

Factors of Multi-Level Marketing Success Strategies Which Motivate Participants

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Abstract

Background: Remarkable successes have been registered throughout the world by individuals engaged in multi-level marketing (MLM), also called network marketing, which refers to individuals selling products to the public, often by word of mouth and direct sales.

Purpose: The purpose of this study was to examine the determinants of MLM success strategies in the Zimbabwean economy and to identify factors that influence multi-level marketers in Zimbabwe.

Methodology: A quantitative approach using a survey questionnaire was used to collect data which was then analysed using SPSS. A sample of 146 usable responses drawn from Harare and Masvingo was used in the study. Statistical techniques, which included exploratory factor analysis (EFA) and the correlation matrix, were carried out to deduce the strategies associated with achieving success as a distributor for a MLM company.

Findings: The study findings suggest that success in MLM is dependent primarily on the following factors: incentives for motivation; team-building methods; and support strategies. It is from these factors that the study further sought to identify the individual variables or combinations thereof that could be endorsed as predominantly influencing the success of MLM in Zimbabwe.

Value: Empirical evidence is provided on the latent constructs or factors that influence individuals to join MLM companies. As part of the practical contribution, MLM practitioners should focus on the compensation plan, trust, and commitment as key factors in motivating individuals to participate in MLM.

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Keywords: multi-level marketing; network marketing; distributors; dendrites; direct marketing

Introduction

Multi-level marketing (MLM), also called network marketing, refers to individuals selling products to the public, often by word of mouth and direct sales. MLM is a peculiar form of direct selling which the salespeople who are in business for themselves utilise and their compensation assumes a multi-level structure (Christensen 2008). In 2021, it was estimated that approximately 128 million salespeople (called distributors in MLM) were participating in network marketing globally, with only 5.48 million active in Africa and the Middle East (Statista 2021). MLM has earned its association with direct marketing because it gets the products into the hands of the end-user through face-to-face selling, which occurs away from the manufacturer's location. Some studies have also indicated that MLM can be traced to relationship marketing philosophy, which stresses long-term relationships with the customer rather than transactional relationships (Jung, Ineson and Green 2013).

In Zimbabwe also, MLM has become a popular business option, although there are no documented statistical records of participants in the business. In Asia, similar gains as those realised in the United States (US) are being recorded through MLM. Rubino (2005) claims a direct link between network marketing and the transformation being experienced by many individuals, communities, and companies that are engaged in this form of business. It is noted that network marketing has become a source of hope to those who normally would not have stood a chance at being employed in the formal sector Rubino (2005). The socially disadvantaged groups, such as women, widows, and those who were previously unemployed and deemed unemployable, have found a viable route through which many have risen from poverty to prosperity (Groß and Vriens 2019). In many cases, this has happened in the famous rags to riches style.

Zimbabwe has seen an influx of MLM companies, and they have brought an assortment of products ranging from healthcare, skincare, kitchenware, clothing, and accessories to agricultural implements; all of which are sold through what is referred to as MLM. Some of the most common names in MLM found in Zimbabwe include the following: Forever Living, Dynapharm, Tablecharm, Tiange, and World Ventures. The products are distributed by individuals through social network channels. The local manufacturing firms have not yet embraced MLM as a distribution strategy. The individuals who are involved in MLM seem not to be making much of an impact in the business, and hence there are few success stories.

Past research has recorded that recruitment will mostly enhance growth and earnings as long as the other factors remain stable (Vander Nat and Keeo 2002). This is further supported by Pang and Monterola (2017) who brought forth the concept of dendritic formations in MLM. Exchanges do occur in those linked nodes, and hence risk becomes a factor that needs to be dealt with by all the parties involved in the process. The fact

that risk is a significant factor in the exchange process, means that measures have to be instituted to protect and safeguard the exchange process (De Wulf and Odekerken-Schröder 2001). The sharing of information in the business process may also affect the viability of the exchange process, as noted by the transaction cost theory (Coase 1937). To observe the relationship mechanisms which lead to trust and commitment in MLM, the researchers drew upon the social exchange theory (SET) in terms of rewards (Cortez and Johnston 2020) and the transaction cost economics theory in terms of transaction costs (Ketokivi and Mahoney 2020).

The SET is premised on the interaction between individuals and other groups, and emphasis is placed on resource dependence, resource availability, and power as a frame of reference (Emerson 1976). The SET notes that individuals are driven by incentives to cooperate in an exchange, hence other theories, such as the self-determination theory (SDT) (Deci, Olafsen and Ryan 2017), may support the determination of the factors enhancing MLM success strategies.

Risk is reduced in MLM due to the need for a long-term relationship, and this inhibits the desire to engage in destructive behaviour that might damage trust leading to broken relationships. Members in network marketing relationships employ a structured method of achieving gains (Bowen and Jones 1986). As noted from the research carried out by Lee and Loi (2016), several factors that affect network distributor satisfaction were explored, focusing on the diffusion of business ideas, perceived quality of members joining a network, training, support, perception of marketing offers, and the rewards every month to assess the strategies which are helpful in MML.

