

**A STUDY ON PROBLEMS FACED BY CUSTOMERS OF MLM PRODUCTS WITH SPECIAL REFERENCE TO COIMBATORE DISTRICT**

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**ABSTRACT**

Multilevel marketing is gaining importance in the Indian markets and business houses in the Indian markets are taking to the new marketing model in a big way. MLM field grows and its member companies multiply. Moreover it is becoming more popular day by day due to the minimum risk involved. The reason for the growth of multi-level marketing business is simple; there are more people looking for opportunities to earn additional income to supplement to their regular income. Multi-level marketing is one of the forms of direct selling method which is also known as Network Marketing. Now-a-days customers expect quality in spending towards fast moving consumer goods. Some of the MLM efforts have in fact been miserable failures inspite, of the fact that they offer excellent products. Hence it is inevitable to have a study on customer problems towards Multi-level marketing . This paper will analyze the major problems faced by the customers of multi- level marketing products. Convenient sampling method has been adopted for collecting data through questionnaire from three hundred and seventy customers of Coimbatore district. The study reveals that majority of the customers have faced problems regarding MLM products due to delay in delivering the products followed by delay in refunding, no attractive offers and discounts and low quantity of the products like.

*Keywords: Customer problems, MLM products, Fast moving consumer goods,*

**INTRODUCTION**

India is one of the largest consumer markets and has attracted many multi-level marketing companies to operate. Multi-level marketing method have been successfully implemented for the first time by Carl Rehnberg in 1920 and started a company to distribute unique range of food supplements called California Vitamin Company and later renamed as Nutrilite Products Inc in 1934 and also the first multi-level marketing plan was introduced in 1945 by the company. Multi-Level Marketing is a kind of novelty in the business reality. Multi-Level Marketing can be also defined as a method of product distribution. MLM assumes bear the costs of advertising and marketing at the moment of sales made. The sales will be powered by the company's customers, who use their network of contacts, start up the system of recommendation to purchase selected products. The recommendation for ending the actual sales, the company provides for monetary gratification, commissions accrued on the basis set out in a company's marketing plan. Properly drawn up a marketing plan makes it possible to obtain unlimited income and eliminating an investment risk. The most reputed companies in multi-level marketing in India and abroad are MLM, Modicare, Oriflame, Tupperware, Goodways, etc. MLM, Oriflame and Modicare are the companies that have really introduced the concept of direct selling and multi-level marketing in India. Multi-level marketing industry promotes individual entrepreneurship through its innovative direct selling approach of world class products.

**REVIEW OF LITERATURE**

Justyna Kaźmierczak & Artur Łabuz (2018) This article highlight the problems of Multi-Level Marketing, an indication of the essence of this phenomenon, and show how far is different than traditional

marketing. The article presents the system of functioning of this kind of business, how it works a system of charging commissions and indicated a practical example of this system. Considerations based on literature studies and case studies.

Bhavannarayana Kandala & Sudha Vemaraju (2016), Highlights the importance of taking appropriate corrective measures to attend major classes like demographics, customer loyalty and satisfaction by increasing the distribution flexibility in network marketing in their study.

Florian, Thomas and Wieseke (2012) The major contribution of this study is to provide insights into how firms can mitigate the negative impact of salespeople's intentions to promote house brand on customer outcomes, findings that may refine conventional wisdom in sales management research. Both adaptive selling and sales empathy show significant mitigation effects. .

Prasit Rattanaphan (2012) the aim of this study was to spot the main predictors that affect consumers' attitude toward the company image of direct selling companies in Thailand. The findings of the paper indicated that perceived value had significant positive relationship on attitude toward corporate image.

Suman .M, Anuradha and Manasa Veena (2012) Authors mainly concentrated and studied on why they apply data mining for direct marketing, how they apply and the problems one faces while applying data processing concept for marketing and therefore the solutions for them in marketing .

Indre Sizovaite and Dimitrios Paschaloudis (2011) This article finds a new way to increase customer satisfaction and improve organizational communication by direct selling and internet marketing. Survey results showed that women are purchasing products directly from the consultants more often than men and women are more interested in multi-level marketing business.

Rose Leahy and Bishopstow (2011) This paper aims to explore relationship marketing and the existence of relationships in mass consumer markets from the consumers' perspective, with the focus on the fast moving consumer goods (FMCG) sector. The study highlights the dominant negative attitudes that exist among consumers to relationship marketing as it is operationalised in fast moving consumer goods markets.

