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Factors Influencing the Attraction and Retention of Multi-Level Marketing Distributors in South Africa

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

Johannesburg, 2012

ABSTRACT

Sustained distributor growth that consistently achieves product sales and stated revenue objectives is the lifeblood of Multi-Level Marketing (MLM) organisations (Legara, Monterola, Juanico, Linton-Palima & Saloma, 2008). This is due to the various roles and functions that MLM distributors perform within MLM organisations (Alturas, 2003) such as, sales generation, recruiting of more distributors; new distributor training, distributor motivation, and order control (Msweli-Mbanga & Sargeant, 2001). MLM distributor attraction and retention are therefore of fundamental importance to MLM organisations.

In light of this, the purpose of this study is to provide insight into the factors influencing the attraction, participation and retention of these MLM distributors in South Africa. A research questionnaire was constructed based on the available literature and was primarily distributed electronically. Of the 238 responses obtained, 183 were accepted as valid and the collected data was then subjected to various quantitative analyses with exploratory factor analysis being the technique selected for identifying factors influencing distributor attraction and participation. T tests and effect size analyses were then employed over and above factor analysis as secondary techniques in order to identify the factors influencing distributor retention.

The results showed that factors pertaining to career and personal development, industry attractiveness and time flexibility, and income generation opportunities were the factors influencing distributor attraction into the MLM industry. Once engaged with the industry as a whole, potential distributors decided to participate in specific MLM organisations due to the factors pertaining to company image and success, the product affiliation of the potential distributors, and the outcomes of the distributors' own investigations.

Once successfully recruited, the study revealed the factors influencing distributor retention to be the distributors' views of the marketing mix, distributor development and company performance, the network and sales growth

achieved, satisfaction with income, product usage and entrepreneurship, valuing of relationships, and the organisational support received.

The underlying key findings for this research being that MLM organisations must be collective custodians of the industry as a whole. They must seek out and address any negative sentiments regarding the industry and positioning the industry favourably in the eyes of the broader public in order to ensure the MLM industry is attractive to potential distributors. In addition, MLM organisations must individually look internally to ensure they are configured for success. This implies developing and acting on approaches to attracting high numbers of quality distributors to their organisations through the understanding of the factors that these potential distributors consider to be important. This should be supplemented by integrated distributor retention strategies to allow the MLM organisations to consistently achieve their desired product sales and revenue objectives.

DECLARATION

I, Thuthuka Mashaba, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Thuthuka Mashaba

Signed at Parktown

On the ..... day of 2012

DEDICATION

This research is dedicated to my parents, Naboth and Thembeni Mashaba for their unconditional love and support. To my sister, Nomasonto Banganayi for always being there when needed the most.

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TABLE OF CONTENTS

ABSTRACT ..... **I**

DEDICATION ..... **IV**

TABLE OF CONTENTS ..... **VI**

LIST OF TABLES ..... **XII**

LIST OF FIGURES ..... **XIV**

1 INTRODUCTION **1**

1.1 PURPOSE OF THE STUDY 1

1.2 CONTEXT OF THE STUDY 1

1.2.1 IMPORTANCE OF DISTRIBUTORS TO MLM SUCCESS 4

1.2.2 MLM AS PYRAMID SCHEMES 5

1.2.3 MULTI-LEVEL MARKETING IN SOUTH AFRICA 6

1.3 PROBLEM STATEMENT 8

1.3.1 MAIN PROBLEM 8

1.3.2 SUB PROBLEM 1 8

1.3.3 SUB PROBLEM 2 8

1.4 SIGNIFICANCE OF STUDY 8

1.5 DELIMITATIONS OF THE STUDY 9

1.6 DEFINITION OF TERMS 9

1.7 ASSUMPTIONS 12

2 LITERATURE REVIEW **13**

2.1 FACTORS INFLUENCING INDIVIDUALS TO JOIN AND PARTICIPATE IN MLM PROGRAMMES AS DISTRIBUTORS 13

2.1.1 PUSH FACTORS 13

2.1.2 PULL FACTORS 14

2.1.3 ATTRACTING DISTRIBUTORS TO SPECIFIC MLM PROGRAMMES 16

2.2 FACTORS INFLUENCING THE RETENTION OF DISTRIBUTORS IN MLM ORGANISATIONS 20

2.2.1 MARKET ORIENTATION 21

2.2.2 COMPANY PERFORMANCE 22

2.2.3 DISTRIBUTOR SUPPORT 22

2.2.4 DISTRIBUTOR CHARACTERISTICS AND MOTIVATION 23

2.2.5 DISTRIBUTOR PERCEPTION OF THE MARKETING MIX 23

2.2.6 CUSTOMER PROFILE 25

2.2.7 DISTRIBUTOR COMPENSATION 26

2.2.8 DISTRIBUTOR EXPECTATIONS BEFORE PARTICIPATION VERSUS EXPERIENCE POST PARTICIPATION 26

2.3 LITERATURE REVIEW SUMMARY 28
2.3.1 DISTRIBUTOR ATTRACTION 28
2.3.2 DISTRIBUTOR RETENTION 29
2.4 RESEARCH PROPOSITIONS 30
2.4.1 PROPOSITION 1 30
2.4.2 PROPOSITION 2 30
2.4.3 PROPOSITION 3 30
2.4.4 PROPOSITION 4 31
2.4.5 PROPOSITION 5 31

3 RESEARCH METHODOLOGY 32

3.1 QUANTITATIVE RESEARCH APPROACH 33
3.1.1 POPULATION 34
3.1.2 SAMPLE SIZE 34
3.1.3 SAMPLING METHOD 35
3.2 THE RESEARCH INSTRUMENT 35
3.2.1 QUESTIONNAIRE DESIGN PRINCIPLES 36
3.3 PROCEDURE FOR DATA COLLECTION 37
3.4 DATA ANALYSIS AND INTERPRETATION 37
3.4.1 DESCRIPTIVE STATISTICS 38
3.4.2 FREQUENCY TABLES AND CROSS-TABULATIONS 38
3.4.3 FACTOR ANALYSIS 39
3.4.4 T TESTS 42
3.4.5 EFFECT SIZE 43
3.5 LIMITATIONS OF STUDY 43
3.6 VALIDITY AND RELIABILITY 45
3.6.1 EXTERNAL VALIDITY 45
3.6.2 INTERNAL VALIDITY 45
3.6.3 RELIABILITY 45

4 RESULTS AND ANALYSIS 47

4.1 INTRODUCTION 47
4.2 DEMOGRAPHICS 47
4.2.1 RACE DISTRIBUTION 48
4.2.2 GENDER DISTRIBUTION 49
4.2.3 AGE DISTRIBUTION 50
4.2.4 EMPLOYMENT STATUS 51
4.2.5 INVITED TO PARTICIPATE IN MLM BY 52
4.2.6 PARTICIPATION STATUS 54
4.2.7 TIME SPENT PARTICIPATING IN MLM 55
4.2.8 TIME SPENT AS AN ACTIVE DISTRIBUTOR IN MLM 56
4.2.9 HOURS SPENT ON MLM ACTIVITIES PER WEEK 58
4.2.10 ACTIVITY APPROACH IN MLM 59
4.2.11 AVERAGE NET COMMISSIONS RECEIVED FROM MLM ACTIVITIES 60
4.3 CROSS-TABULATION 61
4.3.1 HOURS SPENT ON MULTI-LEVEL MARKETING ACTIVITIES BY EMPLOYMENT STATUS 62
4.3.2 HOURS SPENT ON MULTI-LEVEL MARKETING ACTIVITIES BY MONTHLY MLM COMMISSION 62
4.3.3 MULTI-LEVEL MARKETING ACTIVITY BY MLM COMMISSIONS 63
4.3.4 MLM COMMISSIONS BY TIME SPENT AS AN ACTIVE DISTRIBUTOR 63

4.3.5 MLM COMMISSIONS BY INTENTION TO CONTINUE AS ACTIVE DISTRIBUTOR 64
4.4 FACTOR ANALYSIS..... 64
4.4.1 FACTORS INFLUENCING THE ATTRACTION OF POTENTIAL MLM DISTRIBUTORS INTO THE MLM INDUSTRY 65
4.4.2 FACTORS INFLUENCING POTENTIAL DISTRIBUTORS TO PARTICIPATE IN A PARTICULAR MLM COMPANY 70
4.4.3 FACTORS INFLUENCING MLM DISTRIBUTOR RETENTION.....76
4.4.4 COMPARISON OF MEAN SCORES OF DISTRIBUTORS CATEGORISED BY INTENTION TO REMAIN AS AN MLM DISTRIBUTOR.....86
4.5 EFFECT SIZE..... 90
4.6 SUMMARY OF RESEARCH RESULTS 92
4.6.1 FACTORS INFLUENCING THE ATTRACTION OF MLM DISTRIBUTORS IN SOUTH AFRICA 92
4.6.2 FACTORS INFLUENCING THE RETENTION OF MLM DISTRIBUTORS IN SOUTH AFRICA ..95
5 INTERPRETATION OF RESULTS.....98
5.1 DEMOGRAPHIC PROFILE OF SAMPLE..... 98
5.1.1 AGE, GENDER AND EMPLOYMENT 98
5.1.2 TENURE, DISTRIBUTOR ACTIVITIES AND PERFORMANCE.....99
5.2 FACTORS INFLUENCING THE ATTRACTION AND PARTICIPATION OF NEW DISTRIBUTORS INTO MLM ORGANISATIONS IN SOUTH AFRICA. 101
5.2.1 CAREER ASPIRATION AND PERSONAL DEVELOPMENT 102
5.2.2 INDUSTRY ATTRACTIVENESS AND TIME FLEXIBILITY 103
5.2.3 INCOME GENERATION OPPORTUNITY.....104
5.2.4 COMPANY SUCCESS AND VALUE SYSTEM 106
5.2.5 PRODUCT AFFILIATION 107
5.2.6 DISTRIBUTOR'S SPONSOR AFFILIATION.....108
5.2.7 DISTRIBUTOR INVESTIGATIONS 109
5.3 FACTORS INFLUENCING DISTRIBUTOR RETENTION IN MLM 110
5.3.1 VALUING OF RELATIONSHIPS 112
5.3.2 PRODUCT USAGE AND ENTREPRENEURSHIP 113
5.3.3 MARKETING MIX 116
5.3.4 SATISFACTION WITH INCOME 118
5.3.5 DISTRIBUTOR DEVELOPMENT AND COMPANY PERFORMANCE.....120
5.3.6 ORGANISATIONAL SUPPORT 121
5.3.7 NETWORK AND SALES GROWTH SATISFACTION.....122
5.3.8 DISTRIBUTOR PERFORMANCES AND EXPERIENCES VERSUS THEIR EXPECTATIONS PRIOR TO JOINING A PARTICULAR ORGANISATION 123
5.4 INTERPRETATION OF RESULTS SUMMARY..... 124
6 CONCLUSIONS AND RECOMMENDATIONS.....126
6.1 SUMMARY OF SIGNIFICANT RESEARCH RESULTS..... 126
6.1.1 FACTORS INFLUENCING THE ATTRACTION OF POTENTIAL MLM DISTRIBUTORS INTO THE MLM INDUSTRY 126
6.1.2 FACTORS INFLUENCING THE PARTICIPATION OF DISTRIBUTORS INTO A PARTICULAR MLM ORGANISATION.....126
6.1.3 FACTORS INFLUENCING THE RETENTION OF DISTRIBUTORS IN MLM.....127
6.2 LIMITATIONS 128
6.3 RECOMMENDATIONS 128
6.4 SUGGESTED FUTURE RESEARCH 130

REFERENCE LIST 131

APPENDIX A: 142

COVER LETTER RESEARCH QUESTIONNAIRE 142

APPENDIX B: 143

COMPLETE RESEARCH QUESTIONNAIRE 143

APPENDIX C: 152

CROSS TABULATION OF 'EMPLOYMENT STATUS' VERSUS 'HOURS SPENT ON MLM ACTIVITIES PER WEEK' 152

APPENDIX D: 153

CHI-SQUARE TESTS FOR 'EMPLOYMENT STATUS' VERSUS 'HOURS SPENT ON MLM ACTIVITIES PER WEEK' 153

APPENDIX E: 154

CROSS-TABULATION OF 'HOURS SPENT ON MLM ACTIVITIES PER WEEK' VERSUS 'AVERAGE MONTHLY NET COMMISSION RECEIVED FROM MLM ACTIVITIES' ... 154

APPENDIX F: 156

SPEARMAN'S CORRELATION COEFFICIENT FOR 'HOURS SPENT ON MLM ACTIVITIES PER WEEK' VERSUS 'AVERAGE MONTHLY NET COMMISSION RECEIVED FROM MLM' 156

APPENDIX G: 157

CROSS-TABULATION OF 'I SPEND MY MULTI-LEVEL MARKETING TIME AS FOLLOWS' VERSUS 'AVERAGE MONTHLY NET COMMISSIONS RECEIVED FROM MLM ACTIVITIES' 157

APPENDIX H: 158

CHI-SQUARE TESTS FOR 'I SPEND MY MULTI-LEVEL MARKETING TIME AS FOLLOWS' VERSUS 'AVERAGE MONTHLY NET COMMISSIONS RECEIVED FROM MLM ACTIVITIES' 158

APPENDIX I: 159

CONDENSED CROSS-TABULATION ANALYSIS OF 'HOW DISTRIBUTOR TIME IS SPENT IN MLM' VERSUS 'THE AVERAGE MONTHLY NET COMMISSIONS RECEIVED FROM MLM ACTIVITIES' 159

APPENDIX J: 160

CROSS-TABULATION OF 'AVERAGE MONTHLY NET COMMISSIONS RECEIVED FROM MLM ACTIVITIES' VERSUS 'PERIOD OF TIME SPENT AS AN ACTIVE DISTRIBUTOR' . 160

APPENDIX K: 162

SPEARMAN'S CORRELATION COEFFICIENT FOR 'AVERAGE MONTHLY NET COMMISSIONS RECEIVED FROM MLM ACTIVITIES' VERSUS 'PERIOD OF TIME SPENT AS AN ACTIVE DISTRIBUTOR' 162

APPENDIX L: 163

CROSS-TABULATION OF THE 'AVERAGE MONTHLY NET COMMISSIONS RECEIVED FROM MLM ACTIVITIES' VERSUS 'INTENTION TO REMAIN AS AN ACTIVE DISTRIBUTOR' 163

APPENDIX M: 165

SPEARMAN'S RHO FOR 'AVERAGE MONTHLY NET COMMISSIONS RECEIVED FROM MLM ACTIVITIES' VERSUS 'AS THINGS STAND; I INTEND TO CONTINUE AS AN ACTIVE DISTRIBUTOR WITH MY COMPANY' 165

APPENDIX N: 166

DESCRIPTIVE STATISTICS DATA WITH FACTOR SCORES FOR FACTORS INFLUENCING DISTRIBUTOR ATTRACTION 166

APPENDIX O: 167

DESCRIPTIVE STATISTICS DATA WITH FACTOR SCORES FOR FACTORS INFLUENCING DISTRIBUTOR PARTICIPATION 167

APPENDIX P: 168

DESCRIPTIVE STATISTICS DATA WITH FACTOR SCORES FOR FACTORS INFLUENCING DISTRIBUTOR RETENTION 168

APPENDIX Q: 169

T TEST GROUPINGS: INTENTION TO CONTINUE FOR THE TWO GROUPS STATED AS GROUP 1: STRONG AGREEMENT; GROUP 2: WEAKER AGREEMENT 169

APPENDIX R: 170

EFFECT SIZE FOR THE FACTORS IDENTIFIED TO INFLUENCE DISTRIBUTOR RETENTION 170

LIST OF TABLES

Table 1: KMO and Bartlett's test results for factors influencing the attraction of potential MLM distributors into the MLM industry 65

Table 2: Items and corresponding factor loadings for factors influencing the attraction of potential MLM distributors into the MLM industry 65

