INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

MULTI-LEVEL MARKETING AS A PART-TIME CAREER OPTION AMONG THE YOUTH. (A CROSS-NATIONAL STUDY OF MALAYSIA AND THE ARAB WORLD)

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Abstract

In many years, businesses were able to connect with the consumers through marketing. However in today's world, the consumers have become part of the businesses through multi-level marketing. In Malaysia, there is an increased competitiveness and turbulence in the labor market. The number of people getting into the job market is not equivalent to the number of jobs available. The saturation of the labour market leads to most of the people ending up with a lower salary which is not sufficient to cater for the daily needs. Multi-level marketing can be one of the ways of eliminating this tragedy through the generation of additional income that will complement the basic salary. Most of the people have been doing extensive research about the existence of multi-level marketing. However, only handful studies have really examined the willingness of the youth to undertake multi-level marketing as a part-time career option among the youth. In this research a cross-national study between Malaysia and the Arab world will be done to investigate on the willingness of the youth to undertake multi-level marketing as a part-time career option. There will be an investigation on how different constructs such as uncertainty avoidance, behavior intention towards social networking, trust and agent attributes will have an impact on Multi-level marketing acceptability. The research will be conducted in Nilai and the target respondents are the youth who are mostly students in the universities. Based on the literature review that was available, a framework was developed and this research was conducted through quantitative approach. The data was collected through questionnaires, analyzed using smart PLS and SPSS 20.0 software's with multiple kinds of tests such as structural equation modeling and Mann-Whitney. The empirical findings of the study suggest that there is a strong significant difference between the Malaysia and the Arab world towards the youth willingness towards undertaking multi-level marketing as a part-time career option among the youth.

Keywords: *Multi-level marketing, Network marketing, Trust, Social networking, Uncertainty avoidance, direct marketing, Youth*

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Declaration

This declaration is made on the ......29........day of......November..2013

Student's Declaration:

I -------------------SAID SALIM KHAMIS JENEBY (I09003697)------------------------------------
(PLEASE INDICATE STUDENT'S NAME, MATRIC NO. AND FACULTY) hereby declare that this work is my original work. I have not copied from any other students' work or from any other sources except where due reference or acknowledgement is made explicitly in the text, nor has any part been written for me by another person.

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Table of Contents

List of Appendices

List of Tables

List of Figures

CHAPTER 1:
INTRODUCTION

1.1 Introduction

This chapter consists of a background of study in section 1.2 and the problem statement will be clearly defined in section 1.3. Subsequently, the research objectives and questions will be discussed in section 1.4. Moreover, the significance of the study and the limitation will also be highlighted in section 1.5 and 1.6 respectively. The scope of study and the operational definitions will be elaborated in section 1.7 and 1.8 respectively. This chapter will end with a chapter summary in section 1.9.

1.2 Background of study

The field of marketing is one of the most critical and challenging areas for managers in most of the organizations. In order for organizations to maintain profitability, managers started coming up with different concepts and business models that will enabled them to have the strength of facing the current challenges in the world. The world currently is facing increased global price competitiveness, changing technologies, the turbulent business climate, changing employment legislation and workforce composition.

Direct marketing is a concept that existed for a long time but recently, there have been a significant adoption of this concept due to the fact that people perceive it as an easy way of earning. The functions of marketing evolved in line with the change in the cultural and social-environment. Network marketing is found to be the best concept for the 21st century. In today's world, people prefer working in a more flexible environment that will ensure financial stability at the same time.

Due to the increased competition and scarcity of resources, most of the businesses are trying their best to be more efficient and effective in their operations. According to a report on creating wealth the enlightened way (Allen, 2002), word of mouth has been proven to be the most effective way of doing marketing. In this case network marketing is a situation whereby businesses believe strongly in the word of mouth advertising. The manufacturer will be in a position to market the goods directly to the consumers. This is achieved through independent distributors who will tend to promote the products at their own expenses.

