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An examination on Age Groups and Network Marketing: the opportunities and challenges

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Research Article

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ABSTRACT

The human being has to meet their needs and requirements instinctively in order to be able to continue living in our planet. One of the most important instincts in humans is their needs for eating, drinking, clothing, etc. Therefore, we, as human beings, choose some products and consume them in order to have better life and also a long life. Attention must be paid that the consumption of goods and using services is a natural way for all age groups. All of the age groups need to meet their needs and requirements from various national and international resources. That's why the marketers are interested in both different age groups and various cultures in order to utilize their potentials for identifying the customer needs and finding the best methods for meeting their requirements. On the other hand, network marketing business is one of the modern phenomena of the current century which has been established on ICT (Information and Communication Technology) and internet facilities and is able to attract the attentions of many people around the world. Network marketing business is so attractive that many people join it every day all over the world and it will be more fascinating in the near or distant future. This study aims to shortly review the age groups and their needs and requirements as well as the role of different age groups in expanding network marketing business in the world and especially in Iran. In addition, opportunities and challenges of the network marketing specifically in differentiating network marketing and pyramid schemes has been somehow addressed in this research.

INTRODUCTION

It has been changes in the human's life in three waves: Agricultural Wave, Industrial Wave, and Electronics Wave ^[1]. The human's needs in the first wave, i.e., agriculture and husbandry, was satisfied via working on the farms and the products were exchanged with together. In other words, the goods were exchanged with other goods and no money was exchanged in this process. After industrial revolution, the human being was experienced a new wave and entered the world of industry and technology. In this period, the exchange of goods could not satisfy the human needs and money was invented and therefore, money was paid and received in return of exchanging goods. The World War II was commenced in this period and caused many losses and hazards for world communities. Although the war had dangerous ruins on the world economy and was a disaster for millions of people around the world, it could persuade some countries to utilize their creativity for mitigating the undesired effects of war, and it was a start for initiatives and inventions in industrial era. After ending the war, most of countries try to continue their scientific and technological efforts and do not give up each kind of effort. Network Marketing is a phenomenon which emerged in 1945 and from that time there has been many challenges in network marketing industry. This study aims to examine the role of various age groups and discuss the opportunities and challenges, and if necessary, give some solutions for probable conflicts among them and subsequently reveal the essence of focusing on network marketing as a prosperous home industry.

AGE GROUPS

Each human being needs some series of products during his/her life period. The needs of each person varies as he/she gets older, meanwhile, the dominant culture in their area of residence and weather conditions may even affect the human's needs. The researchers in ^[2] address the age scope and believe that it will be possible to meet the requirements of people with different ages and interests in the society by Multi-Level Marketing (MLM), i.e., network marketing. The afore-said researchers emphasize that anyone or everyone above 18 years of age with sound mind can become member/distributor in multilevel marketing schemes with no requirement for qualifications or previous experience. Brands often communicate in different ways; sometimes even create specific products (sometimes without significant intrinsic difference) for the same type of product in order to specifically target an age group, a gender or a specific sub-culture. Consumers are usually more receptive to products and marketing strategies that specifically target them ^[3]. According to ^[4], network marketing is appropriate for all age groups. Everybody can take part in network marketing, but all participants are not successful in this business. The successful ones are those who have understood the merits and robust potential of network marketing and try to work hard for success. A consumer does not buy the same products or services at 20 or 70 years. His lifestyle, values, environment, activities, hobbies and consumer habits evolve throughout his life. Age and life-cycle have potential impact on the consumer buying behavior. It is obvious that the consumers change the purchase of goods and services with the passage of time. Family life-cycle consists of different stages such young singles, married couples, unmarried couples etc. which help marketers to develop appropriate products for each stage. For example, during his life, a consumer could change his diet from unhealthy products (fast food, ready meals, etc.) to a healthier diet, during mid-life with family before needing to follow a little later a low cholesterol diet to avoid health problems ^[3]. According to ^[5], the origin of network refers to the exponential formula which was introduced for the first time by Euclid. On the other hand, researcher ^[5] quotes a sentence from J. Paul Getty who believed that everybody must own his/her business to be successful and then gives some statistic as follows: in 1996 in the USA, one person in each 10 seconds had owned his/her business. In 2002, near 2 million Americans obtained millions of dollars via home businesses and this trend has continued up to now. At present in America 8493 jobs are created and among all home businesses, one person joins network marketing in every 10 seconds. Success Magazine believes that network marketing is the strongest access way to the customers in 1990s and the upcoming years. In addition, John Kalench has said that network marketing is the greatest opportunity during the history of human kind. According to ^[6], teens are a global and diverse generation who come from a wider mix of backgrounds with different experiences and ideas. Trends in diversity are likely to continue as 40% of Tweens belong to ethnic subcultures.