Table 3: Total variance explained for factors influencing the attraction of potential MLM distributors into the MLM industry 67

Table 4: Factors influencing the attraction of potential MLM distributors into the MLM industry..... 68

Table 5: Descriptive statistics and Cronbach's alpha coefficient of items comprising of the principle components underlying MLM industry attraction ... 70

Table 6: KMO and Bartlett's test results for factors influencing distributor participation into a particular MLM company 71

Table 7: Items and corresponding factor loadings for factors influencing distributor participation into a particular MLM company 71

Table 8: Total variance explained for factors with Eigenvalues greater than one and influencing distributor participation into a particular MLM company 72

Table 9: Factors influencing distributor participation into a particular MLM company 74

Table 10: Descriptive statistics, Cronbach's alpha and principle components for factors influencing distributor participation into a particular MLM company 76

Table 11: KMO and Bartlett's test results for factors influencing MLM distributor retention 77

Table 12: Items and corresponding factor loadings for factors influencing MLM distributor retention 78

Table 13: Total variance explained for factors influencing distributor retention 81

Table 14: Factors influencing MLM distributor retention..... 82

Table 15: Descriptive statistics and Cronbach's alpha of items comprising the principle components underlying distributor retention 85

Table 16: Distributor groups with intention to continue as MLM distributor 87

Table 17: Independent samples t test of means..... 88

Table 18: Effect size for the difference in means using Cohen's d 90

Table 19: Research summary results for Proposition 1..... 93

Table 20: Research summary results for Proposition 2..... 94

Table 21: Research summary results for propositions 3 and 4 96

Table 22: Research summary results for Proposition 5..... 97

Table 23: Interpretation of results summary table 125

LIST OF FIGURES

Figure 1: Global direct retail sales 2

Figure 2: Direct selling global sales force 3

Figure 3: Basic MLM representation 11

Figure 4: Factors influencing distributor attraction into MLM participation 20

Figure 5: MLM distributor retention model 27

Figure 6: Research Approach overview 33

Figure 7: Race distribution of respondents 48

Figure 8: Gender distribution of respondents 49

Figure 9: Age distribution of respondents 50

Figure 10: Employment statuses of respondents 51

Figure 11: Invited to participate in MLM by 52

Figure 12: Participation statuses of respondents 54

Figure 13: Duration of time as an MLM distributor 55

Figure 14: Time spent by respondents as active MLM distributors 56

Figure 15: Hours spent per week by respondents on MLM activities 58

Figure 16: Activities of respondents within MLM 59

Figure 17: Average commissions received by respondents from MLM activities 60

Figure 18: Scree plot for factors influencing the attraction of potential MLM distributors into the MLM industry 67

Figure 19: Mean of the item scores loading highest on industry attraction 69

Figure 20: Scree plot for factors influencing distributor participation into a particular MLM company 73

Figure 21: Mean of the item scores loading highest on company participation 75

Figure 22: Scree plot diagram for factors influencing MLM distributor retention82

Figure 23: Mean of the item scores loading highest on distributor retention 84

Figure 24: Histogram of distributor intention to continue within MLM 86

Figure 25: Comparison of the means of the two groups on the factors influencing distributor retention 89

Figure 26: Cohen's d scores on the factors influencing distributor retention 91

1 INTRODUCTION

1.1 Purpose of the Study

The purpose of this study is to identify the factors that influence the attraction (and participation) of new distributors into multi-level marketing (MLM) programmes, and the factors that influence the retention of these distributors within MLM programmes in South Africa.

1.2 Context of the Study

MLM organisations (or Network Marketing organisations) are retail selling channels that use independent distributors or sales consultants to not only buy and resell their products, but to also recruit new distributors into growing a network over time (Coughlan & Grayston, 1998). As independent distributors, these sales consultants are not salaried employees and are commonly remunerated on a commission or mark-up only basis (Msweli-Mbanga & Sargeant, 2001). Importantly, MLM distributors also earn a portion of the commissions and mark-ups from the sales generated by those they have recruited into joining their networks, often referred to as their downline networks (Coughlan & Grayston, 1998).

MLM is therefore an expansion of the traditional single level direct selling approach. This shift from single level direct selling to multi-level direct selling was first described in detail by Peterson and Wotruba (1996). In single level direct selling organisations, the sales people do not build their own networks through the recruitment of other sales consultants, but rather focus their efforts on selling and earning commissions only on their own sales (Brodie, Stanworth & Wotruba, 2002). According to the United States (US) Direct Selling Association (2010), in 1990 in the US, 25 per cent of direct selling organisations were single level and 75 per cent were multi-level. This figure was 78 per cent multi-level and 22 per cent single level in 2000 (Direct Selling Association, 2010). This coincides with

data from the United Kingdom (UK) Direct Marketing Association showing a similar shift towards MLM in the UK market (Direct Selling Association UK, 2009). Although there are currently no worldwide figures available in this regard, a similar global trend is assumed based on the retail sales and distributor growth figures depicted in Figures 1and 2.

The concept of MLM is said to date back to the early 1900s in the USA and was later pioneered into exponential growth by the likes of Amway, Avon, Tupperware and Herbal Life in the 1980s to the multibillion Dollar global industry it is today (Vander Nat & Keep, 2002). International statistics from the World Federation of Direct Selling Associations or simply WFDSA, reflect that the global retail sales of direct selling organisations reached US$114 billion in 2008 (WFDSA, 2009). This depicts a growth of 45 per cent in comparison to US$78.7 billion in 2001 as illustrated in Figure 1 below.



Figure 1: Global direct retail sales

(World Federation of Direct Selling Associations, 2009)

The WFDSA (2009) further states that the US$114 billion sales figures of 2008 were achieved through the activities of 65 million distributors globally. Depicting a global distributor growth of 48 per cent when compared to the 2001 numbers as illustrated in Figure 2.

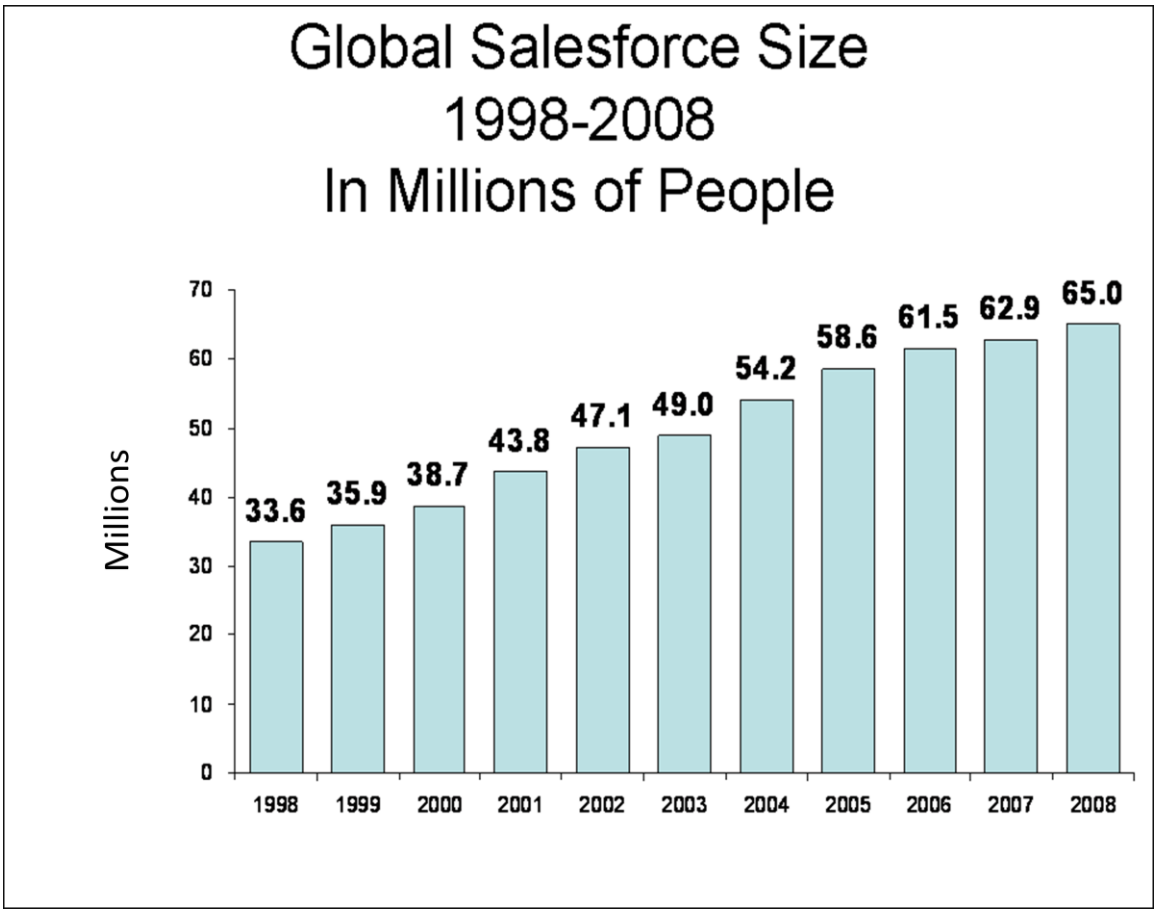

Figure 2: Direct selling global sales force

(World Federation of Direct Selling Associations, 2009)

In more recent figures, and as per the direct selling global statistics report for 2011 published in June 2012, the WFDSA (2012) states that the industry generated US$153.7 billion in retail sales for 2011. According to the same report, this was achieved through a global network of 91.5 million direct sellers.

1.2.1 Importance of distributors to MLM success

In conjunction with the obvious measures of success based on income, profitability and various other financial ratios, organisations also need to further understand the non-financial aspects that influence organisational success (Ittner & Larker, 2003). This is not merely about adopting blanket approaches to frameworks such as Norton's Balanced Scorecard, Accenture's Performance Prism or Skandia's Intellectual Capital Navigator, but is about organisations digging deep and critically identifying and evaluating factors that are specific to their businesses within specific markets (Ittner & Larker, 2003). Literature indicates that for MLM organisations in particular, there is a myriad of mentionable success factors which include:

- The environment and market conditions in which they are operating in (Kustin & Jones, 1995; Koehn, 2001).
- The localised legal view on MLM programmes (Vander Nat & Keep, 2002).
- The configuration of the MLM organisation's marketing mix (Granfield, Michael & Nichols, 1975).
- The configuration of the distributor networks employed (Msweli-Mbanga & Sargeant, 2001).
- The distributor commission structures in place (Coughlan & Grayston, 2008).
- The ability to retain distributors (Msweli-Mbanga & Sargeant, 2001) and thereby minimise distributor attrition.
- The alignment of the above mentioned factors to the overall organisational configuration (Berman & Thelen, 2004; Coughlan & Grayston, 2008).

A closer review of the above mentioned factors reveals that three of the seven listed factors are distributor related. This affirms the maxim that sustained distributor growth that consistently generates product sales and revenue is the lifeblood of MLM organisations (Lagara et al., 2008). This is because MLM distributor attraction and retention provides stability and continuity to MLM

organisations as the distributors not only sell the organisation's products but also have various other key roles and functions that they perform within the organisation (Alturas, 2003). These functions include the recruiting of more distributors, new distributor training, distributor motivation, order collection and order control (Msweli-Mbanga & Sargeant, 2001). These are functions which are normally the responsibility of back office and administrative staff in traditional organisations. It can therefore be inferred that customer retention is also influenced by distributor retention as a properly trained and motivated distributor will deliver superior customer service (Msweli-Mbanga & Sargeant, 2001). This view is supported by Raymond and Turner (1994) who add that there are many cases where customers have experienced negative perceptions of MLM organisations due to the negative impact caused by distributor turnover.

1.2.2 MLM as pyramid schemes

Controversy and accusations of MLM programmes being pyramid schemes have always followed the industry closely (Fitzpatrick & Reynolds, 1997). Pyramid schemes are instances where organisations suggest opportunities that do not exist and/or where the opportunities are not accurately portrayed in the organisational communication (Vander Nat & Keep, 2002). A key distinction in the definition of a pyramid scheme is where commissions are payable on the joining fees of new recruits, with little or no products required to be sold (Ittner & Larcker, 2003). This means the founders and early entrants of pyramid schemes profit from the fees and the inventory of investments obtained from the joining of later participants (Ella, 1973; Brossi, Direct Selling Association & Mariano, 1991). This debate even prompted the Federal Trade Commission (FTC) of the USA to issue a decision in 1979 in which it indicated that MLM was not illegal *per se* in the United States (Taylor, 1997). However, Taylor (1997) points out that various MLM companies were found guilty of reporting exaggerated income claims within that same year. In March 2008 the FTC even revised its proposal from April 2006 seeking the removal of MLM companies from the proposed Business Opportunity list (FTC, 2008).

Other criticisms of MLM organisations include Butterfield (1985) describing these organisations as cults. This is based on concerns around what is deemed to be the questionable use of evangelical discourse used to promote these businesses (Hopfl & Maddrell, 1996) and the exploitation of personal relationships for financial gain (Fitzpatrick & Reynolds, 1997). This is in addition to the views that these organisations are rife with misleading, deceptive, and unethical behaviour (Carter, 1999).

This has however done little to slow the growth of MLM organisations. In its 2011 report, the WFDSA through its 64 affiliated National Direct Sales Associates worldwide, maintains that globally, distributor participation has increased by 40.7 per cent to 91.5 million distributors between 2008 and 2011, while revenue increased by 34.8 to US$ 153.7 billion during the same period (WFDSA, 2012).

1.2.3 Multi-level marketing in South Africa

MLM in South Africa is governed by the Direct Selling Association of South Africa (DSASA) which celebrated 40 years of existence in 2012 (DSASA, 2012) and a national affiliate of the WFDSA. The industry is said to have grown significantly in the 1980's and 1990's when the likes of Amway, Tupperware, Avroy Shlain and Herbal Life drove distributor growth in the local market (CNB, 1997). The DSASA is responsible for policing the industry and attests that it has put a number of rules, regulations and guidelines in place to help member companies stay within the legal and ethical boundaries of the industry (DSASA, 2008a).

At the 2007 DSASA conference, the DSASA reported that the direct selling and MLM industry registered R3.5 billion in sales revenue and attracted a further 329 000 distributors for the 2006/2007 period. The DSASA further added that of the R3.5 billion sales revenue generated for this period, R1.2 billion was paid out directly to these distributors. For the corresponding period, Statistics South Africa (Stats SA, 1998) reported that the average income in South Africa was R1 800 per month for women and R3 000 per month for men in employment. Based on this, the DSA concludes that since an average of R3 675 per month was payable per distributor, the MLM industry is prospering not only in financial terms, but

also in providing self-employment opportunities to South Africans. This however, contradicts US based Dr Jon M. Taylor's (president of the American Consumer Awareness Institute, and director at Pyramid Scheme Alert) research, concluded in 2002, in which he argues that the returns on MLM participation are far worse than those of no-product sales based pyramid schemes and that MLM distributors return worse odds than those of many games of chance in gambling centres such as Las Vegas (Taylor, 2005). This is consistent with the 'Network Marketing Pay-out Distribution Study' conducted by the American Consumer Awareness Institute in 1999 which states that less than one per cent of MLM distributors ever break even, with most distributors making losses (American Consumer Institute, 2005). Taylor (2005) further argues that the profits and revenues generated by MLM organisations are inflated by the on-going sales of sales-tools, books, CDs, DVDs and seminars that the distributors have to consume in order to be considered eligible for commissions and for them to advance within the business and network. A practice Taylor (2005) terms 'pay to play'.

That said, the DSASA celebrated 40 years of existence in South Africa during 2012 while highlighting industry growth of 16.9 per cent from 2009 to 2010, and a further 9.9 per cent for 2011 in comparison to 2010 (DSASA, 2012). This was achieved through a total of 1.3 million direct sellers for the same period, an increase of 6.3 per cent over 2010. In financial terms, this growth was reflected in the South African industry generating an annual turnover of R7.8 billion during the same 2011 period (DSASA, 2012), of which R3.3 billion was distributed to the MLM distributors as rebates.