## **STATEMENT OF THE PROBLEM**

Multi-level marketing through direct selling is reasonably increasing in the Indian consumer market. In today's world, consumption of fast moving consumer goods (FMCG) is tremendously increasing. The Multi-level marketing companies offer household utensils, homecare products, cosmetics, fitness equipment, healthcare products, food supplements, etc. A marketer is in a position to study the customer preference, problems and satisfaction in order to sustain in the market with stiff and tough competition. Hence, the emphasis of this study is on the problems of customers of Multi-level marketing companies.

## **OBJECTIVES OF THE STUDY**

To identify the customer problems towards Multi-level marketing products.

## **RESEARCH METHODOLOGY**

The validity of any research depends on the systematic method of collection of data and analysis of the same in an appropriate manner.

## **PILOT STUDY**

A pilot study was made by the researcher with thirty customers who are procuring MLM products through a questionnaire meant for the respondents. After the study, necessary modifications were made in the questionnaire on getting the advice from academic and research experts to fit in the same track of the present study.

## **SAMPLE DESIGN**

By adopting convenient sampling method the data have been collected from three hundred and seventy customers of Coimbatore district.

## **AREA OF SAMPLE**

[Tamil Nadu](#) possesses the second-largest economy among all the states in India. Coimbatore is one of the Top Ten towns with highest spending on FMCG Products in India and it is the second biggest metropolitan and a highly populated city in the state. The city has a strong economy and a reputation as one of the greatest industrial cities in South India. The top two MLM companies in India which is also in operation at Coimbatore sell home care, health care, personal care and cosmetic products. Hence, the study was made on MLM products in this district which is the most suitable and potential market for fast moving consumer goods.

## **DATA COLLECTION**

The primary data were collected from the respondents using a questionnaire. The questionnaire was constructed with questions relating to socio-economic profile and problems of the respondents towards MLM products. The secondary data were collected from the journals, magazines, dailies, books and from the kits of the companies issued to the distributors and from brochures, handouts and websites.

## **FRAMEWORK OF ANALYSIS**

The collected data have been analyzed by making use of the following statistical tools: (i) Analysis of Variance (ANNOVA) and (ii) Friedman Rank Test .

## **ANALYSIS AND INTERPRETATION**

### **Level of problem**

Customer Problem towards MLM products have been measured by assigning scores to questions relating to customers problem towards MLM Products. Eight such questions are included in the questionnaire. Answers to the questions have been rated on a five-point scale. The scores allotted to the answers range from one to five. Thus, the maximum score a customer would get is 40. Score obtained by each customer is divided by 40 and multiplied by 100 to convert it into an index. This index is termed as 'Problem index'. The index ranges between 22.50 and 92.50 and the grand mean of problem index is 43.05. Of the 370 customers, 157 (42.43%) are with problem indices above the average and 213 (57.57%) are with problem indices below the average. Based on the problem index, the customers have been divided into three groups as customers with low, moderate and high level of problem towards MLM products. In order to classify the customers into three such groups, quartiles have been made use of. Accordingly, customers

with problem index ranging up to 34.65 are termed as customers with low level of problem; those with problem index ranging between 34.66 and 51.44 are termed as customers with moderate level of problem and those customers with problem index above 51.45 are termed as customers with high level of problem. Of the 370 customers, 45 (12.16%) are with low level of problem; 278 (75.14%) with moderate level of problem and the rest 47 (12.70%) are with high level of problem.

**Table: 1**

**Age and problem**

<b>Age</b>	<b>Numbers</b>	<b>Perception index</b>	<b>Above average</b>	<b>Below average</b>	<b>Range</b>
Up to 20 Years	46 (12.40)	42.50	20	26	30.00-57.50
21 to 40 Years	270 (73.00)	42.59	103	167	22.50-92.50
Above 40 Years	54 (14.60)	45.79	31	23	30.00-70.00
<b>Total</b>	<b>370</b>	<b>43.05</b>	<b>157</b>	<b>213</b>	<b>22.50-92.50</b>

Source: Primary data

d.f.:  $v_1$  2,  $v_2$  367

Table Value: Five per cent level: 3.020

Calculated F Value: 3.412

One per cent level: 4.663

Mean problem index is high among customers, whose age is above 40 years. Mean problem index is low among customers, whose age is up to 20 years. Thus, it is inferred that customers, whose age is above 40 years have high level of mean problem. As the calculated 'F' value is greater than the table value at five per cent level, there exists significant mean difference among respondents classified on the basis of age.