Problem Statement and Research Questions

The controversies in MLM or network marketing depict an evidence-void gap concerning the factors that stimulate the growth being experienced in MLM organisations at a global level due to unrestrained market capitalism or neoliberalism (Wrenn 2022) and also at regional and country levels (Beek 2019). The legal and ethical challenges of MLM companies emanate from the operational focus, which can be either recruitment or value provision, resulting in the entities being viewed as illegal pyramid schemes due to recruitment focus and misleading promises (Groß and Vriens 2019; Suwitho, Riharjo and Dewangga 2023). Hence, the participants' satisfaction is a critical construct or factor in determining continuity and growth in MLM, and this calls for further contribution in analysing the attitudinal and behavioural loyalty aspects which lead to satisfaction (Purcaru et al. 2022). This study will contribute to the body of knowledge by suggesting factors that motivate individuals supported by content, process, and reinforcement theories. Therefore, the following research question was put forward to evaluate the relationships of the various predictors on the outcome variables:

RQ1: What are the factors that motivate individuals to join Multi-level Marketing companies?

The research layout looked at the introduction and theoretical background, dealing with a literature review focusing on the factors that influence individuals' intention to join MML. The methodology focused on the survey design and selection of the data collection method. The last section deals with the results (exploratory factor analysis (EFA)) and the findings, followed by managerial implications, limitations and areas of future research, and conclusion and recommendation.

Literature Review

A network is a set of multi-party relationships that can be simple or complex depending on the number of partners involved. When the number of partners increases, the relationship gets more complex, and it then calls for relationship management. These relationships are characterised by interaction, and this interaction is in the form of information exchange and collaboration based on commitment and trust (Anderson, Håkansson and Johanson 1994; Buttle and Maklan 2019; Gummesson 2008; Morgan and Hunt 1994). The network can be a social network of acquaintances (friends and relatives) working together for the common good. MLM is premised on leveraging this connectivity in order to source and distribute products. It mainly involves the development of retail selling and distribution networks that grow exponentially as new distributors are incorporated. In some instances, these networks develop into vast empires benefiting the individual distributors in the network and the firm supplying the products. The networks in MLM are largely quasi-informal, and the distributors (who become partners) are bound together by the gains they are likely to receive in that relationship and the contractual agreements signed (Albaum and Peterson 2011).

In MLM, the distributors earn money on their sales, as well as on the deals of people they recruited into the business, and on the sales of people hired by their recruits. The network positions resemble a supply chain with various nodes; however, the MLM linkages are dendritic in form. Different hierarchical locations are the hallmark of a successful MLM supply chain network. The positions include distributor, assistant supervisor, supervisor manager, and finally director, although the titles vary depending on individual companies. Perhaps the pivotal positions in this dendritic formation, which are also the key drivers of the business, are those of the recruiter and the prospector. Collaboration between the two determines the extent of success that is achieved in the MLM company.

Vander Nat and Keeo (2002) define MLM as a process of selling goods or services through social networks which is either directly or indirectly linked. The MLM method of selling tends to sell exclusive products and places heavy emphasis on the recruitment of many representatives who, in turn, are also expected to recruit new members. The same pattern continues to duplicate itself leading to the downstream formation of social network chains that continue to multiply in a dendritic formation. In these networks, the recruited member purchases an absolute value of the company's products as an initial investment which also qualifies them for membership. The products can either be

consumed by the member or sold to the market at a profit. Membership makes the member eligible to be a distributor, and hence gain the privilege to buy products at a discount. In the process, the distributor earns commissions or points and makes a direct profit from selling the products. Higher revenue is received through the recruitment of new members who become active distributors. This is because the recruiter earns a commission from the sales of their downline recruits making the drive for recruitment a critical activity in MLM. Consequently, the more members are recruited and added to the network chain, the more explosive the dendritic formation (Pang and Monterola 2017). As MLM grows and changes occur in business models there is a need to identify the factors that motivate individuals to join MLM companies.

The Self-Determination Theory

Various theories have been utilised to evaluate the recruitment motives of participants in MLM companies, such as the technology acceptance model (TAM) (Davis 1985), highlighting perceived usefulness and perceived ease of use as noted in a recent study by Nadlifatin et al. (2022). The current study examined the recruitment motives utilising affiliate motivation theories supported by past research studies (Purcaru et al. 2022; Roman et al. 2021).

The SDT can address the link between behaviour and motivations focusing on three fundamental needs consisting of autonomy, affiliation and competence (Deci and Ryan 2012). Autonomy focuses on an individual's desire to freely engage in an activity and be in control of the decision-making process. Affiliation is an individual's desire to feel connected to their environment, particularly the immediate surroundings. Competence refers to an individual's desire to be effective in the process of interacting with the environment (Alzamora-Ruiz et al. 2020).

