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WINGS TO YOUR THOUGHTS....

STRUCTURE MARKETING FOR SOCIO ECONOMIC IMPACT FROM 18s TO 20s.

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Abstract: As the Business Environment become more and more competitive, companies are forced to push themselves to very edge of their capabilities. Ultimately the success of companies relies on their human resources and business and marketing strategies which can help them to show up in global markets. So Structure Marketing has become increasingly used method in order to enhance the small and large logistic companies performance. Structure marketing is a marketing approach that motivates its participants to promote a certain product among their friends. Structure Marketing is embracing more and more arenas today. Insurance business is just one among them. [6] Selling Insurance policies, traditionally, is considered as a de-motivating and dragging job. Well, not until you discover the power of SM to boost policy sales. With the competition heating up in the Insurance sector, companies are looking for innovative methods to spread the message and garner maximum business in shorter time. Insurance sector makes available long term debt for the economic development of the country. At the same time, the SM route provides employment opportunities to lacks of people and enhances their social status. The SM members also get tremendous opportunity to develop themselves personally. This multiple role of SM companies can be looked at as a social contribution and these companies or cooperatives are emerging as a development oriented social movement. This article studies the economic and social impact of SM as a tool which can influence society through employment generation, mobilizing long term funds and improving quality of life of people from 18's to 20's.

Keywords: Structure Marketing, Multilevel Marketing, Network Marketing, Direct Selling, Consumers, Network.

1. INTRODUCTION

Structure Marketing is a means of distributing goods to the final consumers by developing dealer networks. This is also known as Network Marketing or Multilevel Marketing. The concept of Structure Marketing was first introduced in USA. Structure Marketing is a form of direct marketing. Here, the goods do not pass through the layers of intermediaries but reach directly to the end-users. The traditional method of selling through retailers is not adopted here; rather the sales take place through a network of independent dealers. [3] Structure Marketing differs from traditional marketing in many ways including the way goods are distributed, the way the distributor network is developed, and the way these distributors are paid. Unlike traditional marketing, the goods are sold to the final consumers without the involvement of intermediaries. In traditional marketing, the sales team is recruited by the

company but in Structure Marketing the dealers further recruit members and enhance the company's network. The sales people in this are not the employees of the company; rather these are self-employed with no pre-decided sales targets to meet. These are not liable to promote company's products. The sales team in traditional marketing is paid commission on units sold by them, but in Structure Marketing the dealers are paid commission not only on the units sold by them but also on the sales made by the members recruited by them.

Structure Marketing is a subset of direct selling. Structure 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 [2]. First, sales people (distributor) may earn compensation from their personal sales of goods and services to the consumers (non-member of

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the network). Second, they may earn compensation from sales to or purchase from those persons whom they have personally sponsored or recruited into the network (down lines), these down lines continue sponsoring or recruiting to the network sharing the benefits with their sponsors or recruiters (up lines).

It is a Business Model where a Company takes the risk of Marketing/Selling its range of Products or Services through a Selected/Exclusive Network of Individuals or smaller companies who register themselves with that Structure Marketing Company to take their Exclusive Marketing & Selling Rights whether for a state, Region, Country, Continent or Universal. The Structure Marketing is growing widely in India. Many companies are emerging in Indian market which is doing network business. The Structure Marketing which also known as door-to door or network is marketing depends on the network of the customers [9]. This 'wonderful' opportunity attracts prospective candidates to join Structure Marketing companies. Studies reiterate the fact that a 100 percent annual turnover rate among sales personnel in certain network marketing company is not unusual.

