in 2016-17 to 54 lakh in 2017-18 as given in Table 2 and shown by fig 5. It rises to 57 lakh in 2018-19 and stood at 74 lakh in 2019-20. In 2020-21, the number of direct sellers working in India was 79 lakh. It shows that the number is continuously rising.

**Table 2
Number of Direct Sellers in India**

YEAR	NO (INR Lakh)
2016-17	51
2017-18	54
2018-19	57
2019-20	74
2020-21	79



Source: Compiled from Direct Selling in India, Annual Survey Report 2020-21 by Ipsos strategy 3

Fig. 5 number of direct sellers

Top ten states contributing to direct selling turnover

The following states are among the top ten states that cumulatively account for about 71% of the industry's turnover.

Table 3: Top states with their percentage contribution

Countries	Percentage
Maharashtra	12%
West Bengal	11%
UP	10%
Bihar	7%
Odisha	6%
Karnataka	6%
Gujarat	5%
Haryana	5%
Assam	5%
Delhi	4%

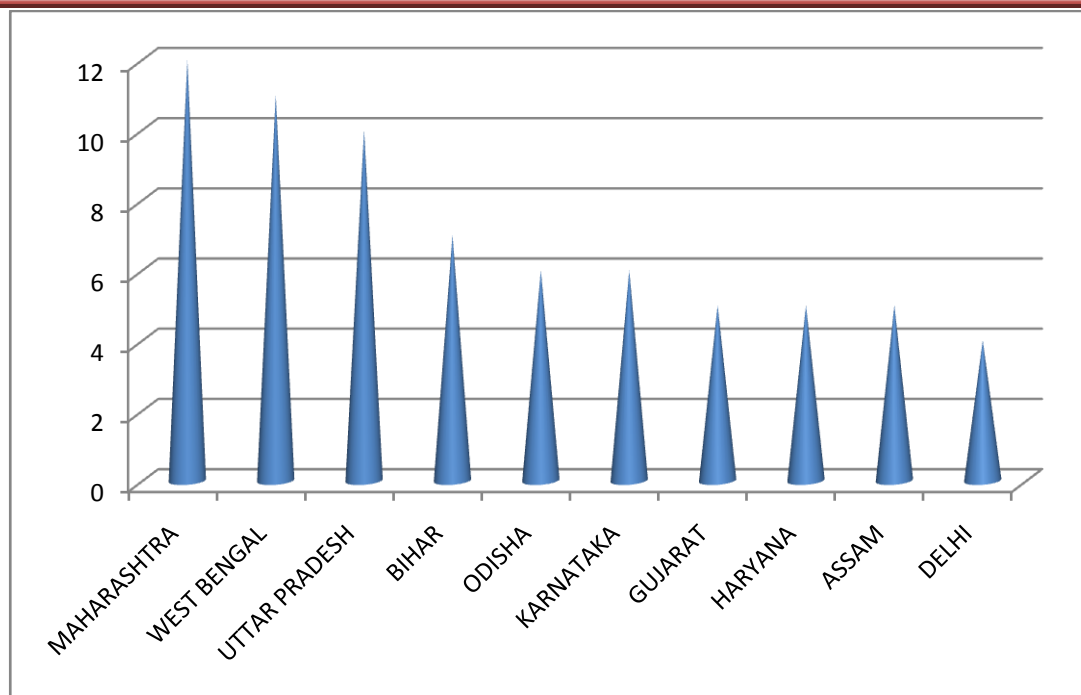


Fig. 6 Top ten states

Source: Compiled from Direct Selling in India, Annual Survey Report 2020-21 by Ipsos strategy 3

Contribution of various product category offered by direct selling industry in total sales

Wellness contributed to more than half of total direct selling sales followed by cosmetics & personal care, household goods, others, food stuffs & beverages and home care products.

Table 4 : Category wise share in total sales

Products	Percentage of total sales
WELLNESS	58
COSMETIC& PERSONAL CARE	22
HOUSEHOLD GOODS/HOME DURABLES	8
OTHERS	5
FOOD STUFFS&BEVERAGES	4
HOME CARE	3