The two major motivation components of the SDT comprise intrinsic motivation and extrinsic motivation. Intrinsic motivation is shown by curiosity and the desire to discover and focus on challenging aspects (Gilal et al. 2019). The various needs that individuals have create gaps that may be seen as the difference between the individual's current state and the desired state resulting in motivations to correct the imbalance (Thøgersen 2005). Intrinsic motivations are also related to specific objectives such as affiliation, personal development, and profitability (Alzamora-Ruiz et al. 2020).

The SDT has six mini-theories, namely: the cognitive evaluation theory (CET); the organismic integration theory (OIT); the causality orientations theory (COT); the basic psychological needs theory (BPNT); the goal content theory (GCT); and the relationships motivation theory (RMT). The main focus of the OIT is individuals' extrinsic motivation of which there are four forms comprising external regulation, introjected regulation, identified regulation, and integrated regulation (Deci and Ryan 2012; Gilal et al. 2019; Ryan and Deci 2020). A reward is an external form of regulation and is an example of extrinsic motivation that will be obtained from engaging in an activity (Alzamora-Ruiz et al. 2020).

Incentives

The process of distributing goods and selling various products through networks makes MLM unique (Selamet et al. 2020). Factors, such as the company's image or good reputation, service delivery, reward schemes, social satisfaction, personal goals, trust, and commitment, have been explored in terms of how they are perceived by potential MLM participants (Nga and Mun 2011; Pratistha 2017). In addition, the prominence of reward schemes has received wide recognition as one of the key motivational factors to join a MLM company (Syahrivar et al. 2020). Other factors are critical in profiling potential participants in MLM. Several distinct profiles have been used to categorise participants and these may be based on major segmentation variables, such as demographics (age, gender, religion, educational level), and psychographic characteristics, such as social status (Grant-Smith et al. 2021).

Motivation

The researchers also noted motivation as an essential factor in MLM. The team leader carries the responsibility for coaching, training, mentoring, and ensuring that team members downstream are highly motivated (Vander Nat and Keo 2002). Quite often the motives would be closely linked with some personal situation for which they will be searching for a solution. Both monetary and non-monetary rewards have been found to motivate team members to actively participate in an MLM business, and the simple explanation for this is said to rest on the social relationships that are characteristic of the business (Coughlan and Grayson 1998).

Another mini-theory of the SDT, the GCT asserts that individuals are driven by the anticipated results of their pursuit. This is based on the premise that individuals have to establish a clear vision of their goals, as a prerequisite for building sufficient will and effort to pursue the laid-out plans (Mullins 2010). Goals must be challenging and realistic to provide direction, focus, and also regulate behaviour. The GCT explains and notes the key differences between intrinsic motivators, such as personal growth, close relationships, and community feelings, and extrinsic motivators, such as money, fame and image, and hence the need to analyse the effect of both intrinsic and extrinsic motivators on network marketing (Gilal et al. 2019).

For individuals who are motivated by financial rewards, then the compensation plan sits at the top of the list. Compensation plans used by MLM companies vary according to the preference of the owners of the companies. However, four basic types of compensation plans are commonly used by MLM companies, namely: binary, matrix, breakaway, and unlined plans (Coughlan and Grayson 1998). Commonly, MLM members are compensated based on the volumes of the products that they sell together with their team members (downlines). Thus, the total compensation comprises the sales generated by the member, direct recruits, and indirect recruits (Christensen 2008).

Recruitment Strategies

MLM relies mostly on presentations for recruitment and product sales (Pride and Ferrell 2008). Before the growth of internet technology, MLM companies used to rely on the door-to-door contact method for accessing potential recruits and customers. However, new concepts have since been incorporated such as the party plan or group presentation method (Pride and Ferrell 2008).

The presentation strategies incorporate the use of word of mouth and testimonials of success stories which have proven to be quite crucial in delivering the message successfully. Other members of the MLM company are encouraged to present their own life stories which bear testimony of tangible evidence of their success that can be achieved in MLM (Msosa 2022). To enhance their efforts members also incorporate other elements of the promotion mix such as advertising to augment the purchase decision process (Fill 2009).

Presentation as a strategy for recruitment has a ripple effect on the MLM process. Its impact creates results not only regarding convincing prospective members to join but also the would-be users of the products to purchase, which results in the build-up of momentum towards the achievement of overall goals. Thus, multi-level marketers also borrow certain concepts from psychology to maximise the ripple effects derived from personal testimonies. The more presentations made using personal stories the more significant the impact on individual participants' desire to excel in the business as well as added inspiration to buy and sell more products (Christensen 2008). The presentations, therefore, can be equated to the fuel that drives success in MLM.