**Table: 2**

**Gender and problem**

<b>Gender</b>	<b>Numbers</b>	<b>Perception index</b>	<b>Above average</b>	<b>Below average</b>	<b>Range</b>
Male	190 (51.40)	43.92	93	97	22.50-70.00
Female	180 (48.60)	42.13	81	99	27.50-92.50
<b>Total</b>	<b>370</b>	<b>43.05</b>	<b>157</b>	<b>213</b>	<b>22.50-92.50</b>

Source: Primary data

d.f.: 368

Table Value: Five per cent level: 1.966

Calculated 't' Value:2.065

One per cent level : 2.589

Mean problem index is high among customers, who are males. Mean problem index is low among customers, who are females. Thus, it is inferred that customers, who are males have high level of mean problem. As the calculated 't' value is greater than the table value at five per cent level, there exists significant mean difference among respondents classified on the basis of gender.

**Table: 3**

**Marital status and problem**

<b>Marital status</b>	<b>Numbers</b>	<b>Perception index</b>	<b>Above average</b>	<b>Below average</b>	<b>Range</b>
Married	191 (51.60)	42.89	74	117	22.50-92.50
Unmarried	179 (48.40)	43.21	83	96	27.50-60.00
<b>Total</b>	<b>370</b>	<b>43.05</b>	<b>157</b>	<b>213</b>	<b>22.50-92.50</b>

Source: Primary data

d.f.: 368

Table Value: Five per cent level: 1.966

Calculated 't' Value:-0.365

One per cent level: 2.589

Mean problem index is high among customers, who are unmarried. Mean problem index is low among customers, who are married. Thus, it is inferred that customers, who are Unmarried have high level of mean problem. As the calculated 't' value is lesser than the table value at five per cent level, there exists no significant mean difference among respondents classified on the basis of marital status.

**Table: 4**

**Social status and problem**

<b>Social status</b>	<b>Numbers</b>	<b>Perception index</b>	<b>Above average</b>	<b>Below average</b>	<b>Range</b>
Student	72 (19.50)	41.88	30	42	30.00-60.00
Employee	185 (50.00)	43.81	84	101	22.50-92.50
Business	56 (15.10)	44.38	28	28	30.00-62.50

Agriculturists	19 (5.10)	42.37	9	10	32.50-50.00
Unemployed	38 (10.30)	39.93	26	12	27.50-55.00
<b>Total</b>	<b>370</b>	<b>43.05</b>	<b>157</b>	<b>213</b>	<b>22.50-92.50</b>

Source: Primary data

d.f.:  $v_1 4, v_2 365$

Table Value: Five per cent level: 2.396

Calculated F Value: 2.458

One per cent level: 3.371

Mean problem index is high among customers, who are doing business. Mean problem index is low among customers, who are unemployed. Thus, it is inferred that customers, who are doing business have high level of mean problem. As the calculated 'F' value is greater than the table value at five per cent level, there exists significant mean difference among respondents classified on the basis of social status.

**Table: 5**

**Family income and problem**

Family income	Numbers	Perception index	Above average	Below average	Range
Up to Rs.25000	128 (34.60)	44.00	57	71	27.50-67.50
Rs.25001 to Rs.50000	127 (34.30)	43.39	58	69	22.50-92.50
Above Rs.50000	115 (31.10)	41.61	46	69	27.50-70.00
<b>Total</b>	<b>370</b>	<b>43.05</b>	<b>157/161</b>	<b>213/209</b>	<b>22.50-92.50</b>

Source: Primary data

d.f.:  $v_1 2, v_2 367$

Table Value: Five per cent level: 3.020

Calculated F Value: 2.645

One per cent level: 4.663

Mean preference index is high among customers, whose family income is upto Rs.25,000. Mean preference index is low among customers, whose family income is above Rs.50,000. Thus, it is inferred that customers, whose family income is upto Rs.25,000 have a high level of mean preference.

As the calculated 'F' value is lesser than the table value at five per cent level, there exists no significant mean difference among respondents classified on the basis of family income.

**Table: 6**

**Period of usage and problem**

Period of usage	Numbers	Perception index	Above average	Below average	Range
Up to Two Years	182 (49.20)	43.54	87	95	27.50-70.00
3 to 4 Years	109 (29.50)	41.51	47	62	30.00-57.50
Above Four Years	79 (21.40)	44.02	36	43	22.50-92.50
<b>Total</b>	<b>370</b>	<b>43.05</b>	<b>157</b>	<b>213</b>	<b>22.50-92.50</b>

Source: Primary data

d.f.:  $v_1$  2,  $v_2$  367

Table Value: Five per cent level: 3.020

Calculated F Value: 2.689

One per cent level: 4.663

Mean problem index is high among customers, who use MLM products for more than four years. Mean problem index is low among customers, who use MLM products three to four years. Thus, it is inferred that customers, who use MLM products above four years have high level of mean problem.