In light of these contradictions in viewing MLM organisations, an analysis on the factors influencing the attraction, participation and retention of MLM distributors in South Africa was pursued. The aim of this analysis was to detail the reasons why, against the backdrop of low financial returns (Taylor, 2005; American Consumer Awareness Institute, 2005), distributors not only join and participate in these programmes but also remain within these programmes.

1.3 Problem Statement

1.3.1 Main Problem

Identify the factors perceived to influence the attraction, participation and retention of MLM distributors in South Africa.

1.3.2 Sub problem 1

Identify the factors influencing the attraction and participation of new distributors into MLM organisations in South Africa.

1.3.3 Sub problem 2

Identify the factors influencing the retention of existing (post joining) MLM distributors in South Africa.

1.4 Significance of study

This study primarily provides existing MLM organisations with reliable information on how to better acquire and retain distributors. This is important to MLM organisations due to the multiple roles and functions that distributors fulfil within MLM companies. This study is also important in assisting new market entrants and start-ups to identify the distributor factors that they need to consider in order to influence their success within the South African environment in relation to distributor attraction and retention, and how to better incorporate these factors into their planning.

Although being primarily targeted at direct marketing and MLM organisations, this study also assists the marketing managers and planners of traditional sales and marketing organisations when considering MLM activities as additional support to their existing marketing initiatives. This will be in support of multi-channel sales and marketing approaches.

With DSA's first quarter interim results for 2009 stating that there are over one-million direct sellers in the South African industry and that sales revenue for 2008 reached R5.75 billion, job creation and poverty alleviation initiatives can also benefit from this study based on the estimated industry growth, distributor participation numbers and average income per distributor as stipulated by the DSA. A sentiment supported by various direct selling organisations (Directselling411, 2008).

1.5 Delimitations of the study

This study was limited to the perception of South African distributors and what they view to be the key influencers that attracted them to join a particular MLM organisation and the factors that have kept them within a particular programme over time.

The study did not address what MLM organisations believe to be the factors influencing the attraction and retention of distributors into their organisations. The study focused on the South African distributor perspective of the above mentioned factors.

1.6 Definition of terms

Direct Selling is defined as the face-to-face selling of goods and services away from a fixed retail location (Brodie, Stanworth & Wotruba, 2002) or simply the process of selling a consumer product or service from one person to another in an environment other than a permanent retail location (Duffy, 2005). The direct selling agents are usually remunerated on a sales commission only basis. As the selling does not occur in retail selling channels, the method of selling in direct selling often includes home selling situations such as door-to-door solicitations, appointments, referrals and product parties (Alturas, 2003).

MLM is an extension of the direct selling configuration as there is no fixed retail location being utilised. In MLM however, distributors are not only rewarded for

their own sales, but also for the sales generated by individuals they have introduced to the organisation (Msweli-Mbanga & Sargeant, 2001).

MLM organisations are sales orientated organisations designed and built on the MLM approach. These are essentially retail selling organisations that organise and utilise independent distributors to buy and resell their own products and services or products from other manufacturers as retailers to end user customers.

Distributors are direct sellers and are sometimes referred to as independent contractors within the MLM industry. Distributors are therefore statutory non-employees of MLM organisations and are treated as self-employed individuals for all legal and tax purposes. All their remuneration is linked to sales output and not hours worked (DSASA, 2008b). The MLM distributors are further expected to recruit new distributors into a growing network over time (Coughlan & Grayston, 1998).

Downline refers to a group of people a distributor recruits into the MLM organisation to generate sales and to further recruit other distributors for the organisation (Koehn, 2001). The downline of a distributor also includes those members recruited by their recruits' downline networks (Coughlan & Grayston, 2008). For example, if distributor A recruits distributor B into the organisation and distributor B further recruits distributor C; distributors B and C are considered the downline of A. In MLM, distributor A will earn commissions from his own sales and also some commission on sales generated by both B and C. A graphical representation of this basic MLM configuration is illustrated in Figure 3.

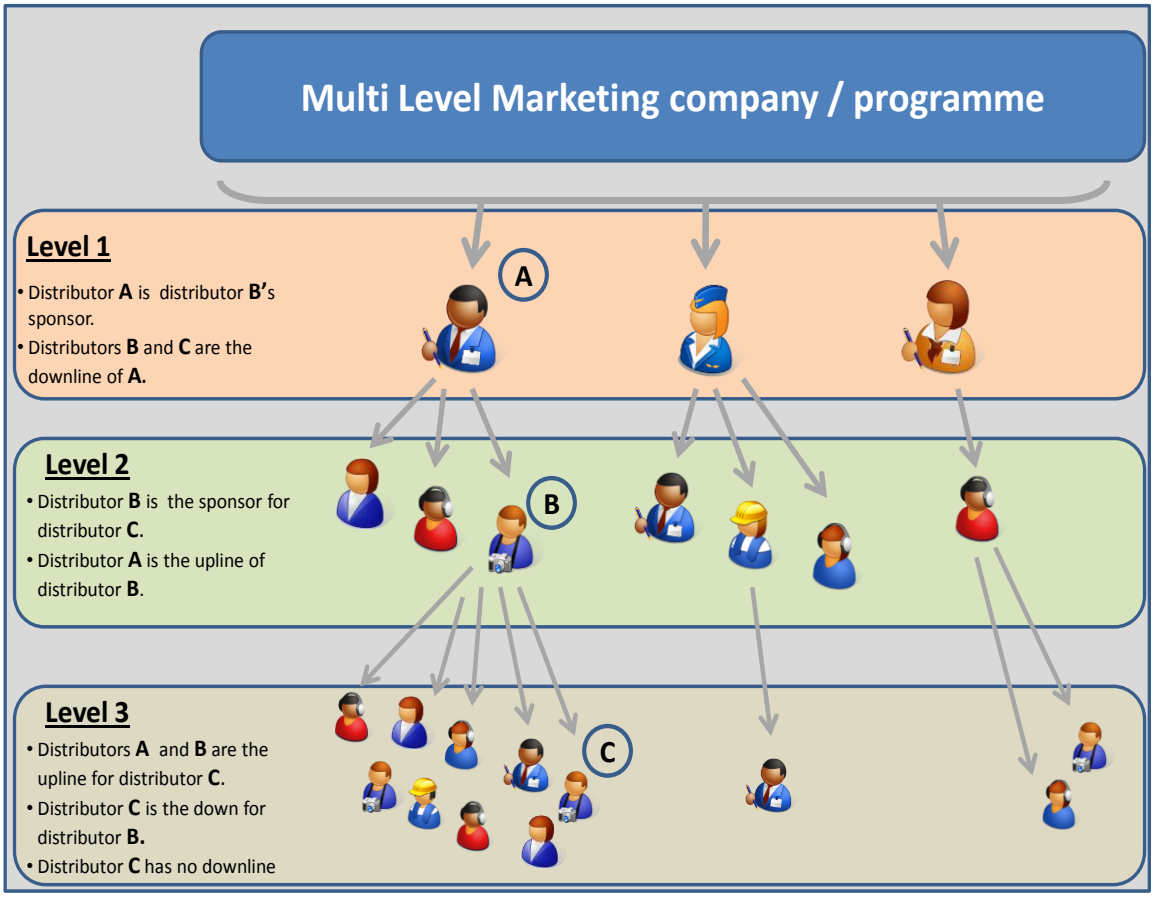

Figure 3: Basic MLM representation

Upline refers to a distributor's sponsor or person that recruited the distributor into the MLM organisation (Koehn, 2001). The term upline will in this instance also include the individuals that recruited their sponsor. Using the same example as used to illustrate the downline concept, distributors A and B are considered distributor C's upline. Distributor B is more specifically the sponsor for C as B directly recruited C.

Pyramid schemes are considered different from legal MLM programmes and are considered illegal operations. In Pyramid schemes, the main benefit to participants is the right to receive monetary compensation for recruiting others into the organisation (Vander Nat & Keep, 2002). This recruitment based compensation is different from the sales commission focus of legal MLM programmes. The sustainability of pyramid schemes is also often questionable

as it is not sales based and there is therefore a limit to the number of new participants that can be recruited, with the probability of success decreasing for every new recruit (Vander Nat & Keep, 2002).

Direct Marketing is a relational process where products are sold directly to the consumer using direct mail, telemarketing and direct response advertising such as television solicitation (Kustin & Jones, 1995). This is different to direct (one-to-one) selling as previously defined.

Retention refers to MLM distributors remaining active for at least six months post joining a particular programme. This means that they have purchased and/or resold products from a direct selling organisation on a regular basis and have for that period been involved in recruiting other participants (Msweli-Mbanga, 2004).

1.7 Assumptions

The following assumptions have been made regarding this research:

- Performance (particularly financial) information will be conveyed truthfully by participating respondents.

2 LITERATURE REVIEW

2.1 Factors influencing individuals to join and participate in MLM programmes as distributors

There is strong evidence to suggest that attracting, developing and retaining talent is a global problem facing many industries and organisations worldwide (Fishman, 1998). Fishman (1998) further adds that most industries and organisations find it difficult to develop an understanding of the driving forces behind staff attraction and retention, and further struggle to identify the characteristics of successful attraction and retention practices. With the multiple roles distributors play within MLM organisations, and the sales revenue they generate (Vander Nat & Keep, 2002), distributor attraction is critical to the MLM industry and indeed to individual MLM organisations (Legara et al., 2008).

2.1.1 Push factors

Stanworth, Brodie, Wotruba and Purdy (2004) further extend on the notion that distributors are not employees of the MLM organisations but independent contractors; by adding that, the MLM distributors are in fact self-employed sales and recruitment agents affiliated to particular MLM organisations and programmes. A view supported by various literature on the subject (Alturas, 2003; Kustin & Jones, 1995). As such, the push / pull factors that influence individuals to be self-employed (Stanworth et al., 2004) become applicable. According to Granger, Stanworth and Stanworth (1995), push factors are those forces that centre on the push labour forces which result from financial difficulties such as unemployment, retrenchments and economic instability. In contrast, the pull factors are the strong positive factors drawing individuals to and or assisting them in reaching the decision to enter self-employment (Stanworth et al., 2004).

This research primarily focused on the positive pull factors that distributors considered before entering MLM programmes. The research excluded push factors as these require the investigation of career histories, income histories,

economic and other instability events leading up to a candidate's decision to become self-employed (Granger et al., 1995).

2.1.2 Pull factors

Typically, MLM recruiters approach potential distributers and present models and diagrams depicting explosive growth, exponential recruitment (Koehn, 2001), extremely high income (Kustin & Jones, 1995) and various other benefits. These benefits (pull factors) as presented by MLM organisations are both monetary and non-monetary in nature (Coughlan & Grayston, 2008), and are designed to motivate potential distributors into participating in the various programmes offered. These pull factors comprise industry attractiveness, monetary pull factors, non-monetary pull factors and aspirational pull factors. The details around each being as follows:

Industry attractiveness

Occupational choice depends on various factors that differ per sector, industry, market size, compensation expectations and the public perception to that occupation or industry (Murphy, Shleifer & Vishny, 1991). This means that the industry itself must be attractive in order to attract participation.

In general, there are strong suggestions that consumers often have a negative perception of direct selling and of MLM organisations in particular (Berry, 1997; Bloch, 1996). This therefore has a negative impact on the ability for the MLM industry to attract new distributors – a view shared by Peterson, Albaun and Ridgway (1989). Similar research conducted by Raymond and Tanner (1994), and Kustin and Jones (1995) has also stated similar findings for the American and Australian markets respectively. Berry's (1997) research goes so far as to state that three out of four people in the US would not choose this industry as an occupation.

As such, MLM acceptance by the public will make it more attractive to potential distributors as depicted in Chen, Wang and Cheng's (1998) research, which

states that the MLM industry in Taiwan achieved success and rapid distributor growth by winning increased acceptance among the general public and making itself a powerful and innovative marketing channel that generates robust revenue growth.

Monetary pull factors

Research conducted by Coughlan and Grayston (2008) depicts that over 40 per cent of MLM executives mentioned business or financial reasons for joining MLM organisations. Monetary led messages from MLM organisations include notions that:

- MLM participation presents an opportunity for active distributors to supplement current salary or earnings (Stanworth et al., 2004; Bloch, 1996).
- Minimal start-up capital is required for MLM distributors to gain affiliation to programmes (Bloch, 1996), with many MLM programmes waiving this fee altogether (Lagara et al., 2008) thereby making participation affordable.
- Many MLM programmes allow MLM distributors to generate income from sales to non MLM members (end customers) who merely purchase the products without joining the MLM programme (Lagara et al., 2008). This creates potential for higher sales therefore higher commissions.
- MLM participation permits distributors to utilise existing contacts and networks to build income and wealth (Colthier, 1992). This allows for social networks to be turned into sales opportunities (Grayston, 1996; Stanworth et al., 2004).

Non-monetary factors

Non-monetary factors influencing MLM participation centre on convenience, lifestyle, and organisational support. The messages from the MLM industry when canvassing for distributors attest the following:

- MLM participation offers alternative career opportunities (Peterson & Wotruba, 1996).

- MLM participation offers flexibility as there is no location or time constraint. The MLM distributors can therefore conduct sales where and when suitable to themselves and their customers (Stanworth et al., 2004).
- MLM Participation allows for flexible time commitment at the discretion of the distributor (Bloch, 1996).
- MLM products are typically backed by money back guarantees, giving the impression of product quality to both distributors and customers (Bloch, 1996).
- The existence of inventory buy-back programmes for stock that distributors fail to sell re-enforces organisational support and minimised risk to the distributors (Peterson & Wotruba, 1996).

Growth opportunities and aspirational factors

In addition to monetary and non-monetary pull factors influencing MLM participation, aspirational messages from the industry include the following items:

- MLM participation provides distributors an opportunity to build a business venture by involving others in a hierarchical-styled operation (Stanworth et al., 2004). This resonates with the ideology of autonomy and entrepreneurship (Bolton, 1971).
- The hierarchy structure within MLM organisations and the distributor configuration allows a distributor's downline to work for them (Stanworth et al., 2004). This is deemed attractive as it allows distributors to profit off other people's efforts.
- MLM Participation allows distributors to develop business, management, leadership and administration skills (Stanworth et al., 2004).

2.1.3 Attracting distributors to specific MLM programmes

The above mentioned pull factors are more aligned to the attraction of potential MLM distributors to the MLM industry as a whole and not to any individual or specific MLM organisation or programme. This is because by the time a potential recruit is deciding to enlist as a MLM distributor, they have engaged to some

degree, with the images, rhetoric, fantasies and interactions generated by the industry (Wilson, 1999). The challenge faced by individual MLM organisations is then therefore to attract these 'engaged' potential distributors to their particular organisations based on the following:

Market presence and performance

To attract potential distributors, Msweli-Mbanga and Sargeant (2001) contend that the greater the presence a given organisation has in a particular market, the easier it will be for that organisation to not only recruit suitable individuals, but to also retain these individuals. This is because the end-user customers will have greater confidence in these organisations and their products, which make it easier for the distributors to generate sales (Berry & Parasuraman, 1991). In addition to this, 97% of potential Taiwanese distributors considered the MLM companies' long-term prospects over and above their current performance (Chen & Cheng, 2000) when considering participation. This means that not only the short-term view of organisational success is considered but also the future success.