Team Building

Team building is yet another pillar in building a successful career in MLM. Team building is seen as two or more people working interdependently towards a common goal. Some of the key team-building attributes are coming together to share experiences (Jarvenpaa, Knoll and Leidner 1998). The attributes of team building include a commitment to shared goals, trust, well-defined roles, communication, collaboration, and positive personal relationships (Hakanen and Soudunsaari 2012). The other key factors identified as fundamental to the success of MLM are self-motivation, leadership, entrepreneurship, business attitude, knowledge of running a business, business expertise, long-term people orientation, and business ethics (Roman et al. 2021). These are requisite in establishing a highly productive team. In MLM, teamwork enhances individual members' ability to solve the challenges related to the business. Teamwork also fosters amongst members the adoption and pursuit of a shared vision, mission, and values, while through enhanced group communication, members give and receive feedback to and from one another. Thus, the team-building effort focuses on how MLM members relate to and operate with one another.

Compensation plans in MLM are the key drivers for the success of most enterprises despite the complexity of the structures (Coughlan and Grayson 1998; Keong and Dastane 2019). However, the lack of productivity in one individual or team has detrimental effects on the entire dendritic formation (see Figure 1). The reverse is also true. The role of team building in these dendritic relationships is to encourage members to work as teams that are inspired towards the achievement of individual and group reward goals. Each recruited member is inspired to form their social network teams that collaborate in order to realise their goal of increasing sales and recruiting new members. All of this is made possible by the trust that is shared by all team members. Past studies have also observed that individuals in MLM often recruit people they already know (Legara et al. 2008).

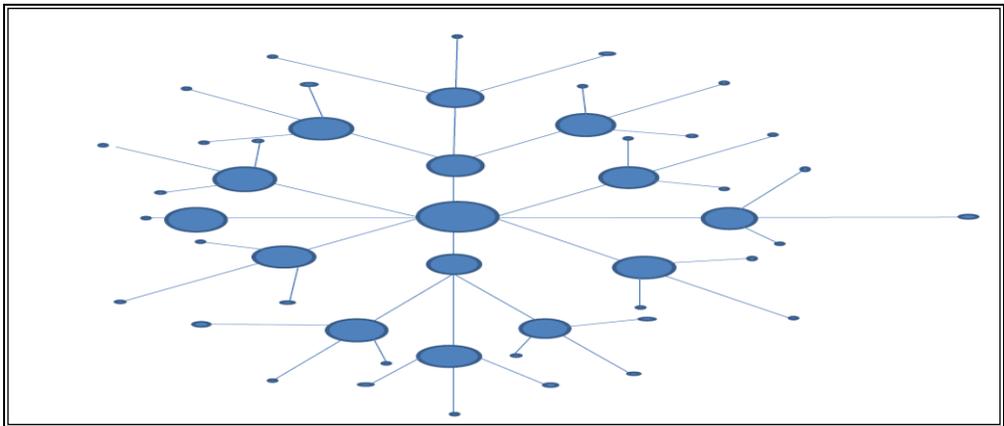


Figure 1: Dendritic relationships

Source: Adapted from Cuntz et al. (2010) and Zemanian (1986)

Similarly, prospective members are more comfortable joining a group in which they have confidence in the fulfilment of their individual goals. It is a rare occurrence in African society for an individual to join a social network of people to whom they are a stranger. Perhaps the “Guanxi” concept is the closest description the researchers found that suitably explains the team members’ relationships. The idea entails merely that it is critical to creating friendships as these play a vital role in the process of establishing business relationships (Bruckermann 2021; Cateora et al. 2019). The process of maintaining close relationships has been noted to be driven by relatedness from the SDT (Deci and Ryan 2015) and one of its mini-theories, the RMT, as these show that relationships are essential for human functioning and well-being (Deci and Ryan 2015). The work-life balance or flexibility in terms of working hours culminating in earning extra money are some of the key drivers in joining MLM companies (Grant-Smith et al. 2021).

Collaboration

Collaboration in business can enhance the process of generating financial benefits (Möhlmann 2015). Collaboration, a term borrowed mainly from supply chain management, entails two or more independent parties working jointly for their common benefit. The partnership is defined as occurring when “two or more independent companies work jointly to plan and execute supply chain operations with greater success than when acting in isolation” (Nha Trang et al. 2022; Simatupang and Sridharan 2005). Collaboration allows for synergy to develop among partners and encourages joint planning and real-time information exchange.

MLM uses social networks to distribute products or services by individuals recruited into the system to earn income for themselves and those who drafted them. The supplying firm gains in the form of increased sales. Usually the retailing is done from the backyard and is informal within individuals’ social circles. It is a form of direct marketing, where individuals will sell and make their marketing efforts directly to potential clients (Peterson and Wotruba 1996). Those who are recruited receive more gains when they form their own distribution networks. For example, if a leader recruits five people into the programme, those five are encouraged to recruit their own five. The current study has labelled this development a dendrite-like social distribution network. The continuous multiplication of the dendrites lies at the centre of the growth of the supply chain network. This also has a positive effect on the financial rewards for all who are involved in the business. Naturally, since all members of the dendritic relationship stand to gain from the expansion of social dendrites, there is a tendency to collaborate (Pang and Monterola 2017). In such a case, collaboration can be said to be the glue that keeps the dendrites working towards a common goal.