This business forms a pyramid in which each customer turns into a prospective sales person. [4] But in today's world the success of this industry depends on the technique of organizing and collecting customers. The companies use different methods to attract customers towards their services and product. Internet is widely used for the promotion and the advertisement of the company's product and services. It is a single platform which provides an easy access to the number of people to display. But, since the number of multilevel marketing companies in India is increasing, the competition is also increasing. Thus, if a company wants to survive in this competition, it needs proper planning and strategies and this is not possible without any expert's support. Postmodernism invites a unique perspective of how to manage marketing and how to understand the consumer. Postmodernism says that social experiences are interplay of myths which produce regimes of truth and that much of what we understand or believe about the individual, self, freedom, structure and so on is arbitrary and short-lived, fleeting rather than essential and fixed. "The main conditions of postmodernism marketing are hyper-reality, fragmentation, [12] reversals of production and consumption, decentring of the subject, paradoxical juxtapositions (of opposites) and loss of commitment.

2. THE HISTORY OF STRUCTURE MARKETING

It's fascinating to know how Structure Marketing [5] got started and grew to meet the needs of the customer and the entrepreneur. A company that creates a product must make that product widely known. Sales organizations made up of individual salespeople were (and still are) the backbone of business. The number of salespeople in the United States began to grow rapidly starting in the late 1800s. In 1861 the count was 1000 which grew to 50000 in 1969 and got almost double in 1885 to 100000. Then in 1903 with the growth of population the magical number was 300000.

1860 - Travelling salesmen were known as canvassers, peddlers, hawkers and drummers. Some of these former peddlers created trained sales organizations. Had it not been for their influence, many of the corporate names we're all familiar with today might never have been. Henry Heinz, a former peddler, created an organization of 400 salesmen to sell various vegetable products, like ketchup and pickles, to people who didn't grow their own. Asa Candler, another former peddler, built a sales force to sell Coca-Cola syrup to restaurants after buying the formula from pharmacist John Pemberton for \$2300 in 1886.

1868 - J.R. Watkins founded the J.R. Watkins Medical Company, one of America's first natural-remedies companies where associates marketed directly to consumers.

1890 - David Mc Connel started the California Perfume Company, based out of New York. In 1906 he had 10,000 sales representatives selling 117 different products. The California Perfume Company changed its name to Avon Products in 1937.

1905 - Alfred C. Fuller was another former peddler who greatly influenced future sales organizations. Fuller started the Fuller Brush Company and hired 270 dealers throughout the U.S. to follow his business plan *on commission only*. By 1919, the Fuller Brush Company had made \$1 million in sales; by 1960, \$109 million.

1931 - Frank Stanley Beveridge was the former vice president of sales for Fuller Brush Company. He and Catherine L. O'Brien founded Stanley Home Products. Influenced by the economic hardships of the Great Depression, Frank and Catherine envisioned an opportunity for people to start their own businesses with minimal investment, selling products that people use everyday. This vision

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was obviously taken from the Fuller Brush Company. Stanley Home Products sold household cleaners, brushes, and mops. Some Stanley dealers began giving demonstrations for clubs and organizations rather than for individuals to increase sales volume. Other Stanley dealers quickly embraced this idea as a way to maximize the selling presentation. These dealers took the "clubs and organizations" concept into homes by having the home owner invite friends and family over and the "party plan" was born. Stanley Home Products became the training ground for many well-known company leaders. Mary Kay Ash, founder of Mary Kay Cosmetics; Brownie Wise of Tupperware; Jan and Frank Day, founders of Jafra Cosmetics; and Mary Crowley, founder of Home Interiors all received early training as Stanley Home Products dealers - again spurred by the Fuller Brush company.

1934 - Carl Rehnberg started the California Vitamin Corporation selling what today are known as vitamin supplements. In 1939 the company changed its name to Nutrilite Products Company, Inc.

1945 - Nutrilite contracted with Mytinger & Casselberry to become the exclusive American distributor of Nutrilite products. Mytinger & Casselberry created the first documented MLM compensation plan. It worked like this: A Nutrilite distributor bought his supplies at a 35% discount. (Ex: A distributor bought a box of vitamins for \$13 and then sold them for \$20 = \$7.00 profit.) To encourage the distributor to sell more, Nutrilite paid an extra monthly bonus of 25% on the total sales. $20 \text{ customers} \times \$13.00 \text{ (wholesale value)} = \$260 \times 25\% = \$65.00 \text{ profit}$. Once the distributor proved that he could get 25 customers he was allowed to become a DIRECT distributor - which meant that he could find others who wanted to sell the Nutrilite products and then they would buy their products from him. In essence, once he proved that he could get customers he was "promoted" and allowed to find other distributors and to train them to get customers. As an incentive to train his distributors well, once he and his distributors amassed 150 customers, he received an additional 2% of the total sales volume.