Person to organisation fit

In their attempt to understand factors influencing the attraction of talent, organisations must also consider how their organisational images impact candidate attraction, and also how this influences the profile of the candidates attracted. This is referred to as person-organisation fit. Person-organisation fit theory within recruitment is derived from the attraction-selection-attrition model (Schneider, 1987) which describes how individuals seek organisations which they perceive to have characteristics similar to their own. Person-organisation fit theory further extends to describe the extent of the congruence of patterns between individual and organisational values (Chatman, 1989). Following Turban and Keon's (1993) view that people are attracted to organizations that mirror their personalities, later research by Schneider, Goldstein and Smith (1995) and Schneider Smith and Fleenor (1998) also found that people with a high need to achieve were more attracted to organizations that offered a merit-

based reward structure (i.e. those rewarding an individual's performance over their seniority). This outcome can be considered significant to MLM organisations as their business model is sales, results and compensation driven. MLM organisations therefore need to portray these qualities to attract the required calibre of distributors. To achieve this, there has to be congruence between organisational objectives, and the pay and compensation systems these organisations adopt (Cable & Judge, 1997).

Marketing mix

The term 'marketing mix' is used to describe an integrated set of marketing tactics to realise organisational objectives and to create a closer and higher value relationship with customers. The four principle categories of the marketing mix are product, price, promotion and place (Kotler, Kellar, Dubois & Mandeau, 2006). Collectively, these variables are said to form the bases for the customers' perceptions of the organisation (Judd, 1987).

The product and price categories were found to be a key component in attracting distributors to particular MLM organisations (Berry, 1997; Borden, 1964; Chen & Cheng, 2000; Gummerson, 1994; van Waterschoot & van der Bulte, 1992). This is because MLM distributors are also end-user customers for the products they retail and 85 per cent of MLM distributors bought products for their own consumption (Ryan, Gasparski & Enderle, 2000).

Potential distributors must therefore believe in the products offered by the MLM organisation they consider joining (Legara et al., 2008). This is supported by studies in the UK and USA that show that factors such as the like for the products offered and the benefits of discounted prices were important factors for distributors when selecting MLM programmes (Berry, 1997). Taiwanese research by Chen and Cheng (2000) returned similar findings in that the product need by the distributors was a key influencer to them joining a particular MLM programme.

The price of any product and or service is considered an extrinsic product value (Olson & Jacoby, 1972), and in determining product value, customers will often

link the product's price with the perceived benefits derived from using the product (du Plessis, Jooste & Strydom, 2005). Over and above this, the potential distributor must believe in the MLM organization's products price / quality balance (Msweli-Mbanga & Sargeant, 2001) and that the price will enable them to generate sales. This is because price is a prominent factor in influencing consumer purchases of products from MLM distributors (Kustin & Jones, 1995).

Sponsor's affiliation

The recruitment approach of MLM organisations relies on the formation of cooperative social networks (Legara et al., 2008) based on the notion that consumers attach high importance to the opinions of family, friends, colleagues, shop assistants and consumer associations while making purchase decisions (de Valck, Van Bruggen, & Wierenga, 2002). Extending this theory to the MLM industry, it can be argued that potential distributors will also place high importance on invitations to participate in specific MLM programmes/organisations if invited by family, friends and colleagues (Koehn, 2001).

Based on both the industry and organisational factors influencing the participation of MLM distributors, as detailed in the various literature, and the notion that distributors must to some degree engage with the MLM industry before engaging with a particular organisation (Wilson, 1999), this can be graphically summarised as follows;

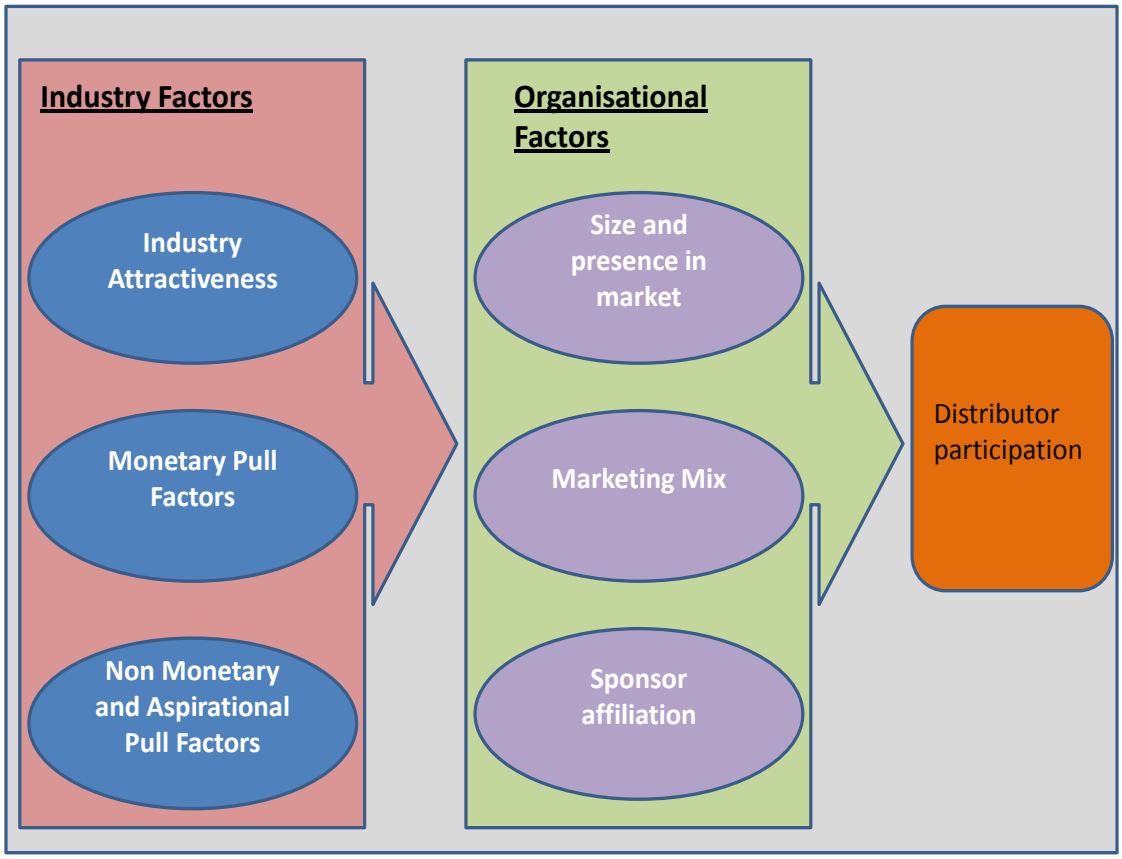

Figure 4: Factors influencing distributor attraction into MLM participation

2.2 Factors influencing the retention of distributors in MLM organisations

The expression 'our employees are our greatest asset' is increasingly being heard among organisational leaders based on the acceptance that organisational staff contribution can substantially enhance a company's competitive performance (Wagner & Harter, 2006). Although often used as a platitude, this expression if slightly modified to 'distributors are our biggest asset' can be considered entirely true for sales orientated organisations and even more so for MLM organisations (Vander Nat & Keep, 2002). This is because MLM organisations differ from traditional direct selling organisations based on the unique network configuration in which the workforce is arranged (Berry, 1997). In addition to generating sales and therefore revenue (Poon, 2003), MLM

distributors also satisfy a range of other roles and functions such as recruiting new distributors, small order collections, accounts control, distributor training and distributor motivation (Msweli-Mbanga & Sargeant, 2001). Based on this, distributor attrition creates an operational void within these organisations, and if un-managed, this will negatively impact on customer service, customer loyalty and customer retention (Kustin & Jones, 1995; Petersen et al., 1989; Raymond & Turner, 1994), therefore impacting the organisations' future success and sustainability (Legara et al., 2008).

In the direct selling industry, distributor turnover rates of up to 100% per annum and above have been known to occur (Grandfield & Nicols, 1975; Sudbury, 1990; Wotruba, 1990; Wotruba et al., 1987). Msweli-Mbanga and Sargeant (2001) conclude that distributor retention in MLM organisations is influenced by both organisational and distributor characteristics. Organisational characteristics being inclusive of the company performance of the MLM organisation, its market orientation, and the level of support the MLM organisation provides to its distributors. The distributor qualities impacting distributor retention include the individual distributor's characteristics, their behavioural characteristics and the profile of their customers (Msweli-Mbanga & Sargeant 2001).

2.2.1 Market orientation

Market orientation is the primary component of organisational characteristics and has an influence on the levels of job satisfaction, organisational commitment and the performance of employees within organisations (Slater & Narver, 1998). MLM distributors are neither company sales persons nor salaried employees (Alturas, 2003). This means that the market orientation of MLM organisations must make an effort to focus on the three dimension of market orientation, namely customer orientation, competitor orientation and inter-functional co-ordination which includes items such as timeous stock delivery, acting on customer feedback, controlled competition between individual distributors, and the consistency and quality of the distributor training and support provided (Slater & Narver, 1990). In addition to this, MLM organisations must also make a deliberate effort to focus

on the actual distributors of the organisation (Msweli-Mbanga & Sargeant, 2001). This implies that the internal marketing activities used for retaining customer conscious employees, as described by Gronroos (1990), must be adopted by MLM organisations as tools for distributor retention.

The reference to job satisfaction in this instance is based on the motivator-hygiene theory (Herzberg, Mausner & Snyderman, 1959) which contends that job satisfaction and dissatisfaction actually derive from two contrasting sources. Satisfaction is a result of the presence of motivator factors, and dissatisfaction resulting from the lack of hygiene factors (Msweli-Mbanga, 2004). From an MLM perspective, the motivators are primarily those relating to sales success and network growth (Msweli-Mbanga, 2004; Williams & Anderson, 1991). The hygiene factors in MLM are organisational support, training (Poon, 2003; Berry, 1997) and coaching (Babakus et al., 1996).

2.2.2 Company performance

Company performance, as measured by turnover and profitability, has a strong correlation to the market share of an MLM organisation in a particular market (Kustin & Jones, 1995). This is because distributors will find it easier to initiate sales if affiliated with a market leader as end-user customers will have greater confidence in the organisation's products (Berry & Parasuraman, 1991) and will influence the ease of which the MLM organisation attracts and retains its distributors (Msweli-Mbanga & Sargeant, 2001).

2.2.3 Distributor support

Msweli-Mbanga and Sargeant (2001) identified distributor support as a key influencer of job satisfaction and therefore of distributor retention. This organisational support must, at a minimum, include distributor training (Poon 2003), development and sales assistance (Poon, 2003; Msweli-Mbanga & Sargeant, 2001).

2.2.4 Distributor characteristics and motivation

The entrepreneurial characteristic of MLM distributors is identified as another construct of distributor retention (Msweli-Mbanga & Sargeant, 2001). This view is supported by Biggart (1990), and Grandfield and Nicols (1975) who extend this further to state that the entrepreneurial ability of MLM distributors is a key requirement for running a successful MLM organisation. This is because entrepreneurs are considered to be innovative persons who will rejuvenate the organisation, introduce new rules to the game (Baden-Fuller, 1995), seek opportunities and combine various factors of production in an innovative manner to seek out and exploit opportunities in the market (Gibb, 1996). All of which will improve their ability to survive within the MLM industry (Msweli-Mbanga, & Sargeant, 2001). The longer MLM distributors can survive and thrive as MLM participants, the better they can be retained.

A study of four US MLM organisations also found that distributors with high levels of motivation and self-satisfaction had a higher rate of productivity in their sales performance and showed higher ratios of remaining within MLM programmes (Wotruba & Tyagi, 1992).

2.2.5 Distributor Perception of the marketing mix

According to Anderson, Fornell and Lehmann (1994), the value perception of customers can be increased by enhancing their perceptions of the marketing mix, as well as their perceptions of service quality. Msweli-Mbanga (2004) further postulates that this notion should be extended to MLM distributors and that if distributors hold favourable perceptions of the organisation's marketing mix, they will exhibit higher organisational performance and commitment, meaning the distributors will have a higher propensity of remaining within the organisation.

In addition to the product and price factors which contributed to initially attracting distributors to participating in MLM programmes (Chen & Cheng, 2000; Berry, 1997), additional factors emerge when distributor retention is concerned. These can be summarised as follows;

Product

Once having bought into the products offered and then having joined a specific MLM programme (Ryan et al., 2000), distributors require that the organisation maintains a competitive and attractive portfolio of products and services (Msweli-Mbanga & Sargeant, 2001). These products must remain relevant to the targeted markets and have the ability to produce repeat sales (Toiton, 2008).

Distributors further require that the products must be of high-quality and must possess the ability to compete in the open market. This means that these products need to be subjected to continuous research, innovation and development initiatives (Legara et al., 2008). This ensures that the products will generate the required repeat sales (Peterson & Wotruba, 1996).

Price

Price is a key influencer of the number and type of customers the product will attract, the suppliers the organisation will use and the competitors it will challenge (du Plessis et al., 2005). This understanding is important for the competing of MLM products in the open market (Legara et al., 2008). In general, a 25 to 50 per cent mark-up is required from the retail price (customer price) in order for MLM organisations to successfully maintain their network commission structures (Wilson, 1999). This must be achieved while allowing the pricing to remain competitive in order for distributors to be able to complete sales while earning the desired commissions.

Place

Place is traditionally concerned with the various methods of transporting, storing and making goods available to the target market (Churchill & Paul, 1995). MLM does not utilise the wholesaler or retailer approach used by traditional retail organisations (Nga & Mun 2011). There are no fixed retail locations (Brodie et al., 2002) and MLM sales techniques therefore rely heavily on one-on-one selling at the distributor's home, workplace, church and sales parties etc. (Peterson & Wotruba, 1996). That said, for distributor retention, the internet is an integral part

of MLM businesses as vital distributor support channel, but not an alternative distribution channel (Alturas, 2003). This is because allowing consumers to purchase directly on the internet would mean the MLM organisation is in direct competition with its own distributors from a sales perspective.

Promotion

Promotion refers to the approach taken by an organisation to communicate its product and service offerings in the market (Berkowitz, Kerin, Rudelios & Hartley, 2006). As MLM organisations seldom use advertising, internal marketing initiatives remain the primary promotional tool in retaining customer conscious employees (Gronroos, 1990) with internal programmes such as sales conferences, incentive schemes and target based competitions being adopted as popular strategies to focus distributors (Toiton, 2008).

People

In addition to the principle categories of product, price, place and promotion detailed above, 'people' has been added as the fifth principle category in the MLM specific marketing mix to ensure product and service success (Toiton, 2008). This entails having specific people focused approaches to maintaining and retaining distributors in a particular programme by implementing on factors considered important to distributors (Poon, 2003; Berry, 1997) and understanding that decisions involving the marketing mix reinforce one another to influence both internal and external perceptions (Naik, Raman & Winer, 2005).

2.2.6 Customer Profile

Msweli-Mbanga and Sargeant (2001) contend that there are multiple facets to the end-user customer profile of any MLM distributor. They further add that the customer profile factors relevant to distributor retention include the size and nature of the end-user customer base that the distributor can access, and that those distributors with access to a large number of end-user customers with

spending potential will have enhanced earnings potential. This will therefore have a positive influence on the distributor retention.

The relationships that exist between the end-user customers and their distributors are also important (Msweli-Mbanga & Sargeant, 2001) with new distributors usually recruiting their family members, friends and acquaintances to their affiliated MLM organisations. As a consequence, the distributors are more reluctant to terminate their involvement with the MLM organisations as this will require explanations to those they have recruited.

2.2.7 Distributor compensation

MLM distributors are compensated in various ways for their various efforts. Distributors firstly acquire the organisation's products at highly discounted (list) prices for personal consumption (Coughlan & Grayston, 2008). Secondly, the distributors receive commissions on the sales they have generated, and thirdly, distributors receive commissions on the sales generated by their downlines (Peterson & Wotruba, 1996).

The commissions on downline sales can be complex and are primarily dependent on the network structure utilised within a particular MLM organisation (Coughlan & Grayston, 2008). These structures vary from MLM programme to MLM programme with Msweli-Mbanga and Sargeant (2001) suggesting that a review of remuneration structures in comparison to the market will help ensure that the most productive employees are not tempted to leave the organisation.