MLM systems need to be viewed as social supply chain networks. Supply chain networks are defined as assets of supply chains that flow goods and services from the sources to the customers (Kim et al. 2011; Lamming et al. 2000). Supply chain networks are characterised by supply chain collaboration. Collaboration sub-dimensions have been cited as information sharing; incentive alignment; and decision synchronisation (Cao and Zhang 2011; Simatupang and Sridharan 2005). From the literature, it has been noted that trust, commitment, communication and collaboration produce positive partnerships in companies and these are driven by people (Mohr and Spekman 1994).

Hence, the fundamental question that this study sought to extend was which strategies can be recommended for effective MLM. Therefore, the study attempted to provide local MLM practitioners and their prospects with the knowledge that could help them to improve their chances for success in their business.

Research Methodology

The data was collected from the respondents through a structured survey questionnaire. The questionnaire items were developed based on research constructs, such as team building, which were derived from Alzamora-Ruiz et al. (2020), Hakanen and Soudunsaari (2012), Rafferty and Griffin (2004), and Roman et al. (2021); recruitment strategies from Coughlan and Grayson (1998) and Vander Nat and Keeo (2002); collaboration from Alzamora-Ruiz et al. (2020) and Nha Trang et al. (2022); and motivation from Jain, Singla and Shashi (2015) and Lee and Loi (2016). The research participants were members of several selected firms comprising, Forever Living, Dynapharm, Tablecharm, Tiange, and World Ventures to deduce the success strategies employed to grow the distribution of products and services.

A pilot study was carried out by collecting data from 25 participants in the selected MLM companies to deal with possible errors in the questionnaire. Each question was rated on a five-point Likert scale, with 5 indicating “strongly agree” and 1 indicating “strongly disagree”. The data was analysed using IBM Statistical Product and Service Solutions (SPSS) version 23.0 and ADANCO software.

An empirical cross-sectional research study was used to understand the motivational factors of MLM in developing countries. Both intrinsic and extrinsic motivators were analysed to establish the factors that offer the greatest motivation for individuals to participate in MLM.

The research followed a quantitative research design as the nature of the problem required that the researchers describe the strategies currently being used by MLM companies. Data collection comprised researcher-administered questionnaires to ensure a high response rate. Using a convenience sampling technique, 146 usable responses were used from the 250 survey questionnaires distributed; hence, a 58.4% response rate was noted.

Data Analysis and Results

Demographic Profiles of the Participants

The socio-demographic characteristics of the study participants showed that 28.1% (41/146) of the participants were drawn from Forever Living; 8.9% (13/146) from Tablecharm; 6.2% (9/146) from World Ventures; 35.6% (52/146) from Dynapharm; 6.8% (10/146) from Tiange; and the remaining from Greenworld and others made up 14.4% (21/146).

Table 1: Demographic data showing participants' monthly income, gender and educational level

Monthly income	Frequency	Percent
0–499 dollars	85	58.2
500–999 dollars	41	28.1
1 000–2 999 dollars	13	8.9
3 000 dollars and above	7	4.8
Total	146	100
Gender	Frequency	Percent
Female	108	74
Male	38	26
Total	146	100
Educational level	Frequency	Percent
O/A level	51	34.9
Diploma	48	32.9
Graduate	25	17.1
Other	22	15.1
Total	146	100

Table 1 shows that 74% of the participants were female and 26% were male. The income of 58.2% of the participants was in the low-income range (0–499 dollars) and only 4.8% were in the high-income range (3 000 dollars and above). The table also depicts that 34.9% had an O-level or A-level education, 32.9% had a diploma level, 17.1% a graduate level and 15.1 % had other qualifications.

Exploratory Factor Analysis

The data analysis and results presented the detailed results from the analysis of the data. Exploratory factor analysis (EFA) includes the assessment of the suitability of the data, factor extraction, factor rotation, and interpretation. EFA was used to select the appropriate latent constructs or factors and to group the similar ones under appropriate dimensions thereby reducing the number of factors.

There are differences between the two methods of factor extraction in EFA, and hence the study utilised EFA, and factors with fewer than three items with 0.5 or less loading were dropped (Costello and Osborne 2005). Sample adequacy was also noted in terms of the obtained Kaiser-Meyer-Olkin (KMO) value (0.858) as recommended (Shrestha 2021).

Assessment of the Suitability of the Data

The KMO test was used to measure the suitability of the data for EFA. Also, Bartlett's test of sphericity and correlation matrix were computed to determine the suitability of the data (Kaiser 1974). The correlation matrix showed that there were not many items that indicated correlations > 0.30 between the factors, and hence it could be hypothesised that the data was suitable. Table 2 shows that the KMO value was equal to 0.867 which indicated that sampling adequacy had been achieved and EFA was appropriate for the data.

Table 2: KMO test and Bartlett's test of sphericity

KMO measure of sampling adequacy		0.867
Bartlett's test of sphericity	Approx. chi-square	2385.395
	df	210
	Sig.	0

Bartlett's test of sphericity for testing the adequacy of the correlation matrix was significant at $p < 0.001$ and this was an indication that the correlation matrix had significant correlations among some of the factors. Bartlett's test of sphericity had a chi-square (χ^2) $df = 210$, 2385.395 and the obtained degree of significance had a p -value < 0.001 .