As the calculated 'F' value is lesser than the table value at five per cent level, there exists no significant mean difference among respondents classified on the basis of period of usage.

**Friedman rank test**

To identify which problem is faced by most of the customers towards various aspects of the products purchased by them, Friedman rank test is employed.

**Table: 7**

**Problems in MLM products**

Problems	SA	A	NANDA	DA	SDA	Total	Mean Rank	Rank
Inferior Quality of Products	2 (0.54)	16 (4.32)	43 (11.62)	265 (71.62)	44 (11.89)	370 (100.00)	4.38	6
Low quantity of products	3 (0.81)	18 (4.86)	45 (12.16)	272 (73.51)	32 (8.65)	370 (100.00)	4.51	4
Delay in	0	17	86	224	43	370	4.68	2

<b>Problems</b>	<b>SA</b>	<b>A</b>	<b>NANDA</b>	<b>DA</b>	<b>SDA</b>	<b>Total</b>	<b>Mean Rank</b>	<b>Rank</b>
refunding	(0.00)	(4.60)	(23.20)	(60.50)	(11.60)	(100.00)		
Delay in delivering the products	2 (0.54)	34 (9.19)	78 (21.08)	203 (54.86)	53 (14.32)	370 (100.00)	4.74	1
No attractive offers and discounts	0 (0.00)	17 (4.60)	75 (20.30)	241 (65.10)	37 (10.00)	370 (100.00)	4.66	3
Lack of customer support	3 (0.81)	12 (3.24)	50 (13.51)	267 (72.16)	38 (10.27)	370 (100.00)	4.40	5
Non availability of products in time	2 (0.54)	16 (4.32)	37 (10.00)	272 (73.51)	43 (11.62)	370 (100.00)	4.26	8
Poor packaging	2 (0.54)	6 (1.62)	42 (11.35)	291 (78.65)	29 (7.84)	370 (100.00)	4.36	7

Source: Primary data

### Test Statistics (a)

N	370
Chi-Square	25.536
Df	7
Asymp. Sig.	.001

### A Friedman Test

From the Friedman Rank test, it is inferred that majority of the customers have faced problems towards MLM products due to delay in delivering the products followed by delay in refunding, no attractive offers and discounts, low quantity of the products and the like. From the Chi-square test it is inferred that respondents' opinion on problem towards MLM products differs.

### FINDINGS

- Mean problem index is high among customers, whose age is above 40 years. Mean problem index is low among customers, whose age is up to 20 years. There exists significant mean difference among respondents classified on the basis of age. There exists no significant association between age and level of problem.



- Mean problem index is high among customers, who are males. Mean problem index is low among customers, who are females. There exists significant mean difference among respondents classified on the basis of gender. There exists no significant association between gender and level of problem.
- Mean problem index is high among customers, who are unmarried. Mean problem index is low among customers, who are married. There exists no significant mean difference among respondents classified on the basis of marital status. There exists no significant association between marital status and level of problem.
- Mean problem index is high among customers, who are doing business. Mean problem index is low among customers, who are unemployed. There exists significant mean difference among respondents classified on the basis of social status. There exists no significant association between social status and level of problem.
- Mean preference index is high among customers, whose family income is upto Rs.25,000. Mean preference index is low among customers, whose family income is above Rs.50,000. There exists no significant mean difference among respondents classified on the basis of family income. There exists significant association between family income and level of problem.
- Mean problem index is high among customers, who use MLM products for more than four years. Mean problem index is low among customers, who use MLM products three to four years. There exists no significant mean difference among respondents classified on the basis of period of usage. There exists no significant association between period of usage and level of problem.
- From the Friedman rank test, it is inferred that majority of the customers have faced problems regarding MLM products due to delay in delivering the products followed by delay in refunding, no attractive offers and discounts and low quantity of the products like.

## **CONCLUSION**

The present study is an earnest attempt to know the customer problems on multilevel marketing products in Coimbatore district at Tamilnadu. Irrespective of the business plan and earning pattern and other advantages, the company is likely to be stretched to more and more products and marketing concepts which would result in customer delight. Moreover, unfair business practices, conducted by the company they considered to be network marketing, led to a large distance consumers to these practices, causing stagnation in the industry. It is concluded that customers have faced problems products due to delay in delivering the products followed by delay in refunding, no attractive offers and discounts and low quantity of the products offered by MLM in Coimbatore district at Tamilnadu.

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