2.2.8 Distributor expectations before participation versus experience post participation

Distributor retention will also be influenced by the distributor expectations prior to them participating in MLM activities (Koehn, 2001; Kustin & Jones, 1995; Bolton, 1971). Many distributors begin with high expectations of income (Kustin & Jones, 1995), network growth (Koehn, 2001) and a desire for the entrepreneurial autonomy that comes with building their own business (Bolton, 1971). In many

cases however, distributors find that the effort required to achieve success as an MLM distributor is far more that what was anticipated (Brodie et al., 2002; Wotruba & Tyagi, 1991) and that obtaining success in MLM programmes is one of the hardest things distributors will ever have to undertake (Poe, 1995). Against a backdrop of low financial returns (Taylor, 2005; American Consumer Awareness Institute, 2005), Poe (1995) further adds that to succeed, distributors must often push on and through discouragement from friends, relatives, and even spouses.

Based on current literature, and as suggested by Msweli-Mbanga and Sargeant (2001), distributor retention in MLM organisations is graphically summarised in Figure 5.

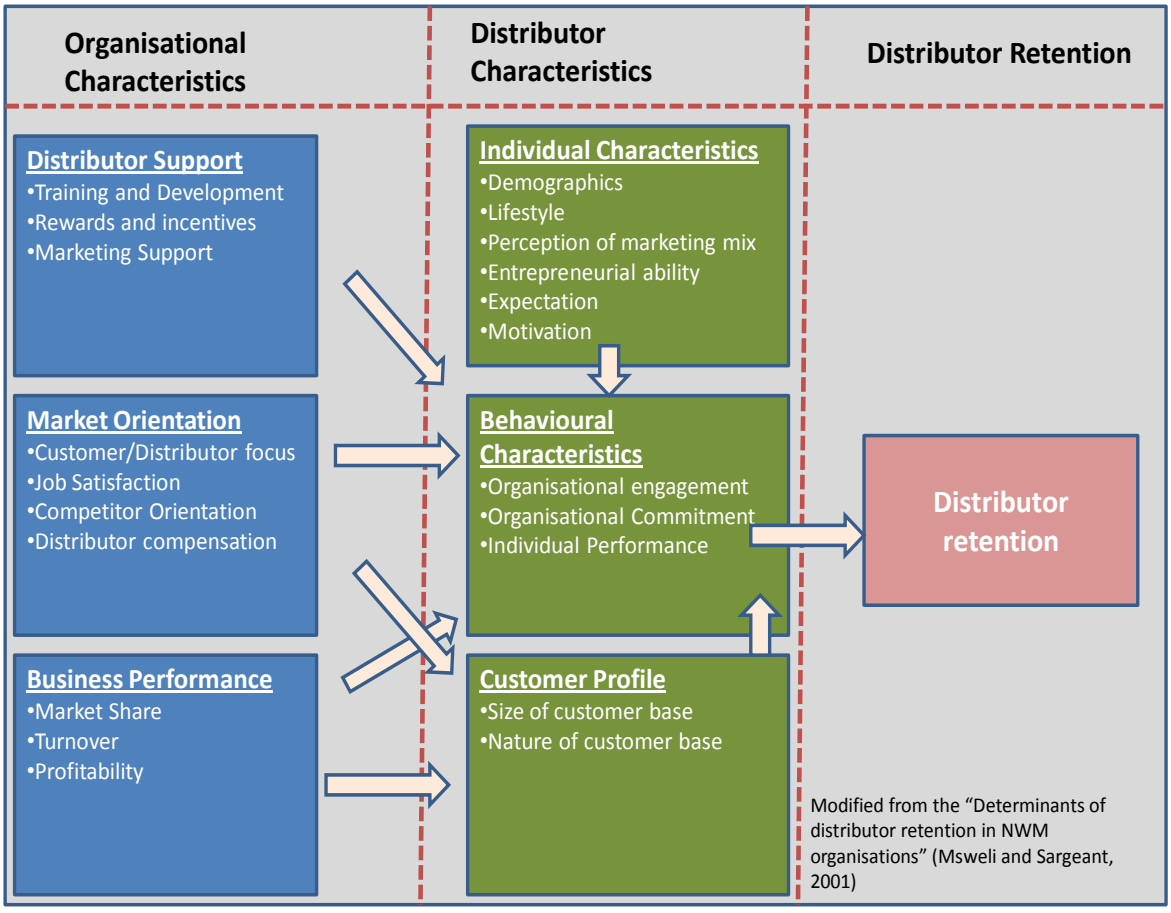

Figure 5: MLM distributor retention model

(Msweli & Sargeant, 2001)

2.3 Literature review summary

There are various factors influencing the success and sustainability of organisations. For MLM organisations, true success and sustainability primarily reside in the organisations' abilities to achieve continuous distributor growth in order to generate revenue through product sales (Legara et al., 2008; Poon, 2003). This must be complimented by the abilities of these organisations to retain these distributors (Msweli-Mbanga & Sargeant, 2001).

2.3.1 Distributor attraction

Based on the notion that MLM distributors are considered as self-employed sales and recruitment agents affiliated to particular MLM organisations (Stanworth et al., 2004), it can be said that distributors are driven to participate in the MLM industry by various pull factors. The key pull factors attracting individuals into MLM participation comprise of monetary, non-monetary and aspirational pull factors (Stanworth et al., 2004). In addition, these pull factors must be supported by the attractiveness of the MLM industry to the broader public in order to make the industry as a whole more attractive to potential distributors as explained by Chen, Wang and Cheng (1998). This combined approach of pull factors and industry attractiveness in conjunction with the expectations of potential distributors, as inspired by the various MLM organisations within the industry (Koehn, 2001; Kustin & Jones, 1995) will lead to the potential MLM distributors being engaged with the images, rhetoric fantasies and interactions as generated by the MLM industry (Wilson, 1997).

Once engaged with the MLM industry as a whole, organisational factors such as market presence, brand strength and remuneration structures will determine which particular organisations within the MLM industry the MLM distributor will want to be affiliated to. The person-organisation fit theory as defined by Schneider (1987) implies that certain distributors are attracted to certain organisations based on the view that people are attracted to organisations that mirror their personalities (Turban & Keon, 1993). The product and price

categories of the marketing mix were also found to be vital components of attracting distributors to particular MLM organisations (Chen & Cheng, 2000; Berry, 1997). This is because MLM distributors are also end-user customers for the products they retail. Eighty five per cent of MLM distributors buy products from their MLM companies for their own consumption (Ryan et al., 2000).

2.3.2 Distributor retention

Once recruited, distributor retention then becomes a function of an assortment of different organisational and distributor variables that need to be deliberately sought by the MLM organisations in order to be effective (Msweli-Mbanga & Sargeant, 2001). From an MLM organisational perspective, distributor retention is influenced by the local success of the organisation, the support provided by the organisation to its distributors and the level of market orientation achieved by the organisation. In this instance, the market orientation is based on the various organisational characteristics that influence the levels of job satisfaction, organisational commitment and the performance of distributors (Slater, 1990). The hygiene factors influencing distributor satisfaction are primarily distributor support, training (Poon, 2003; Berry, 1997) and coaching (Babakus et al., 1996).

In addition to the organisational characteristics, distributor characteristics such as levels of entrepreneurship, distributor motivation and access to a large pool of potential customers play a key role in distributor retention. This premise implies that the more successful distributors are within a particular MLM programme, the more likely they are to remain within that programme. The distributor perceptions towards the organisational marketing mix are also important to their retention. This is particularly true of the 'product' component of the marketing mix where products need to be subjected to continuous research, innovation and development initiatives (Legara et al., 2008) to ensure that these products will continue to generate the required repeat sales (Peterson & Wotruba, 1996). MLM organisations must also understand that decisions involving the marketing mix (particularly product, price, place and people) reinforce one another to

influence both the internal and external perceptions of the organisation (Naik, Raman & Winer, 2005).

In addition, distributor retention must be taken in context with the expectations the distributors had prior to participating in their chosen MLM programmes with regards to the network functions, compensation plans and the reward structures employed by these MLM organisations (Coughlan & Grayston, 2008).

2.4 Research propositions

2.4.1 Proposition 1

Potential MLM distributors are attracted to the MLM industry based on the industry's attractiveness in conjunction with the monetary, non-monetary and aspirational pull factors as communicated by the MLM organisations within the industry.

2.4.2 Proposition 2

Once engaged with the MLM industry, potential MLM distributors participate in specific MLM organisations due to the market presence and performance of these organisations, the personal-organisational fit between the potential distributor and organisation, the distributors' views of the marketing mix, and their sponsor's affiliation to join a particular MLM programme.

2.4.3 Proposition 3

Distributor retention in MLM organisations is influenced by organisational characteristics, company performance, the implemented network configuration, the reward and compensation structures, and the support provided by the MLM organisations to their distributors.

2.4.4 Proposition 4

Distributor retention in MLM organisations is influenced by individual distributor characteristics, the distributor perceptions of the organisation's marketing mix, their customers' profiles, and the distributors' financial performances.

2.4.5 Proposition 5

Distributor retention in MLM organisations is influenced by the distributors' performances and experiences as measured against the distributors' expectations prior to joining a particular organisation.

3 RESEARCH METHODOLOGY

This chapter describes the approach that was followed to address the research propositions that were put forward in Chapter 2. A quantitative research methodology was employed in this study. A survey based research instrument was constructed based on the literature review findings. Support for the validity of the key survey constructs included in this quantitative research instrument was obtained via a pilot test of the research instrument which was first administered to six respondents before the instrument was disseminated to the target population sample for completion.

The main data collected from the survey was subjected to various quantitative analyses with exploratory factor analysis being the primary technique for addressing Propositions 1 and 2. In addition to factor analysis, t tests and effect size analysis was also employed as secondary techniques for addressing Propositions 3, 4 and 5. The resulting outputs were then used to assess the validity of the research propositions. It is important to note that the research expectations were framed as propositions rather than hypotheses. This means that statistical tests such as confirmatory factor analysis or structural equation modelling were not employed. These would have enabled rejection or non-rejection of statistical null hypotheses. It is suggested that this approach be adopted in further research on this topic.

Figure 6 is a graphical representation of the research approach followed.

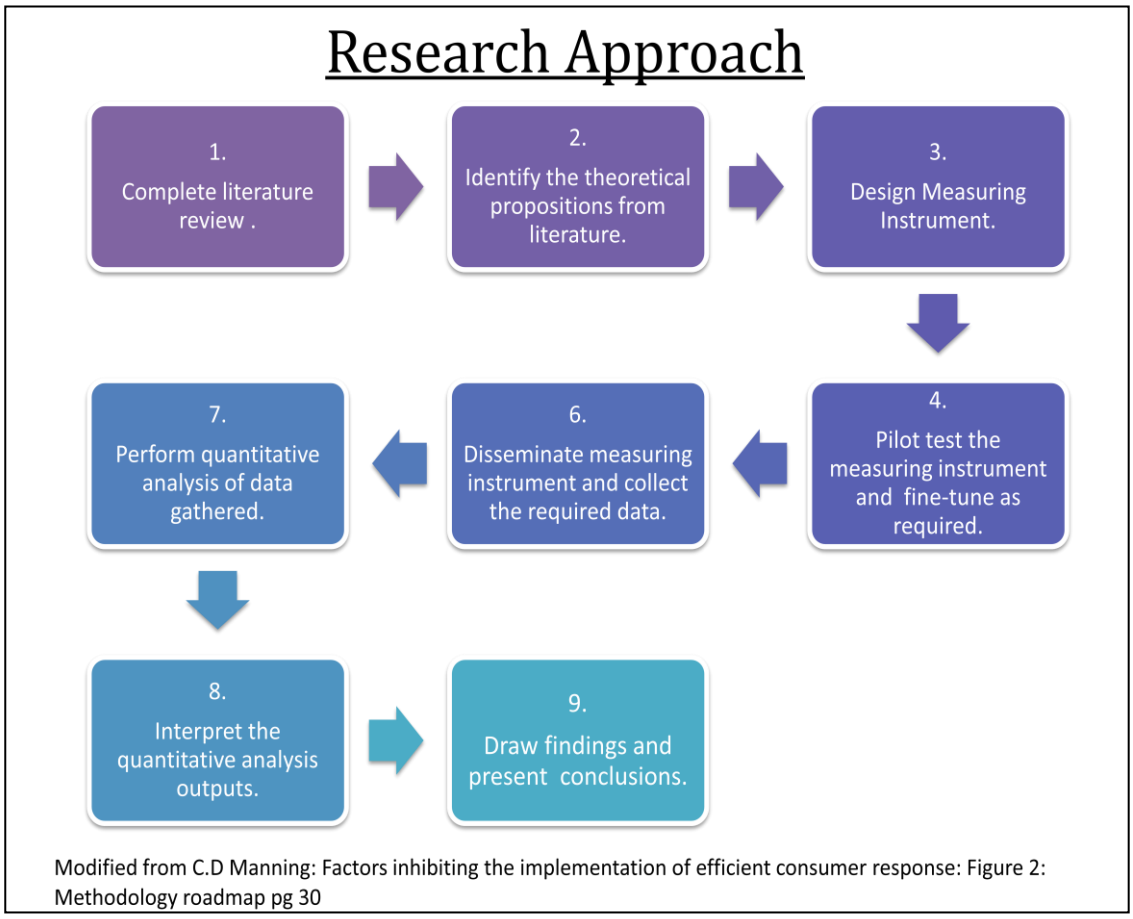

Figure 6: Research Approach overview

(Manning, 2011)

3.1 Quantitative research approach

Quantitative research is a research methodology which seeks to quantify the data presented and to further interpret this data using statistical analysis methods (Malhotra, 1993). The quantitative research methodology was the chosen approach for this research due to its ability to determine the relationships between phenomena or variables in any given population, plus the additional ability to quantify the relationships between the identified variables (Mthembu, 2009).

Within this research paper, quantitative research methodologies were employed to analyse the data collected through the research instrument and to present the findings in a structured manner.

3.1.1 Population

The research population comprised of all active and inactive MLM distributors in South Africa. Active MLM distributors are those currently associated with an MLM organisation actively selling its products and growing their downline networks at the time of completing the research questionnaire. Inactive distributors are those distributors that were once active and have since stopped participating in MLM programmes. For understanding the factors influencing distributor retention, only distributors that had been active for at least six months were considered.

3.1.2 Sample size

In determining sample size, it is important that the sample studied adequately represents the population to which the researcher is generalising (Lunsford & Lunsford, 1995). In response to the recommended minimum sample size of approximately 100 respondents required to meet the specifications of the Central Limit Theorem (Levin & Rubin, 1991), a sample size of 238 active and inactive MLM distributors in South Africa completed the questionnaire. This was later reduced to 183 valid responses through the removal of incomplete questionnaires, the filtering out of distributors that were not active and those that had not been active for longer than six months at the time of completing the survey because they could not be considered for measuring retention within MLM.

The Central Limit Theorem states that no sample size grouping should comprise less than 30 respondents and therefore questions relating to why distributors were no longer active in MLM could not be used for analysis to make inferences about the population (Levin & Rubin, 1991) as there were insufficient

respondents. Since the stated objective of the research was to identify the factors perceived to influence the attraction, participation and retention of MLM distributors in South Africa, excluding questions pertaining to why MLM distributors are no longer active had no influence on this stated objective.

3.1.3 Sampling method

A combination of judgemental and snowballing sampling approaches were utilised within this research. Judgement sampling is a form of convenience sampling in which the population elements are pre-selected by the researcher (Malhotra, 1993). This method was used to ensure that as far as possible, representation of the various population demographics were represented in the pilot group.

In support of the judgemental sampling approach, the snowball sampling approach was utilised where participants of the pilot group were asked to recommend fellow MLM distributors for participation. These referrals were then also asked for referrals, therefore creating the snowball effect (Malhotra, 1993).

The DSASA was forwarded the internet address for the online questionnaire which they forwarded to their member companies via email asking them to participate. This gave credibility to the research and returned a satisfactory number of respondents.