In order to understand multi-level marketing, it is very important to understand the concept of network marketing because it acts as the pillar of multi-level marketing. Most of the people feel that these two concepts are similar but in reality they are not and they can never be interchangeable. According Shays (2012), multi-level marketing is all about getting rid of the middle man, meaning the proper business channels or the advertising agencies. In this case, the manufacturers will be in a position to market a product to the consumers directly without having the need of allocating a huge budget of advertising or training the sales force. In network marketing, they appoint independent distributors who will be promoting the products at their own expenses. This will lead the company to have a lot of savings in terms of advertising costs and overheads. As a result, the company will decide to share the savings with the distributors in the form of bonuses and commissions (Shays, 2012). In conclusion, it can be said that what the distributor does is to recommend a product to another person and he/she will get paid for the effort if eventually the person purchases the product. On looking at this concept broadly, it is a win-win situation for all the parties involved. The manufacturers are in a position to save a lot of money and also reduce greatly the risk of having the products not sold at their hands. It can also be seen that the distributor will be in a position to earn some extra income by spreading the word of mouth. Most of the people today recommend their friends and families about products and services but they don't get paid for it. Therefore this is a great advantage for the independent distributors. Lastly, the customers will also be at a great advantage

because they will be able to acquire products from people they trust most. This has more value than merely depending on advertisements which may be sometimes deceiving.

On the other hand, multi-level marketing is all about building a sales force that will promote the products. This concept believes that when your team members recruit independent distributors and become leaders on their own, they still remain under your umbrella and you will always earn money from their efforts. This group of people are referred to as the "downline" and comprise of many levels as the name multi-level marketing suggests. There are great returns in this business in the sense that the manufacturers are able to sell more products. Moreover, the income potential of the distributors is unlimited.Lastly, the customers will always be in a position to enjoy superiorproducts and services at a much cheaper price(Shays, 2012).

The main theory behind the concept of network marketing is the more people join, the more benefits an individual makes. However, network marketing takes a step further and become multi-level marketing. Multi-level marketers will not only make money from the people they have personally introduced into the business but they will be in a position to enjoy more benefits whenever the downlines manage to close more deals.Relationship marketing acts as the main driving force in the multi-level marketing industry. When the network members are well connected, it creates a win-win situation for all of them. In comparison with the traditional ways of doing marketing, companies will spend millions of dollars to pay the media such as the television, newspapers and magazines. Where as in multi-level marketing, the money is mostly shared with their best customers.

Nowadays, network marketing is gaining popularity and it's a business model that has a huge potential in the future. When looking at franchising 40 years back, it was something that was not popular but today franchising has become a concept that is clearly known by most of the people globally. On the other hand, some

believe that the network marketing companies contain a lot of irregularities in a way that most of the companies end up taking advantage of the peoples desire to generate more money without much husstle(Fearer, 1999b).

Fearer also continues to explain that the most important point to take note is the fact that most of the people who are criticizing this model are the people who have been strongly attached to this kind of business. In Malaysia people who are joining the network marketing business are expected to put in a lot of hard work, dedication and commitment in order to succeed (Bloch, 1996).

According to Fournier and Faltinsky (1992),it has been stated that the multi-level marketing industry in Malaysia is doing very well and its generating in excess RM3.0 billion. Anonymous (2004), continues to explain how the industry in Malaysia is strictly regulated. This is mainly achieved through the government coming up with the Malaysian direct sales act (1993), which has strict requirements that ensure the industry remains healthy and respectable. However, there are still smart companies that tend to ignore the laws and thus tend to generally give a bad image of the industry as a whole.

It is time to give credit to the multi-level marketing firms because people in this business become self-independent and can recruit diligent distributors who will ensure that there would be a continuous flow of money (Hedges, 2001). King and Robinson (2000), also stresses that it is a more flexible working environment in the sense that someone is able to work from home, taking a break whenever he/she wishes to and still ending up earning decent money.

A study that was done by Kiaw and Run (2007) clearly shows there are a large number of Malaysians that are joining and staying in the multi-level marketing firms. The main challenge that will arise in the long term is the saturation of the market. Therefore there is a great need of expanding the concept in the international arena. One of the benefits that would arise from this action is the

upline will be in a position to benefit from the performance of the people who will join. This shows that Malaysia has a great opportunity because of the country's attractiveness of international students. Malaysia has truly decided to become an education hub and according to Chi (2011), the education minister Tan Sri Muhyiddin released an official statement that the higher education ministry (MOHE) has set a target of attracting at least 200,000 international students by 2020.