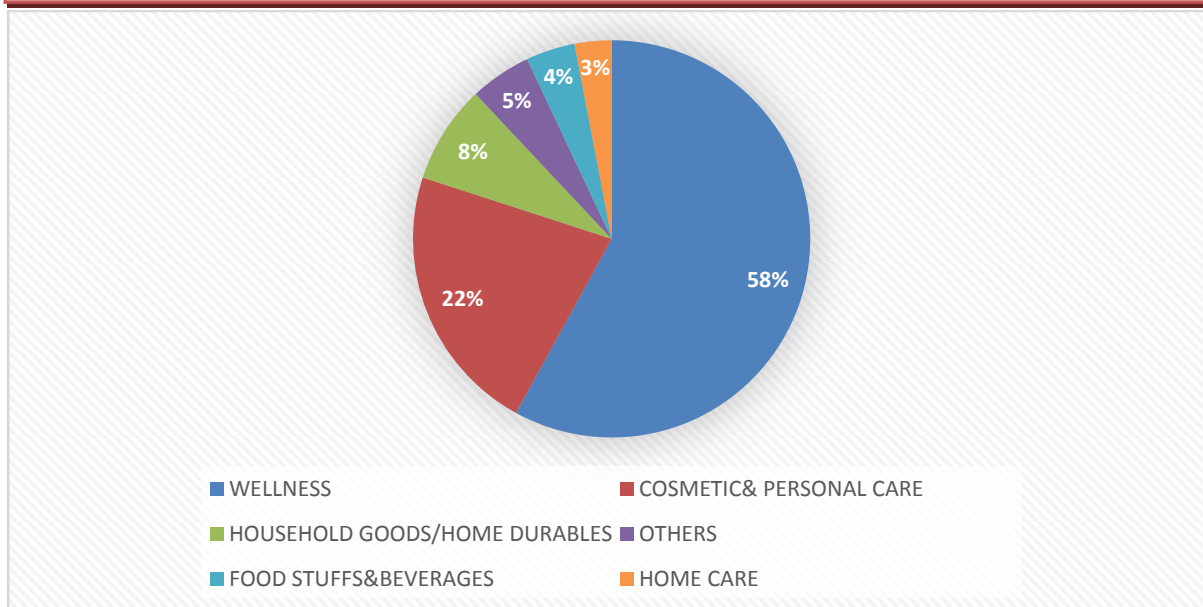


Fig. 7 Category wise share in total sales

Source: Compiled from Direct Selling in India, Annual Survey Report 2020-21 by Ipsos strategy 3

Reasons for Increasing Popularity of Direct Selling in India

The main reasons for increasing popularity of Direct Selling in India are given as follows:

1. Opportunities of Self Employment

Direct selling industry provides self-employment opportunities to a large number of people irrespective of any demography viz- age, gender, occupation, education etc. It provides full time as well as part time employment to the people and thus ensures financial freedom and flexibility of working hours.

2. Empowerment of Women

Women get more benefitted from Direct Selling (DS) industry as it provides empowerment to them. DS industry helps in balancing their work and personal life as it provides flexibility to manage the time. The following fig shows the gender wise split of direct sellers in India.

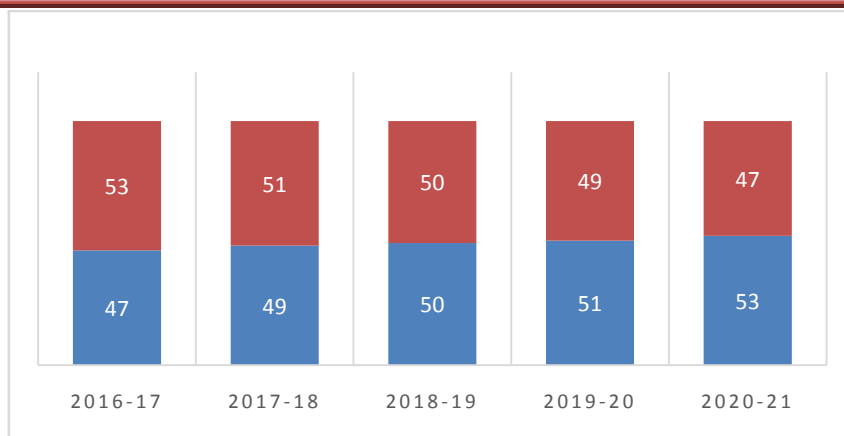


Fig.8 Gender-wise split of Direct Sellers in India

Source: Compiled from Direct Selling in India, Annual Survey Report 2020-21 by Ipsos strategy 3

3. Increase in Product Reach

In India, a large percentage of population lives in rural areas and the rural FMCG market is still uncovered. Many direct selling companies are striking to tap the untapped markets by expanding their reach and trying to capture those uncovered and untapped areas so as to increase its market size. The products are made available to every person's doorsteps hence increasing their reach.

4. Small and medium enterprises (SMEs) contribution

Outsourcing from Micro, small and medium enterprises has been made by many DS companies in India for domestically manufacturing of their products. They enable the SMEs to produce leading products by imparting the manufacturing tactics, technology and processes along with the availability of right equipment and machines. Many SMEs are now so developed and capable to fulfill the needs of other leading companies and thus taking the initiatives to promote India as a manufacturing destination.

5. Corporate Social Responsibility

The direct selling industry is voluntarily contributing to social causes like protection of environment, empowerment of women, health and human services, children protection and education etc. Avon had set up a Breast Cancer Crusade to spread the awareness about the disease in India. The Amway Opportunity foundation is working with two projects namely National Project for the Blind and Project Sunrise aiming to facilitate education among the deprived. The Herbalife Family Foundation is working with the aim of providing healthy nutrition to children of the nation. Oriflame's Girl Child project is an attempt to facilitate education among girls without which a community's development is incomplete.

Conclusion

The Indian direct selling industry has shown growth of approximately 7.7% with an increase to around INR 18000 crores in 2020-21 from 16,800 crores in 2019-2020, having a compound annual growth rate of approximately 15.7%. Wellness and cosmetics products contribute to around 80 % of DS sales. The number of active direct sellers in the nation stood at 79 lakh comprising of 53% male and 47% female. Previously, female dominated the industry but now male surpassed them. Due to COVID impact, there is an increase in the number of people turning towards direct selling especially males as it provides them with extra income as well as self employment. Northern region contributed to around 29% of the direct selling sales followed by east. Maharashtra had the highest share of sales followed by West Bengal, among the top ten highest contributing states in the total sales revenue of DS industry. Therefore, it is concluded that it is the only industry that provides income as well as employment opportunities and hence has the potential of converting the passive consumers into active entrepreneurs. There is no limit of success and progress hence the more you know, the more you grow.

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