The population, by means of the design of this study is skewed to those respondents who have access to the internet. While this is a potential limitation, it greatly simplified data collection from both a cost and time perspective.

3.2 The research instrument

The research instrument is a formalised schedule for collecting data from the identified respondents (Aaker, Kumar & Day, 2004). A survey questionnaire was employed as the research instrument for this research. Designing effective research instruments is however considered an art and not a science primarily

because there is no series of steps, principles or guidelines that will guarantee success (Churchill, 1991).

The survey questionnaire used was offered in English and designed to allow for it to be self-administered by the respondents. It comprised of three sections arranged as follows:

- Section A of the research instrument dealt with the demographic information of the respondents.
- Section B focused on the factors influencing the attraction and participation of potential MLM distributors.
- Section C was concerned with factors influencing distributor retention.

A seven-point Likert scale ranging from ‘strongly disagree’ to ‘strongly agree’ was utilised for sections B and C of the research instrument.

3.2.1 Questionnaire design principles

Likert scales are commonly used to measure attitude as they provide for a range of responses to a given question or statement (Cohen, Manion & Morrison, 2000). The selected seven-point scale has been shown to reach the upper limits of the scale’s reliability (Nunnally, 1978), and as a general rule, it is recommend that as wide a scale as possible is used.

The Likert scale approach called for a judgment decision on the part of the respondents in either a positive or negative direction based on the statements presented (McCall, 2001). To maximise this concept, the following questionnaire design principles were followed;

- Clear language, that avoids convoluted statements and jargon, was used.
- Double barrelled questions, that ask two or more questions at the same time, were avoided.

- Questions were kept short and precise wherever possible.
- Questions were not phrased in a negative form because very often respondents will skip over the negative and understand the wording as affirmative.

This approach was intended to increase the likelihood of properly answered questionnaires and therefore improve the quality of the data collected.

3.3 Procedure for data collection

The survey questionnaire was made available online. Respondents were provided with an internet address where they were able to access the questionnaire. An emailed version was also made available for potential respondents who preferred this method of presentation. This approach was adopted for its ability to save time, reduce capturing errors, and allow for easier analysis of the data due to the fact that the collected data was already in electronic format. This method does however limit the total applicability of the study, as there are a large number of MLM distributors that do not have access to the internet. In response, the sales conferences of the various MLM companies were visited and printed questionnaires were presented to some of the delegates for completion. This accounted for a minority (13%) of the respondent information utilised.

3.4 Data analysis and interpretation

The questionnaire predominately used a seven-point Likert scale. Likert scales fall within the ordinal level of measurement (Pett, 1997) and therefore measure ordinal data. Ordinal data is data in which an ordering or ranking of responses is possible but no measure of distance between the responses is possible (Allen & Seaman, 2007). That is, the response categories have a rank order or hierarchy, but the intervals between values cannot be presumed equal. It is therefore illegitimate to infer that the intensity of feeling between ‘strongly disagree’ and

‘disagree’ is equivalent to the intensity of feeling between other consecutive categories such as ‘agree’ and ‘strongly agree’ on the Likert scale (Cohen et al., 2000).

Correspondence analysis was used to convert the Likert scale responses from ordinal scales to interval scales (Bendixen & Sandler, 1995). The importance of this approach was to allow parametric tests to be applied to the rescaled data. This meant that the likes of factor analysis and t test techniques that were not possible before rescaling were now possible.

On completion of the data analysis, the resulting output was then used to either accept or reject the theoretical propositions as initially derived from the available literature.

3.4.1 Descriptive statistics

The purpose of obtaining demographic information on the respondents, as per Section A of the questionnaire, was in order to describe the sample. Descriptive analyses were then used to modify this data into a form that makes interpretation easier (Hayman & Sierra, 2010). The descriptive analysis used described the underlying functions of characteristics of the representative sample (Malhotra, 1993) by summarising the phenomena based on the collected data (Israel, 2008).

3.4.2 Frequency tables and cross-tabulations

Frequency tables were used to depict counts and percentages for the responses per category (Hayman & Sierra, 2010; Pett, 1997) in order to better describe the sample where applicable. Where frequency tables were deemed insufficient due to the fact that they only consider one variable at a time, cross-tabulation was employed to allow for more variables to be considered (Aaker et al., 2004) in order to derive more information from the response data collected (Albright, Winston & Zappe, 2006).

Cross-tabulation is an approach that uses the joint frequency distribution of cases based on two or more categorical variables (Michael, 2001). The joint frequency distributions described via cross-tabulation allowed for further analysis through the usage of additional statistical methods in order to determine statistical independence of the variables being studied (Hair, Bush & Ortinau, 2006). As described by Malhotra (1993), a minimum of five expected observations were required in each of the cross-tabulation cells in order to allow additional statistical methods to be reliably calculated.

The chi-square statistic was then employed as the primary statistic to test the statistical significance of association between the variables as observed in the cross-tabulations (Malhotra, 1993; Hair et al., 2006). This test is a parametric test employed to assist in determining whether or not an appropriate relationship exists between the variables being studied (Malhotra, 1993). Using a five per cent significance level, p-values of 0.05 or less were considered statistically significant. This meant that the null hypothesis (H^0) was rejected that there is no association between the variables identified and the alternate hypothesis (H^a) accepted that a relationship between the variables does exist (Salkind, 2007).

Where one or both of the variables used during cross-tabulation were ordinal in nature, the Spearman's rank order correlation coefficient was utilised (Hair et al., 2006). The Spearman's rank order is considered a more conservative statistic based on its tendency to produce the lowest coefficient (Hair et al., 2006). It uses rankings instead of absolute values and varies from -1.0 to +1.0. Similarly, using a five per cent significance level, p-values of 0.05 or less were considered statistically significant meaning that the null hypothesis (H^0) stating that there is no association between the variables identified was rejected and the alternate hypothesis (H^a) accepted that a relationship between the variables does exist (Salkind, 2007).

3.4.3 Factor analysis

For the research survey questions contained in Sections B and C of the questionnaire, the ordinal data was converted to interval data using

correspondence analysis (Bendixen & Sandler, 1995) allowing for parametric statistics to be employed for further data analysis (Hayman & Sierra, 2010; Stacey, 2005).

The research propositions, as derived from the available literature posited reasons for the attraction, participation and retention of MLM distributors. As the research questionnaire comprised sets of Likert-type items designed to reflect the underlying dimensions motivating attraction, participation and retention, the items needed to be reduced in terms of their underlying dimensions. Principal component factor analysis was therefore used for this data reduction.

Principle component factor analysis identifies clusters of highly interrelated variables that reflect underlying themes, or factors within the collected data (Leedy & Orsmond, 2001). This provided for the ability to understand the underlying behavioural processes of the respondents (Crawford & Lomas, 1980). Principle component factor analysis was also used within this research as it is the recommended approach where the concern is to determine the minimum number of factors that will account for the maximum variance (Malhotra, 1993). This is different to common factor analysis which involves the estimation of the factors based only on the common variance (Brown, 2001).

In support of the principal component factor analysis, the following test statics were also calculated:

- Eigenvalues were calculated to determine the number of factors to be extracted in the overall factor analysis (Brown, 2001). This is because eigenvalues have been shown to have the most emphasis as they best represent the total variance explained by each factor, with the first factors representing the most variance (Malhotra, 1993). Only factors with an eigenvalue greater than 1.0 were accepted. Malhotra (1993) contends that factors with a variance of less than 1.0 are no better than a single variable by using the argument that due to standardisation, each variable has a variance of 1.0.

- Cronbach's Alpha coefficient is considered the most reliable coefficient and was therefore employed to determine the internal validity of the factors (Peterson, 1994). The Cronbach's Alpha coefficients range in value from zero to one and the higher the score, the more reliable the scale is deemed to be. Cronbach's Alpha coefficients of 0.6 and above are considered to have an acceptable reliability coefficient (Nunnally, 1978).

- Kaiser-Meyer-Olkin (KMO) is a measure of sampling adequacy. This was used to examine the appropriateness of factor analysis. KMO measures the observed correlation coefficients against the partial correlation coefficients. KMO values of between 0.5 and 1.0 are considered high meaning that factor analysis is appropriate (Malhotra, 1993).

- Bartlett's test of sphericity was used to examine the null hypothesis (H^0) that the variables are uncorrelated in the population (Malhotra, 1993). Malhotra (1993) translates this to mean that the population correlation matrix is an identity matrix and that each variable correlates perfectly with itself but has no correlation with the other variables.

- Communality values represent the strength with which each item contributes to the factor it loads onto (Peterson, 1994). These values were observed.

- The Varimax Procedure was employed for factor rotation. This rotation minimises the number of variables with high factor loadings and is used to enhance the interpretability of the identified factors (Malhotra, 1993).

- Factor scores were derived from the factor analysis by taking the factor loadings of each respondent per research item and translating these into factor scores (Hair & Anderson, 1998; Lederer & Sethi, 1991). The assumption for normality was satisfied through the Central Limit Theorem which requires both groups to have a minimum of 30 cases (Levin & Rubin, 1991).

Noting that there are various ways of determining the optimal number of factors to be accepted, the number of factors was determined by primarily assessing the eigenvalues of the factors produced. The objective being to have the least amount of factors as possible (Hair et al., 2006) accounting for a minimum of 60% of the variance (Malhotra, 1993). Scree plots were also created and observed in conjunction with the percentage of variance represented in the data.

The naming method used to label the factors was that of using the predominant constructs, or the top one or two loading items in the naming of each factor (Neill, 2007). This is because a well labelled factor provides a useful description of the underlying construct and helps to facilitate the clarity of the report.

In addition, the mean factor scores for each factor were observed. Factor scores being the composite scores for each respondent on the factors as derived from the factor analysis (Hair et al., 2000). The mean factor scores were utilised to indicate which factors the respondents scored highest on based on the corresponding mean scores.

3.4.4 T Tests

To identify the factors with the most influence on distributor retention, the approach adopted was to categorise the distributors into two groups. The first group being those distributors who scored six and seven on the Likert scale as having ‘Strong agreement’ to retention and the second group being the remaining respondents which were considered as having ‘Weaker agreement’. The independent samples t test was then employed to compare the means of the two groups against each of the factors identified through the factor analysis to influence distributor retention. This was because the two groups were considered independent samples as the measure of one group had no effect on the values of the other group (Malhotra, 1993). The item measuring intention to stay (‘as things stand, I intend to continue as an active distributor with my company’) was used as the independent or grouping variable for the t test comparisons.

The t test is a bivariate hypothesis test used to test hypotheses that compare the mean of one group with that of another group (Hair et al., 2006). The null hypothesis (H^0) is that there is no difference between the two groups' means, and the alternate hypothesis (H^a) being that there is a difference between the two means (Salkind, 2007). The mean scores calculated for the items that loaded highest on the retained factors were used for the t test computations. The assumption for normality was satisfied through the Central Limit Theorem which requires both groups to have a minimum of 30 cases (Levin & Rubin, 1991) and the t test assumption of homogeneity of variances was checked and satisfied.

3.4.5 Effect size

After having established the alternate hypothesis to be true, meaning that there was a significant difference between the means of the two groups (Salkind, 2007), practical significance needed to be established (Olejnik & Aligna, 2000). Effect size was the measure used to give an indication as to whether the results from the independent samples t test display practical significance (Hojati & Xu, 2004).

Cohen's d value was utilised as it is recognised as the appropriate effect size measure for the comparison of the two means (Cohen, 1992) and indicated the difference between these two means in standard deviation units (Hojati & Xu, 2004). It was used in conjunction with significance testing to indicate how practically different the means are and is based on the computed effect size (Kirk, 1996). The results were then compared to Cohen's estimates to establish whether this effect size could be considered a small, medium, or large for d values of 0.20, 0.50, and 0.80 respectively (Cohen, 1992).

3.5 Limitations of study

The internet is an ideal medium for data collection as it allows the researcher access to a large number of respondents. This approach does however restrict the survey to individuals with access to the internet. As a result, this research will

be skewed towards those MLM distributors in urban areas and with access to the internet. The results may therefore contain a bias as MLM distributors with certain characteristics that are linked to internet usage are most likely to respond. As previously mentioned and in order not to only utilise internet responses, the sales conferences of the various MLM companies were visited and printed questionnaires were presented to some of the delegates for completion. This accounted for 13 per cent of the respondent information used.

Although the internet address for the questionnaire was provided to South African distributors only and all instructions indicated that only South African MLM distributors should complete the questionnaire, there is no failsafe approach to restrict the answering of the questionnaire to South African residents only. It is however envisaged that an overwhelming majority of the respondents were South African residents. The mitigating factor was the manner in which the questionnaire was distributed and the instructions accompanying it.

A truly random sample of the MLM distributor population is difficult to obtain due to the effort required and the cost associated with reaching the desired number of respondents, particularly those without internet access.

Because of the intrinsic flaws of the sampling technique employed, total generalisation of the MLM distributor population may not be possible as there may be a systematic bias in terms of those MLM distributors who responded.

In addition to limitations resulting from the sampling approach, data sets generated with Likert-type scales often have a skewed or polarised distribution (Jamieson, 2004). Likert scales may therefore be subject to distortion from several causes and as detailed by Chang and Lim (2002), respondents may avoid using extreme response categories (*central tendency bias*); agree with statements as presented (*acquiescence bias*); or try to portray a more favourable outcome of the situation (*social desirability bias*). This is an accepted risk associated with Likert scales.

3.6 Validity and reliability

3.6.1 External validity

Validity is concerned with whether the scales are actually measuring what is intended to be measured (McCall, 2001). In this instance, external validity was concerned with how applicable the results are across the MLM distributor population in South Africa. External validity requires the use of a random and representative sample. For this research the respondents to the survey were a combination of judgemental and snowballing sampling approaches. The size of the sample (183) and a combination of both online and the interview approach for collecting respondent responses were used to minimize bias. The sample will in all likelihood represent an urban bias of the MLM distributor population due to this approach.

3.6.2 Internal validity

Internal validity is concerned with ensuring the accuracy and adequacy of the research instrument with regards to the objectives and content of the study. For this research, construct validity was sought through the pilot test approach detailed earlier in this document. Factor analysis was also employed to establish whether the items on the instrument cluster into the appropriate groupings (McCall, 2001).

3.6.3 Reliability

Reliability is concerned with the repeatability and internal consistency of research (McCall, 2001) and therefore the extent to which results are consistent over time and are an accurate representation of the total population under study (Joppe, 2000). This means the results of a study should be replicable under a similar methodology.

As the ‘administer and re-administer’ approach is not suitable for this research, Cronbach’s alpha as an index of reliability during factor analysis and as detailed

in the data analysis approach section of this document was employed. This is because Cronbach's alpha assists in confirming that the research instrument used will always return consistent and reliable results (Peterson, 1994).

In addition to this approach and since the measurement instrument was based on the outputs of the literature review, improvements and adjustments emanating from the pilot phase of the research approach were applied which enhanced the reliability of the measuring instrument.

4 RESULTS AND ANALYSIS

4.1 Introduction

This research study was undertaken to identify the factors influencing the attraction, participation and retention of MLM distributors in South Africa. The analysis of the completed research outcomes will be presented within this chapter. The survey questionnaire was electronically published on the internet and an email was then sent to the respondents informing them of the internet address link. Distributors who had been in MLM for less than six months at the time of completing the questionnaire were excluded as they could not be used for measuring the factors influencing the retention of distributors in MLM. As a result, of the 238 responses received, after removing incomplete records, distributors who were no longer active and those who had not been active for longer than six months, 183 responses were retained.

The demographic analysis will be presented first, followed by the cross-tabulation analysis which was used to identify whether certain relationships existed between selected variables identified in the literature review section in Chapter 2. Exploratory factor analysis results are then discussed in order to identify the underlying factors to address Propositions 1 and 2. Lastly, the results of Propositions 3 to 5 are discussed as per the factor analysis, t tests and effect size analysis completed.