Factor Extraction

The number of the initial unrotated factors to be extracted is determined by the KMO test and the Scree test or plot. The eigenvalues associated with each factor are depicted in Table 3 and the variance explained by those factors is also shown. Values below 0.4 were suppressed in the analysis. The extraction method utilised in the study was principal axis factoring and 21 linear components were identified before extraction. The four factors extracted accounted for a 60.335% variance. The first factor explained 31.906% of the total variance with an eigenvalue of 6.7. The second factor explained a 16.54% variance with an eigenvalue of 3.473. The third factor explained a 7.967% variance with an eigenvalue of 1.673. The fourth factor explained a 3.922% variance with an eigenvalue of 0.824.

Table 3: Total variance explained and eigenvalues

Factor	Initial eigenvalues			Extraction sums of squared loadings			Rotation sums of squared loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1	7.504	35.734	35.734	7.257	34.558	34.558	6.7	31.906	31.906
2	3.389	16.14	51.874	2.991	14.242	48.8	3.473	16.54	48.446
3	2.16	10.284	62.158	1.653	7.87	56.67	1.673	7.967	56.413
4	1.248	5.941	68.099	0.77	3.665	60.335	0.824	3.922	60.335
5	0.887	4.225	72.324						
6	0.764	3.639	75.963						
7	0.703	3.35	79.313						
8	0.658	3.133	82.446						
9	0.59	2.81	85.256						
10	0.519	2.472	87.727						
11	0.467	2.223	89.95						
12	0.414	1.973	91.924						
13	0.384	1.828	93.752						
14	0.349	1.661	95.413						
15	0.274	1.307	96.72						
16	0.237	1.13	97.851						
17	0.178	0.847	98.698						
18	0.111	0.53	99.228						
19	0.081	0.383	99.611						
20	0.05	0.239	99.85						
21	0.031	0.15	100						

Note: Extraction method: Principal axis factoring

Figure 2 shows the scree plot with eigenvalues on the y-axis against the 21 linear components in their order of extraction on the x-axis.

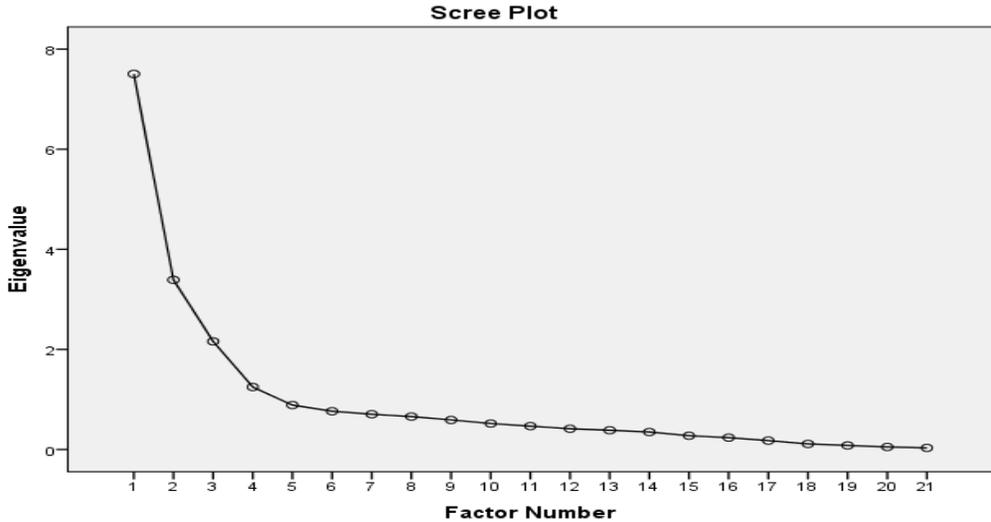


Figure 2: Scree plot

Exploratory Factor Analysis

In Table 4, the data was analysed using principal axis factoring and orthogonal varimax rotation with KMO normalisation. The KMO values for the factors were above 0.5 and the KMO was (0.858) indicating that the data was sufficient for EFA.

Using the eigenvalues cut-off value of 1.00, the four factors explained a cumulative variance of 68.199%. Table 4 shows the factor loadings after the rotation. The purpose of the EFA was to identify latent constructs or factors that influence the adoption of MLM, and hence the rotated factor loadings and rotated eigenvalues are reported.