This is not a pyramid - it's a quota-based system of management. Those who sold the most boxes of vitamins got a higher reward than those who sold little. The MLM compensation plan was simply an extension of the Fuller Brush Company rewarding production. With MLM (Structure Marketing), the company could motivate a sales person to not only sell more

products, but to train others to sell more products as well.

1945 - Earl Tupper created a line of flexible, lightweight plastic containers with tight-sealing lids. He started selling his products through conventional retail outlets, but realized the products needed demonstration. Earl Tupper then teamed up with Brownie Wise (formerly with Stanley Home Products) and launched Tupperware Party Plan, now a world-wide billion-dollar company operating in 40 countries.

1949 - Rich DeVos and Jay Van Andel (high school buddies and business partners) returned from military service and became distributors for Nutrilite vitamin supplements in 1950. After a brief dilemma with Nutrilite in 1959,

The two abandoned ship and formed the Amway Corporation. In 1972 Amway Corporation acquired Nutrilite.

1956 - Dr. Forrest Shaklee developed a method of extracting minerals from vegetables and used Structured Marketing to distribute his products.

1963 - Mary Kay Ash creates Mary Kay Cosmetics. By 1996, company sales were in excess of 2 billion dollars.

1975 - The FTC (Federal Trade Commission) filed suit against Amway corporation for operating a pyramid scheme.

1979 - An administrative law judge ruled that Amway's multi-level-marketing program was a legitimate business opportunity, as opposed to a pyramid scheme.

3. STRUCTURE MARKETING CONCEPT REVISITED

It is common knowledge that Structure Marketing works on the concept of time leverage. A work to be done by you in 100 days can be completed in one day if you have 100 people under you (in a chain) doing one day's work. You earn a % of incentive for the work done by each of these 100 people. Though it is given various names like Network marketing, freelance marketing, chain marketing (money chain in a negative sense), [7] the basic principle is that a happy consumer brings in more customers for which he is getting an incentive.

The network plan or income schemes vary from company to company. The more reputed Structure Marketing companies in India and abroad are Amway, Modicare, Oriflamme, RMP, Tupperware, Quantum, Goodways, and Placement Services etc. All these companies have web based information system where a

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member can monitor the growth of his down line memberships, incomes accrued etc. The visible part of the network is a distribution centre and weekly meetings of members and prospective members to explain the business plan, demonstrate products, recognize the achievers etc.

INCREASING AGENCY MARGINS ON PRODUCTS: Average margins on first premium for policies like ELSS have gone up in the range of 30 to 40% [10]. This has given the leverage for structuring the insurance sale through Structure Marketing. Though a conventional LIC agent is reluctant (forbidden by IRDA) to pass on any 5 of his commission to the client, MLM companies, in anticipation of bulk business and cross selling opportunities part with or reinvest a major percentage of their insurance commission to the members of the network (as per a business plan). This huge incentive makes the investment in insurance very attractive for a member, especially those who are in the tax brackets and must invest in tax saving instruments.

DIFFERENCE BETWEEN STRUCTURE MARKETING AND MASS MARKETING:

1. **The Concept:** Structure Marketing is a marketing technique where products are sold directly to the final consumers through a network of independent dealers. The dealers further appoint dealers and form a network. However, mass marketing is a marketing technique where same marketing mix is offered to a very large group of customers who are homogenous in their demands.

2. **The Target:** The Structure Marketing targets individual consumers who are profitable to the company. The objective of the company here is customer retention. However, in mass marketing the company targets all customers who are similar in some demographics and the objective is to attract more and more customers.