NETWORK MARKETING

Network Marketing is a kind of marketing method in which the companies sell their products without advertising and only through word-of-mouth and subsequently, they receive commission. Network Marketing has been rightfully utilized in a lot of countries and many desired results have been obtained. The developed countries like Japan, USA, China, and many other countries have considerably assisted their local and national productions by not only managing appropriately but also by creating a suitable mechanism for network marketing companies in international environments in order to focus on dynamic import and export of their products. As an example, Amway, a pioneer in network marketing, handles its business through some affiliated companies in more than 100 countries and regions all over the world ^[7]. Although the history of network marketing dates back to the 1940's it is only now that the industry has come of age. Network marketing has now grown to the point where it is creating more millionaires today than the dot com boom industry did before the bubble burst ^[8]. Author W. Clement Stone once wrote that the best sort of money to use in a business endeavor is –Other People's Money (OPM). Network Marketing goes two steps beyond that (1) OPT (Other People's time, talent, and technique), and (2) OPE (Other People's energy, education, and enthusiasm). In short, "People Power"—other people are the greatest resource in network marketing. In many other professions, you're paid only for your own efforts. However, in network marketing, you get to utilize the age-old advice of J. Paul Getty: It is better to make one percent of 100 people's effort, than 100% of your own efforts ^[9]. Network Marketing is a form of direct sales. Network Marketing, also known as Multi-Level Marketing (MLM), is a legitimate business model that uses direct selling and relationship referrals as a method of selling a company's products or services. In typical networking model, individual associates (often referred to as distributors) essentially contract or act like a franchisee to the parent company and are paid a commission based on the volume of product or services that are sold as a result of their own organization's efforts. In summary it is simply an alternative distribution model of delivering goods and service out into the market place. Network marketing (or multi-level marketing) continues to be one of the fastest-growing forms of business in the world. It currently accounts for over \$80 billion in annual sales. There are over 25 million people actively involved in an estimated 1,500 network marketing companies worldwide ^[8]. According to ^[10], the products in networking marketing companies are sold to friends or family members through word-of-mouth or are consumed personally; meanwhile, it would be possible to offer the products in each location in the world using internet and delivery technologies. Based upon ^[11], network marketing has evolved without any need of advertising and it has been changed into the greatest business system of its kind. The success of this system is due to the approach of word-of-mouth and its members' enthusiasm. This system is one of the most dynamic systems that have ever created by human kind. According to ^[2], the concept of Multilevel Marketing or network marketing is a method of product distribution. The products are moved through independent distributors. The distributors are given an opportunity to introduce other distributors to the business. Instead of incurring massive media advertising and sales

promotion cost, the savings are passed on to distributor consumers. At the same time products are available to consumers at wholesale prices.

NETWORK MARKETING AND ITS DIFFERENCE WITH PYRAMID SCHEMES

Network marketing is not a "get-rich-quick" scheme and should not be confused with illegal pyramid schemes. Rather, it is a legitimate and legal business system for the marketing and distribution of products and services. It is simply a network of independent sales representatives that sell products and services from the supplier (or manufacturer) directly to the end-user (or consumer). This trend in direct-selling has grown in popularity since the 1950's and shows no signs of slowing. Network Marketing/MLM has been recognized as a legitimate form of business for over 40 years by the U.S. Government and most other countries around the world ^[8].