4.2 Demographics

The purpose of obtaining demographic information from the respondents was to describe the sample and relate the results of the analysis to the respondents. The level of measurement of the variables used to measure race, gender, who invited the distributor to participate in MLM, and on which activities distributors spent most of their time, is nominal in nature. This means that the data collected could only be classified and counted with no particular order to the categories (Lind, Mason & Marchal, 2000). The level data for age, participation status,

employment status, duration of participation in MLM, duration of time distributors spent as active members within MLM, the time spent on MLM activities per week, and commissions generated from MLM activities were measured in unequal categories to simplify the questionnaire, and therefore making the scales categories ordinal in nature (Lind et al., 2000).

4.2.1 Race distribution

Race group representation of sample		
Answer Options	**Response Percent**	**Response Count**
African	12.6%	23
Indian	0.5%	1
Coloured	3.3%	6
White	83.1%	152
Other	0.5%	1
answered question		**183**
skipped question		**0**

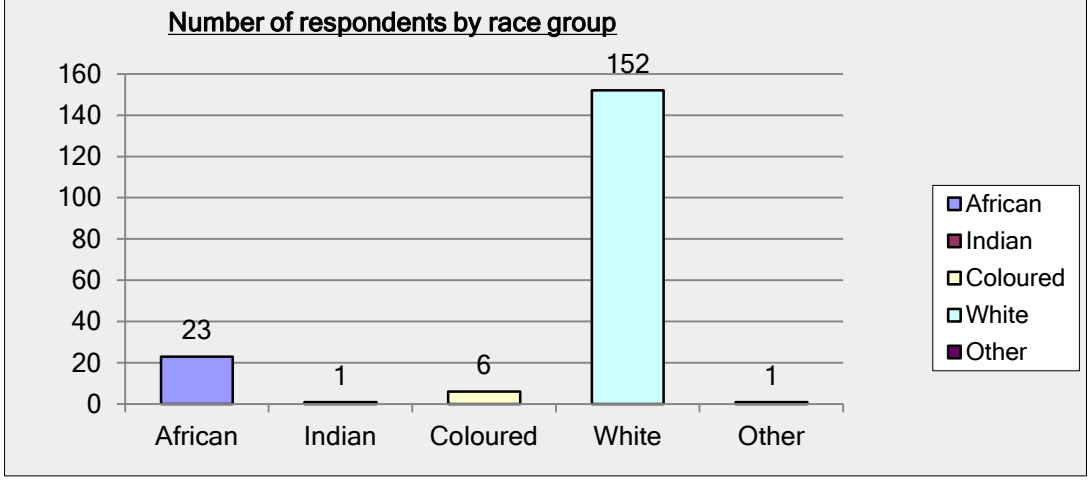

Figure 7: Race distribution of respondents

Of the sample being measured, the majority (83.1%) of the respondents were white with nearly 13 per cent of the respondents being African. Although this is in contrast to the South African demographic profile of majority (79.5%) African and minority (9.0%) White (Stats SA, 2011), the non-probability sampling approach utilised was not expected to return a demographically representative sample.

4.2.2 Gender distribution

Gender representation of sample		
Answer Options	**Response Per cent**	**Response Count**
Male	4.9%	9
Female	95.1%	174
answered question		**183**
skipped question		**0**

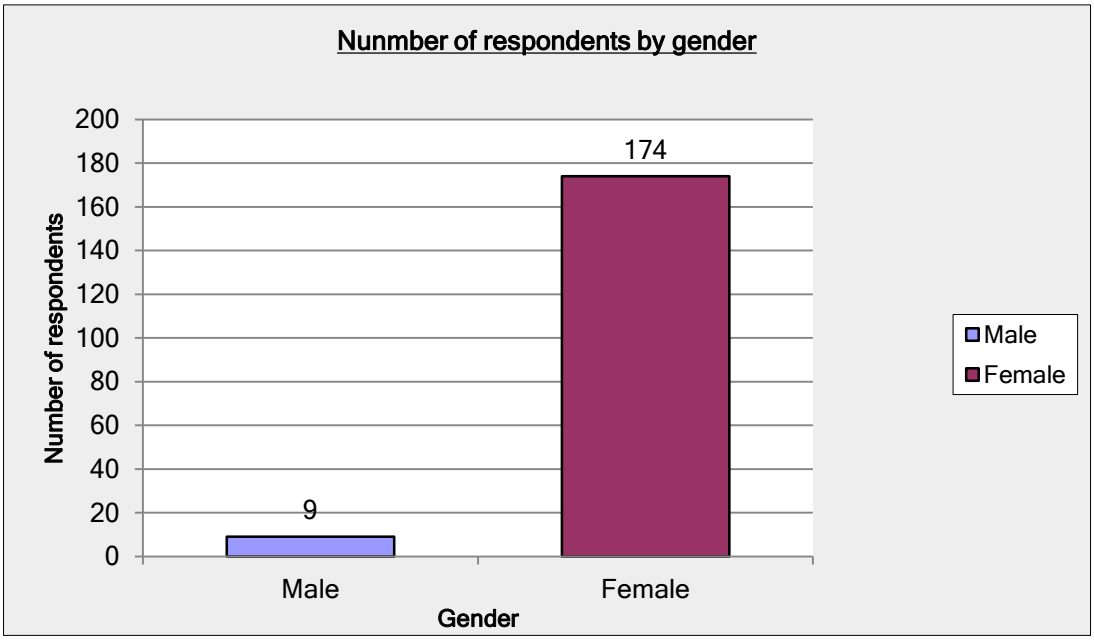

Figure 8: Gender distribution of respondents

The gender distribution of the sample indicates a large majority of females who constitute 95.1 per cent of the respondents.

4.2.3 Age distribution

Age representation of sample		
Answer Options	**Response Percent**	**Response Count**
25 or less	4.9%	9
26 to 30	11.5%	21
31 to 35	15.3%	28
36 to 40	13.1%	24
40 to 45	19.7%	36
46 to 50	15.3%	28
51 to 55	8.7%	16
56 to 60	6.6%	12
61 or above	4.9%	9
answered question		183
skipped question		0

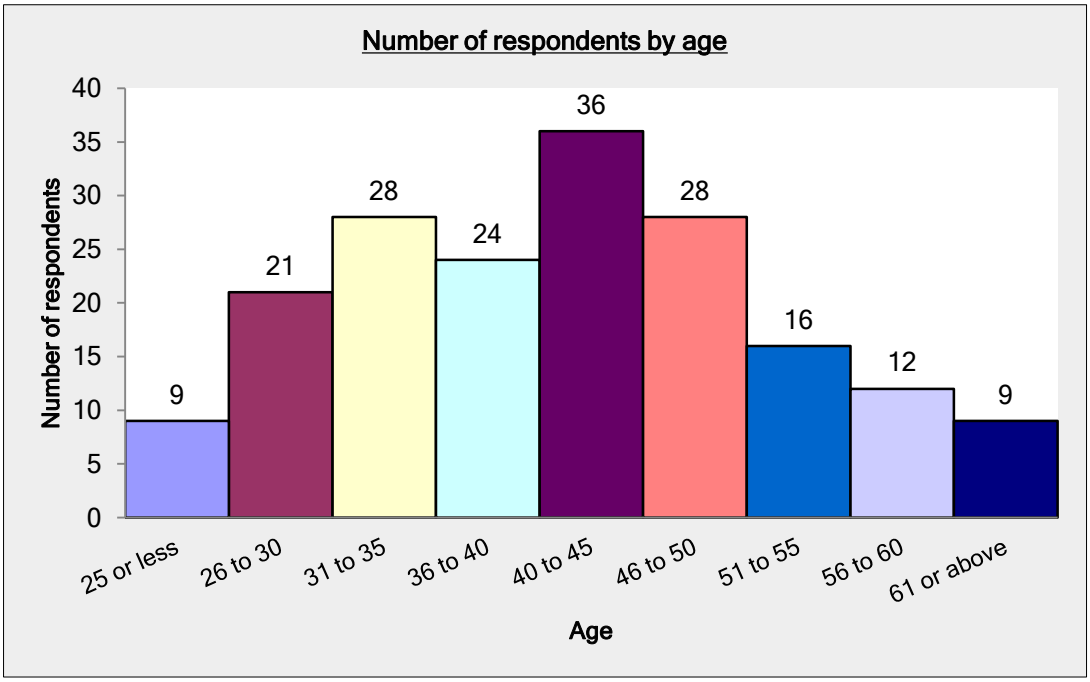

Figure 9: Age distribution of respondents

The age distribution of the sample depicts that the majority (63.4%) of the respondents fall within the 31 to 50 years of age range. The ages 40 to 45 were the most represented at 19.7 per cent, followed by the ages 31 to 35 and 46 to 50, both at 15.3 per cent. The least represented age groups were the ages 25 or less, and 61 and above with both at 4.9 per cent.

4.2.4 Employment status

Employment status of sample		
Answer Options	**Response Per cent**	**Response Count**
Student	1.6%	3
Employed Part-time	18.0%	33
Employed Full-time	54.1%	99
Full time in MLM	26.2%	48
answered question		183
skipped question		0

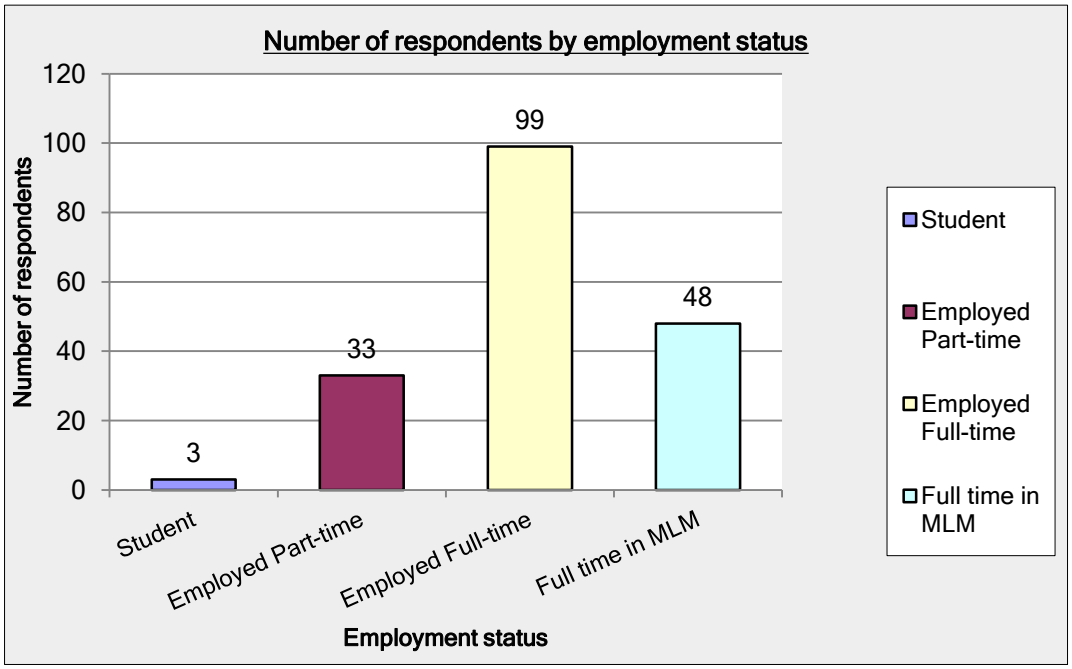

Figure 10: Employment statuses of respondents

A review of the employment status of the sample indicates that 72.1 per cent of MLM distributors hold other forms of employment on a part-time or full-time basis, with more than half (54.1%) of the distributors sampled being in full-time employment and 18 per cent on a part-time base. There is very low representation of respondents who are students (1.6%) which is in line with the low representation of distributors aged 25 or less (4.9%). The sample also returned a relatively high rate of distributors who are full time in MLM at 26.2 per cent. It can however not be confirmed whether these distributors left formal

employment to pursue MLM or whether they joined MLM from a position of unemployment.

4.2.5 Invited to participate in MLM by

Source of invitation to participate in MLM for sample		
Answer Options	**Response Percent**	**Response Count**
Friend	38.8%	71
Family member	16.4%	30
Collegue	8.2%	15
Spouse	0.0%	0
Own research	9.3%	17
Company advertising	6.0%	11
Other	21.3%	39
answered question		183
skipped question		0

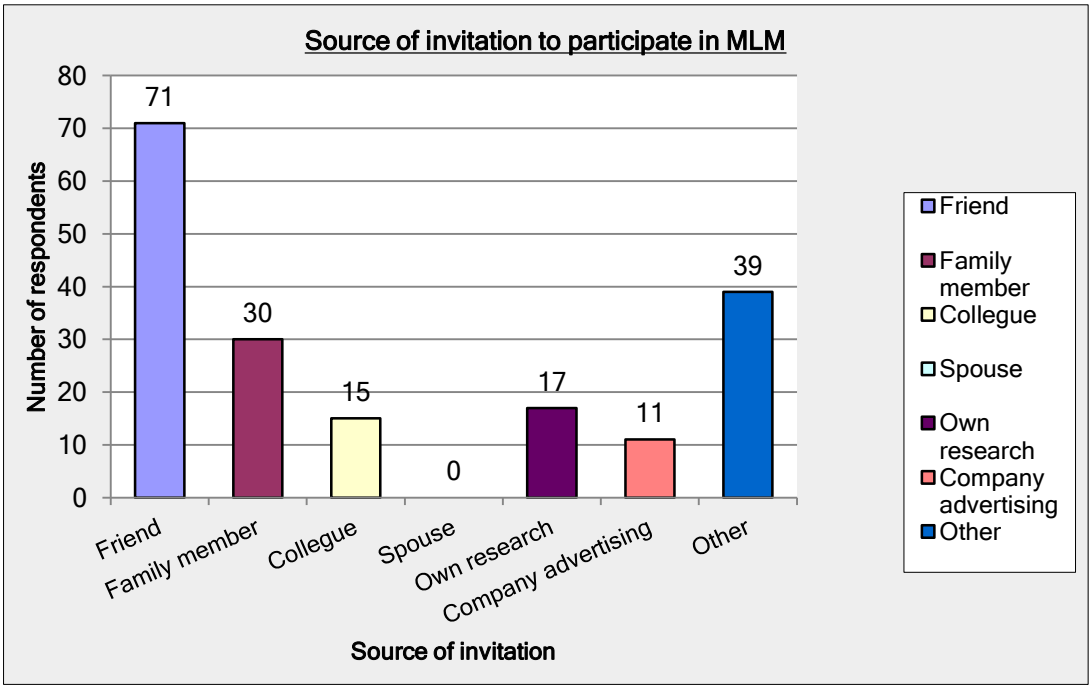

Figure 11: Invited to participate in MLM by

A review of how MLM distributors were recruited indicates that over half (55.2%) of MLM distributors in the sample were introduced to MLM by a friend or a family

member and that only a small sample (6.0%) were influenced by company advertising.

Distributors joining MLM or a specific MLM company based on their own research also scored relatively low with 9.3 per cent of distributors having used this approach.

Future research should explore further categories in order to obtain more insight into the category ‘other’ which represents a fifth (21.3%) of distributor invitations to participate. This could be attributable to industry related information such as articles or business opportunity publications not commissioned by MLM companies themselves.