Table 4: Exploratory factor analysis

Rotated factor matrix	Incentive	Team building	Support	Information
	Factor 1	Factor 2	Factor 3	Factor 4
M2 Compensation plans or rewards	0.956			
C2 Commitment to the project	0.948			
C1 Trust in team members	0.944			
C3 Reward sharing – doing projects together	0.938			
M1 Personal goals	0.91			
M4 Low entry barriers	0.877			

P1 Fliers/Business cards	0.573			
T1 Status/Social standing	0.513			
C4 Idea sharing	0.501			
C5 Communication	0.498			
T5 Personality of the individuals		0.793		
P5 Seminars/Conferences		0.728		
T3 Leadership attributes or skills		0.71		
P4 Group presentations		0.682		
T4 Local vs distant friends (those you do not know)		0.671		
T2 Expertise/Professional skills		0.607		
P6 Word of mouth/Sharing my success story		0.433		
P7 Telephone calls			0.637	
P2 Online information dissemination/Social media			0.637	
P3 Advertisements			0.623	
M3 Product knowledge				0.715
Rotated eigenvalues	7.499	3.412	2.171	1.239
% of variance	35.712	16.249	10.337	5.902
Cumulative % of the variance	35.712	51.961	62.297	68.199
Cronbach's alpha	0.841	0.806	0.654	

Notes:

1. Extraction method: Principal axis factoring
2. Rotation method: Varimax with KMO normalisation
3. A rotation converged in five iterations.
4. The coding indicates the various topics under which the factors are discussed:

(M) Motivation; (C) Collaboration; (P) Presentation; (T) Team building

Factor Rotation and Interpretation

After the extraction and rotation, the researchers established a four-factor solution from the data with eigenvalues greater than one. The results showed that four factors accounted for a 60.335% proportion of the total variance shared by the 21 variables, supported by the KMO value of 0.858. The four factors in the rotated solution were based on varimax, the most common orthogonal rotation method.

Incentives for Motivation

The first construct with 10 variables was labelled incentives for motivation. The variance explained by this construct was 31.906% of the total variation in the data. The positive loadings of the variables ranged from 0.498 to 0.956 indicating a good representation of the construct. The construct contained 10 variables comprising: compensation plans or rewards; commitment to the project; trust in team members; reward sharing – doing projects together; personal goals; low entry barriers; fliers/business cards; status/social standing; idea sharing; and communication. The major motivational factor in the study, which focused on variables that motivate individuals to join MLM companies, is the potential to earn some money as part of extrinsic motivation and possible financial independence. The study reasserts that reward schemes are a prominent motivating factor and a critical regulatory factor (Alzamora-Ruiz et al. 2020).

Team-building Methods

The second construct, team building, consisted of seven variables, namely: personality of the individuals; seminars/conferences; leadership attributes or skills; group presentations; local vs distant friends (those you do not know); expertise or professional skills; and word of mouth/sharing my success story in MML, which are dominantly intrinsic motivational factors. The variance explained by this construct was 16.54% of the total variation in the data. The variables have loadings which support the latent factor ranging from 0.433 to 0.793 demonstrating that team building is a crucial factor for potential earnings despite MLM controversies (Roman et al. 2021).

Support

The third construct, support, consisted of three variables, namely: telephone calls; online information dissemination or social media; and advertisements, which also influence individuals to join MML companies. The variance explained by this construct was 7.967% of the total variation in the data. The correlations of the variables with the support factor ranged from 0.623 to 0.637 depicting good support for the latent factor. Support also emanates from the interaction with established members, which is a source of confidence and flexibility in creating value for potential customers (Grant-Smith et al. 2021).

Information

Information, the fourth construct, only accounted for a 3.922% variance comprising one variable (product knowledge) with a 0.715 factor loading, an eigenvalue of 1.239 from the initial extraction and this denotes the desire of the individuals to learn about new products or services. This construct had only one item, possibly due to over-extraction.

Reliability and Validity Tests

The figures in Table 5 for the reliability tests were acceptable as they were all above the 0.7 Cronbach's alpha criteria as established (Hair et al. 2019, 787). The assessment of the quality criteria starts with the evaluation of the factor loadings, then the construct validity and construct reliability are established (Hair et al. 2019, 787).

Table 5: Cronbach's alpha and composite reliability

Construct	Dijkstra-Henseler's rho (ρ_A)	Jöreskog's rho (ρ_c)	Cronbach's alpha (α)
Incentives	0.961	0.949	0.935
Team building	0.856	0.883	0.844
Support	0.671	0.811	0.648

To assess the reliability of the factors in terms of how effectively they are measuring the various constructs, the Cronbach's alpha is calculated and this is important in analysing the consistency of responses across the items within a construct (Collier 2020). The Cronbach's alpha ranged from 0.648 to 0.935, whereas the composite reliability statistics ranged from 0.800 to 0.950. Both statistics were above the recommended threshold level of 0.700 (Hair et al. 2017), and hence construct validity was established.

Convergent Validity

Convergent validity was also established when the average variance extracted (AVE) was ≥ 0.5 and the AVE values for incentives, team building and support were 0.660, 0.523 and 0.592, respectively (see Table 6).