According to ^[4], some people think that network marketing and pyramid scheme are the same. They make a mistake, because they only consider the structure of a network which is similar to a pyramid. This reason is not right, because all the organizational structures are like a pyramid. What specifies the pyramid is not the form of organization, but the performance of an organization reveals if it's a pyramid. Followings are some features of a pyramid scheme:

1. No product or service is offered. Attention must be paid that the network marketing companies pay salary, commission, and reward of active customers by obtaining the profit gathered from selling goods or services. In a pyramid scheme, no product or service is offered and the commission is paid from the initial money that the members have paid to the company to become a member.
2. The price of products or services is so expensive in order to enable the managers to compensate the commissions.
3. The members of a pyramid receive commission only by adding some other members to their team without selling any product or service, while in network marketing, the active customers are actually independent distributors which receive commission from the profit gained by more sales.
4. In a pyramid, an up line receive more commission than the down line, but in network marketing, downline members will be able to receive more commission than the up line members if they set appropriate goals and strategy.

NETWORK MARKETING IN IRAN

It has been for 4 years that network marketing is active in Iran and nowadays, 14 companies are working in this field. These companies are supervised by the government and each of their activity is controlled accurately. By appropriate planning and also systematic, political, and legal support of the government, all network marketing companies in Iran are able to be converted to international companies and sell their products via creating branches in many countries in order to sell their products. Based on a prediction by some great international network marketers, Iran has the capability of becoming the super power of network marketing in the Middle East. On the other hand, networking marketing rules and regulations have been provided by the government in order to create an interaction atmosphere for network marketing companies to continue their activities legally. Also, the government supervises all the network marketing companies in order to prevent those companies which tend to follow pyramid schemes. The network marketing approach is able to have a deep impact on the economic situation and solve the issue of recession ^[7]. There are different viewpoints on network marketing or Multi-Level Marketing (MLM). Some people believe that they are kinds of pyramid schemes which have started their jobs by a new method of selling and some other people are strictly fan of these companies. Attention must be paid that hierarchy structure in MLM or network marketing is not a reason for pyramid scheme. In addition, the reason that some people consider the network marketing companies as pyramid schemes is the wrong performance of some marketers who have not any correct attitude and perception on network marketing and focus only on their profits without noticing other people's needs in their groups ^[12]. Baadraan Universal Trading (BUT) Baadraan Universal Trading (BUT) was registered with the number 408926 in 2010 and took necessary measures for receiving the permission for commencing its activities on network marketing. After about two years of investigation by the governmental officials, the company received the first permission on network marketing in Iran in 2012 by the number of 42-568308 from the Ministry of Industry, Mine, and Trade.

The BUT founders and its strategic council focus on products which are echo-friendly and do not threaten the environment. So, the activity of BUT is in the field of health and beauty products in order to establish a bilateral interaction between human and nature in order to let other people use the advantages of nature as well.

The BUT presents a full set of natural products with the best quality for skin, hair, and health together with specialized consultants for its customers in order to help them choose their requirements freely and easily. The slogan of BUT is: Do a different thing today to have a different life tomorrow.

CONCLUSION AND SUGGESTIONS

The various age groups in the world have found network marketing a business that will meet their requirements. The only

worrying point in this business is the pyramid scheme that fortunately is not in Iran. The network marketing companies work under supervision of the Ministry of Industry, Mine, and Trade and many age groups including youth, young adults, and adults work in this business; meanwhile, the number of interested people add network marketing, because many teenagers entered in 18 years and are able to register as networkers and start their job in one of the network marketing companies according to their interest.

Followings are some suggestions on network marketing in Iran:

1. The essence of justifying those who are going to start this business and prove them that the business is legitimate and legal and has the robust permission by the Ministry of Industry, Mine, and Trade.
2. Have a visit from the companies which have the permission for network marketing and being familiar with the process of registration, buying products, and delivering the products together with the prices and essential taxes.
3. Participating in the related seminars and conferences which are held in different period of time and listening to the leaders who share their experiences as well as the commission plan of the companies.
4. Persuading the young people to join the network marketing companies, because it will solve the problem of unemployment in the country and is a source of reasonable income through the defined taxes for the government.

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