The world ranking also clearly shows that Malaysia has been ranked 11th globally in terms of the total number of international students they attract. Therefore, in this paper a cross-national study will be conducted between Malaysia and the Arab world to investigate on the willingness of the youth to undertake multi-level marketing as a part-time career option.

1.3 Problem Statement

The network marketing industry has observed an impressive growth in the past thirty years in terms of the sales volume and the salespersons involved. It is vital to study about this issue because most of the people tend to leave their jobs and join network marketing companies.

The main element that is brought forward by the MLM companies is personal freedom and financial independence (Feinberg and Eastlick, 1997). However, there are many who claim that what the MLM companies are promising is not the absolute truth and statistics shows that 93%-95% of the people who participate in multi-level marketing channel end up losing their money and will not generate the money they were promised by the companies (Clements, 2001).

According to Sim (2013), Malaysia has experienced a very low unemployment rate of 3.3 percent as of 2012. This portrays a positive image by highlighting that the country is at full employement. A problem that arises is a number of graduates when they jump into the work life; they tend to fetch a salary of between RM1800 and RM2000. In comparison with countries such as Singapore fresh graduates are

able to earn 6200. This can clearly show that the salaries in Malaysia are relatively low.

On the other hand when looking at the concept of multi-level marketing, it doesn't restrict someone to a particular pay slip. The earnings will increase based on the amount of effort injected into the business. Subsequently, the direct selling association of Malaysia convention 2011 had a theme 'Direct selling Beyond Malaysia. Malaysia government is planning to promote the multi-level marketing industry expansion outside Malaysia (Direct selling association of Malaysia, 2013). However, different cultures might have different perceptions regarding network marketing. Malaysia has now established itself as an educational hub and are holding various exhibitions across the Middle East, Africa and most of the Asian countries. According to project atlas (2010), Malaysia has a total number of 86,923 international students enrolled. This study will tend to fill the **geographical gap** because a cross-national study will be done to investigate how different cultures respond towards multi-level marketing as a part-time career option. This study will highlight the significant differences that exist between Malaysia and the Arab world. There are a lot of changes happening in the multi-level marketing industry. Therefore, this research will help to overcome **the time frame gap** and provide information that will be relevant in today's world. The research papers such as (Kiaw and Run 2007) are outdated.

1.4 Research Objectives and Questions

This research aims to investigate the youth's willingness to undertake MLM as a part-time career option. The main focus will be looking at how the youths respond towards multi-level marketing. Therefore, the research objectives and questions will be focused on the relationship between some characteristics and the willingness of the youth towards undertaking multi-level marketing as a part-time career option. Since this is a cross-national study, the researcher will be able to

project on whether there is any significant difference between Malaysia and the Arab world towards undertaking multi-level marketing as a part-time career option.

1.4.1 Research Objectives

- To examine the willingness of the youth in Malaysia and the Arab world towards undertaking multi-level marketing as a part-time career option.
- To examine the relationship between trust and the willingness of the youth to undertake multi-level marketing as a part-time career option.
- To examine the relationship between agent attributes and the willingness of the youth to undertake multi-level marketing as a part-time career option.
- To examine the relationship between uncertainty avoidance and the willingness to undertake multi-level marketing as a part-time career option among the youth.
- To examine the relationship between the behaviour intention towards social networking and the willingness to undertake multi-level marketing as a part-time career option among the youth.
- To examine whether there is any significant difference between Malaysia and the Arab world towards undertaking multi-level marketing as a part-time career option.

1.4.2 Research Questions

- Can a multi-level marketing be a part-time career option among the youth.
- How does uncertainty avoidance, trust, agent attributes and behaviour intention towards social networking affect the youth decision towards accepting the business model.
- Is there any significant difference between Malaysia and the Arab world regarding the acceptance of the business model among the youth.