Table 6: Fornell and Larcker (1981) criterion

Construct	Incentives	Team building	Support
Incentives	0.660		
Team building	0.070	0.523	

Support	0.015	0.001	0.592
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Note: Squared correlations; AVE in the diagonal

When the AVE value is greater than or equal to the recommended value of 0.5 it is an indication that the items converge to measure the underlying construct, and hence convergent validity is established (Fornell and Larcker 1981). Convergent validity results based on the AVE statistics in the current study showed that all constructs had an AVE greater than 0.50, and hence convergent validity was established. Table 6 shows the AVE values for each of the constructs. Therefore, the results depicted evidence of internal consistency of the scale used.

Proposed Model

The proposed conceptual model (see Figure 3) is based on the extracted factors from the EFA process. Based on the KMO test and Bartlett’s test of sphericity, factor extraction, the total variance explained and eigenvalues, the scree plot, EFA and the reliability test for guidance, the following conceptual model was proposed (Denis 2019).

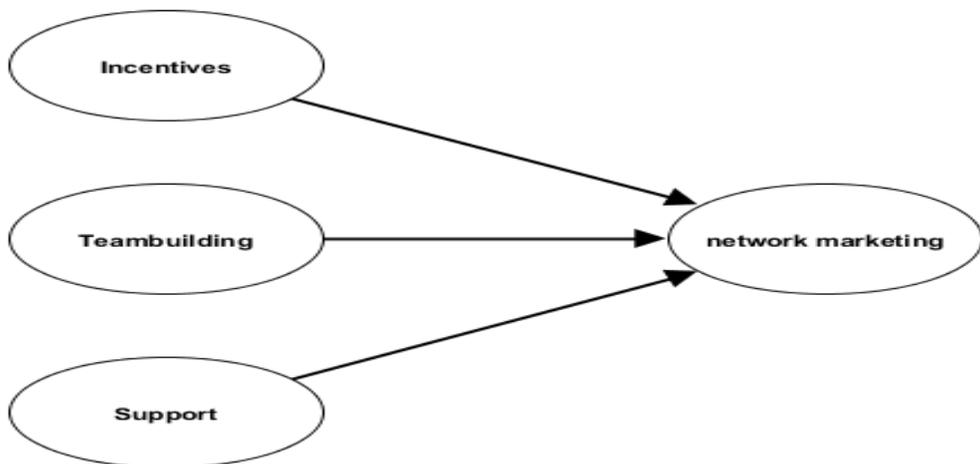


Figure 3: Research framework which may further be employed to analyse the dimensions that influence the growth of MLM or network marketing

Managerial Implications

The study findings showed that the EFA used to extract those motivational factors that could be considered highly effective has shown that incentives rank highly on the final constructs. The respondents were asked to rate the use of various factors and the following factors were portrayed as being effective in motivating individuals to join MLM companies: compensation plan/reward; commitment to the project; trust in team members; reward sharing-doing projects together; personal goals; low entry barriers;

flyers and business cards; status/social standing; idea sharing; and communication MLM team-building methods or strategies also contribute towards the process of motivating MLM participants through factors, such as: personality of the individuals; seminars/conferences; leadership attributes of skills; group presentations; local vs distant friends (those you do not know); expertise/professional skills; and word of mouth/sharing my success story. These intrinsic factors also require management attention to address specific objectives such as affiliation, personal development, and profitability.

Limitations and Future Research

The research has made contributions in the area of theory and various latent constructs or factors have been identified which provide support in future research if they are utilised in collaboration with other variables. The limitations of the study are primarily in the sampling technique which was a non-probability technique thus restricting broad inferences on the findings. The analysis of the research findings can lead to further research of the variables using other analysis techniques such as confirmatory factor analysis.

Conclusion and Recommendations

Much more than a traditional business, MLM is anchored on trust between the sponsor (the leader of the team) and their distributors (downlines). In MLM, when a member is recruited into the business, they become a partner of the individual who recruited them. Their success in achieving their goals is mutually dependent. The team leader becomes, in essence, the mentor, coach, trainer, motivator, and role model. Even after the recruit has learned the business skills, they continue to look up to the leader as a compass for the organisation's moral fibre, accountability, and work habits (Christensen 2008). Trust is therefore identified as a critical binding ingredient in MLM relationships. Thus, it can also be said that trust acts as an enabler in the formation of the MLM relationships which often cut across the lines of personality, physical distance, and social standing divide. Trust forms a pillar in relations created purely based on achieving personal gains and a legally binding document that is devoid of social ties. Many participants in MLM teams are neither friends nor family, but they grow into such because of the working relationship built through trust. MLM is a form of business that is still clouded by negative images, with individuals and governments around the globe even questioning its legality. Thus, the individuals joining this business must have trust and confidence in the words of the person who is recruiting them.

The model tested in the current study suggests that MLM relationships are dendritic and do not necessarily result in linear relationships (Cuntz et al. 2010). Recruitment of new members into MLM starts with motivation, and it has been noted that despite the high loss rate, the focus remains on changing beliefs, attitudes and behaviour (Hiranpong, Decharin and Thawesaengskulthai 2016). The resulting structure is quite complex yet

profoundly interconnected and interdependent. The researchers' validation process of the proposed model is supported by literature (Legara et al. 2008).

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