3. **The Promotion:** The Structure Marketing involves no expenditure on advertising the product as the product is promoted by the members through word-of-mouth communication. However, mass marketing involves heavy expenditure on advertising as the message needs to be communicated to the masses.

4. **The Distribution Process:** The Structure Marketing works through developing dealer network. The existing dealers further recruit their relatives, friends and acquaintances to promote the company's products. These dealers are often called members and these members do

not work as employees of the company they are promoting. However, under mass marketing the sales people are the employees of the company and are recruited by the company's Human Resource (HR) department through proper recruitment process.

5. **The Reach:** The Structure Marketing reaches the end-users of the products while mass marketing reaches the customers. Moreover, mass marketing involves the services of intermediaries for distributing the products to the customers whereas

Structure Marketing involves independent dealers who directly reach to the final consumers of the products.

4. PROS AND CONS OF STRUCTURE MARKETING

The investment requirements for Structure Marketing are quite low. The companies save heavily on products' promotion costs and employees' recruitment costs. Moreover, the transactions are done on cash so no problem of debts arises. Not much training is required for the members so it saves on training costs also. The big advantage of Structure Marketing is the contribution it makes to economic growth. It makes it possible for the national income to continuously grow. This leads to improved living standards and better resources for deployment to areas affected by problems. This is made possible by government taxation. The idea enables you to create new friends and relationships. [8] It is an easy way of developing new networks while going around doing your business. The people you recruit and those who recruit you can become your friends. They will offer you business as well as personal support. The idea also helps marketing organizations to curb periods of high demand.

When the demand is too high and the current employees cannot meet, those are recruits come in to fill the position. It is this that employees are encouraged to bring more employees for the organization to ensure operations are not stopped. It ensures continuity if operations at all times.

Structure Marketing is also a very important function in providing jobs for the jobless. The recruitment process looks for young jobless people and earns them an income from which they can support themselves. It is fun and a happy feeling to know that you are working and at the same time providing opportunities for the less fortunate to support them. It is also fun

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knowing that giving someone a job will increase your pay.

The idea presents people with great and better learning of the Structure Marketing strategy. When people are recruited in to the business, they are trained about its functions. This training acts as a good way of future advancements in the field. It also helps those individuals to use the knowledge to their advantage once they leave the job. It is a good starting point for future success in the sales or marketing department as a whole. However, the disadvantages include no direct contact between the company and consumers, lack of commitment from the sales team, and inability to forecast demand and adjust inventory.

5. DO'S AND DONT'S TO SIGNUP WITH A STRUCTURE MARKETING BUSINESS

- Before you sign up with any Structure Marketing company, make sure you check the credentials of the company, the product/services on offer, current company network strength, and whether the company has a physical presence in India.
- In particular, make sure that the management team on the Board of Directors of the company are accessible either through e-mail or phone and verify their credentials and background.
- Ensure that your direct upline is accessible 24X7 and answers all your questions satisfactorily. A good upline provides adequate training to his/her partners so you need to choose your upline wisely.

6. CONCLUSION

A Structure Marketing member who progressively advanced through the network will get opportunities to attend weekly meetings, share his success stories with other members, get rewards for performance etc. This will also provide opportunities to improve their presentation skills, communication skills, motivation levels and inter personal skills. Many people realize their true potential and selling skills after joining a good Structure Marketing network. That way, it helps them to develop personally also. So the Structure Marketing members look at the business as income, fun and self development, besides satisfaction from showing the way or providing opportunities to fellow countrymen.

Networks with membership numbers in a few lacs are providing an employment opportunity

for unemployed youth and other sections of society. By mobilizing large amount of funds through Insurance sales, they indirectly help the economic progress of the country also. The early negativism in the society about Multinational Structure Marketing companies like Amway can play an increasing role by creating jobs and mobilizing long term funds. Irrespective of the business plan and earning pattern, Structure Marketing concept is likely to be stretched to more and more products or concepts. With the recent changing in laws relating to contract employment, part- time employment etc, many enterprising youth may embrace it as a source of second income.

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