4.2.6 Participation Status

Participation status of sample		
Answer Options	**Response Percent**	**Response Count**
Active	80.9%	148
Semi-active	19.1%	35
Inactive	0.0%	0
Never active	0.0%	0
answered question		183
skipped question		0

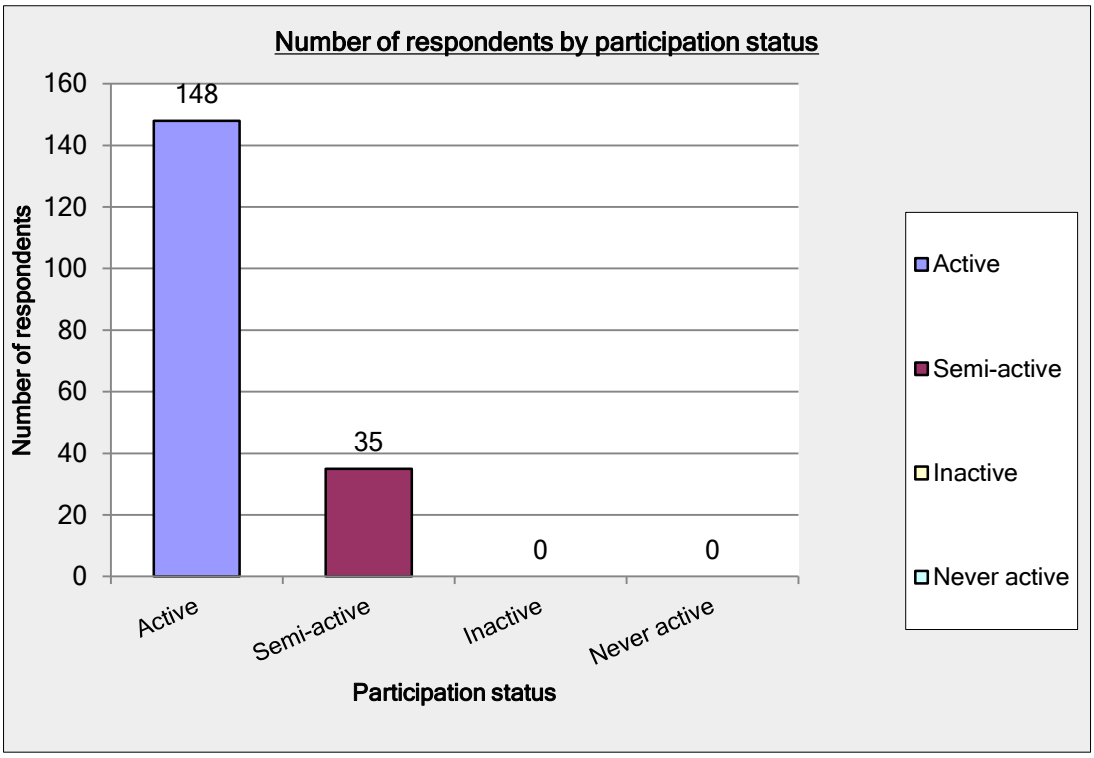

Figure 12: Participation statuses of respondents

By measuring participation status, the inactive and never active distributors were filtered out as they did not form part of the scope of this research because they could not provide input on the factors influencing distributor retention. A majority (80.9%) of the sampled distributors remain active in MLM activities. Active distributors are those that continue to resell their respective companies' products and or continue to recruit new distributors into the MLM programmes. Nineteen

per cent of the sampled distributors were semi-active. This means that they continue to purchase the products of the company they are affiliated to for personal usage. They are not reselling the products nor are they recruiting new distributors.

4.2.7 Time spent participating in MLM

Period of time spent as active or semi-active by sample		
Answer Options	**Response Per cent**	**Response Count**
Less than 6 months	4.9%	9
6 months to 1 year	13.7%	25
1 year to 2 years	14.8%	27
2 years to 3 years	8.2%	15
3 years to 4 years	9.3%	17
4 years to 5 years	4.9%	9
more than 5 years	44.3%	81
answered question		183
skipped question		0

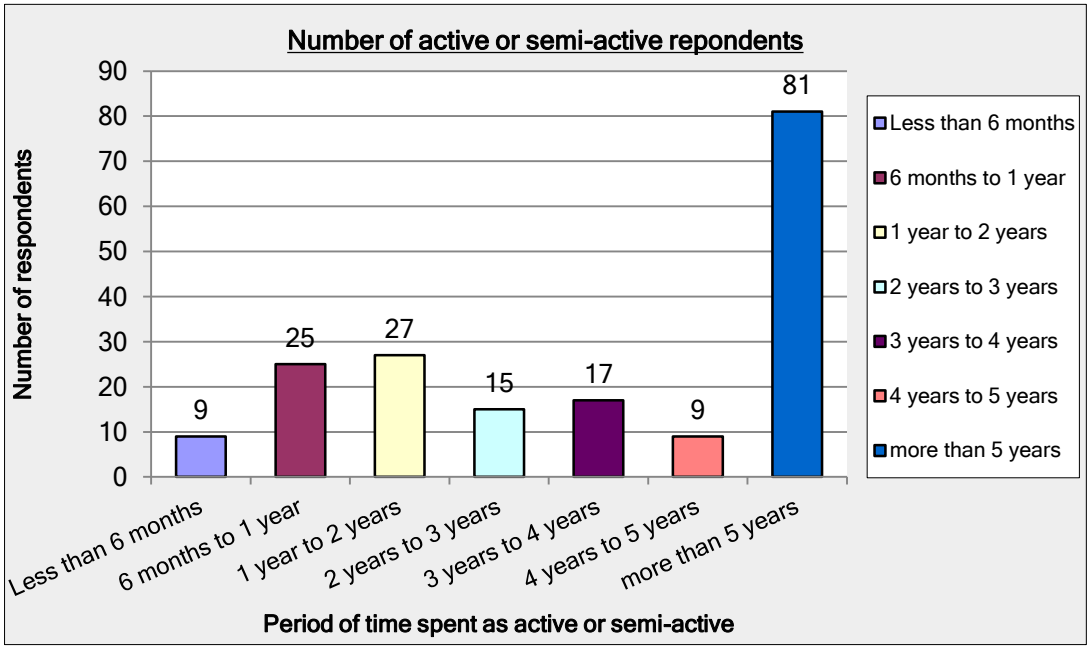

Figure 13: Duration of time as an MLM distributor

The duration of time spent as an MLM distributor was concerned with how long the distributors have been participating in MLM. Forty-four per cent of distributors have been involved in MLM for more than five years, while 22.4 per cent have been involved in MLM for two to five years. However, it is worth noting that over a quarter (28.5%) of the distributors sampled had been in MLM for between six months to two years, with nearly 14 per cent of the overall total having been in MLM for between six months and one year.

4.2.8 Time spent as an active distributor in MLM

Period of time spent as an active distributor by sample		
Answer Options	**Response Per cent**	**Response Count**
Less than 6 months	10.9%	20
6 months to 1 year	15.8%	29
1 year to 2 years	17.5%	32
2 years to 3 years	9.3%	17
3 years to 4 years	7.7%	14
4 years to 5 years	4.4%	8
more than 5 years	34.4%	63
answered question		**183**
skipped question		**0**

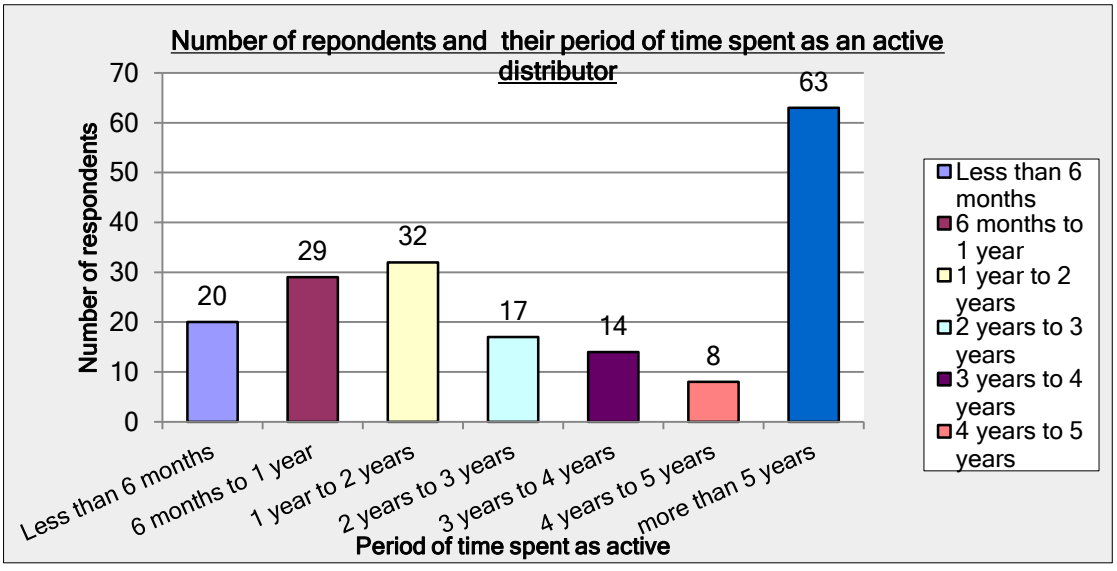

Figure 14: Time spent by respondents as active MLM distributors

Time spent as an active distributor (actively selling or recruiting) focuses specifically on active distributors and illustrates how long distributors have remained active. Period of time spent as active or semi-active by sample depicted how long distributors had generally been involved in MLM which by inference included semi active (purchasing company products only for personal consumption) distributors.

Although the two depict a very similar view, the key take out is that there is a lag between when a distributor ‘signs-up’ for an MLM programme and when they start actively reselling the company’s product and or growing their downline networks by recruiting other distributors into their programmes.

4.2.9 Hours spent on MLM activities per week

Number of hours spent per week on MLM activities by sample		
Answer Options	**Response Per cent**	**Response Count**
0 to 5 hrs	62.3%	114
6 to 10 hrs	12.0%	22
11 to 15 hrs	3.3%	6
16 to 20 hrs	4.4%	8
21 to 25 hrs	3.3%	6
26 to 30 hrs	2.7%	5
31 to 35 hrs	3.3%	6
36 or more	8.7%	16
	answered question	183
	skipped question	0

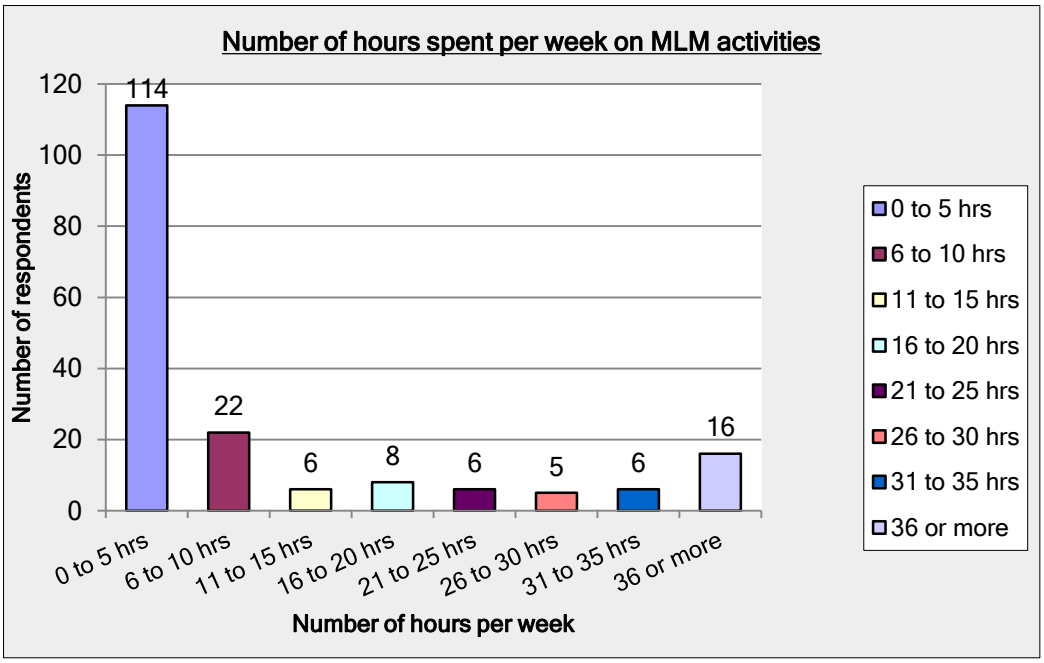

Figure 15: Hours spent per week by respondents on MLM activities

The majority (62.3%) of distributors spend five hours or less on MLM activities per week. A further 12 per cent spend between six and 10 hours per week on MLM activities. Three quarters (74.3%) of respondents spend 10 hours or less on MLM activities per week. Twelve per cent of distributors spend 31 hours or more on MLM activities.

4.2.10 Activity approach in MLM

How time is spent by sample on MLM activities		
Answer Options	**Response Per cent**	**Response Count**
Mostly selling	65.6%	120
Mostly recruiting	7.7%	14
Evenly between selling and recruiting	26.8%	49
answered question		183
skipped question		0

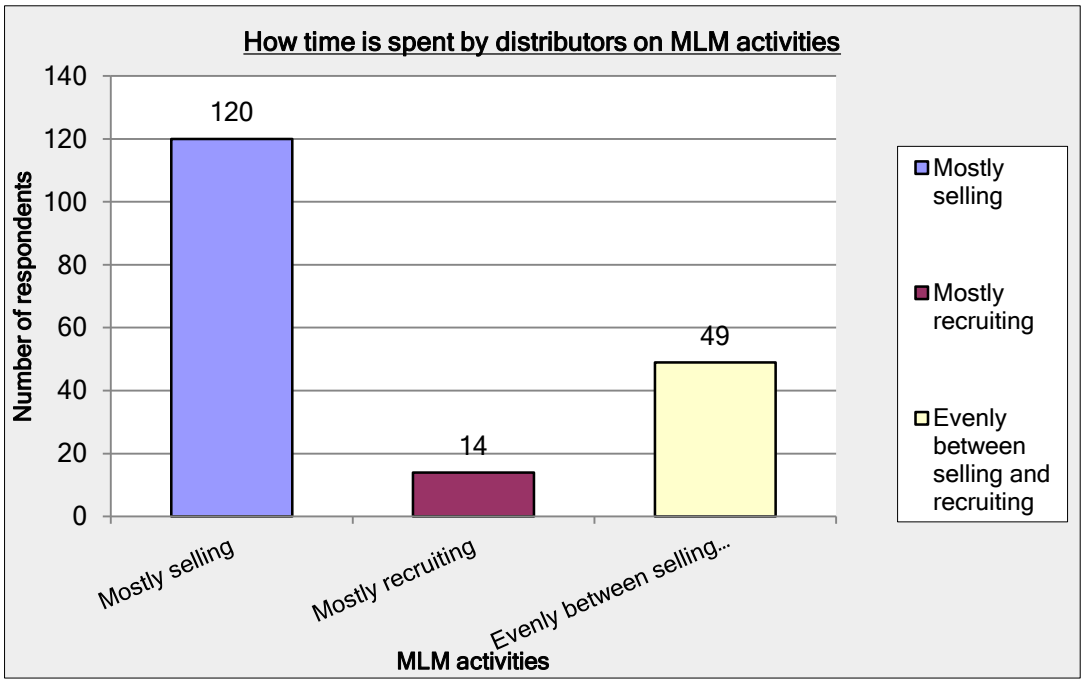

Figure 16: Activities of respondents within MLM

Activities of respondents within MLM depict which key activities distributors dedicate their time to. Two-thirds (65.6%) of distributors mostly dedicate their time to product sales activities while a minority (7.7%) mostly dedicate their time to recruitment (growing their downline network) activities. Slightly over a quarter (26.8%) of distributors spend their time evenly between selling and recruiting new distributors.

4.2.11 Average net commissions received from MLM activities

Average monthly net commission received by distributors from MLM activities.		
Answer Options	**Response Per cent**	**Response Count**
R2000 or less	65.6%	120
R2001 to R5000 pm	17.5%	32
R5001 to R10 000 pm	6.6%	12
R10 001 to R15 000 pm	2.7%	5
R15 001 to R20 000 pm	1.6%	3
R20 001 to R25 000 pm	2.7%	5
R25 001 to R30 000 pm	1.6%	3
R30 001 to R40 000 pm	0.0%	0
R40 001 to R50 000 pm	1.1%	2
R50 001 and above pm	0.5%	1
answered question		183
skipped question		0

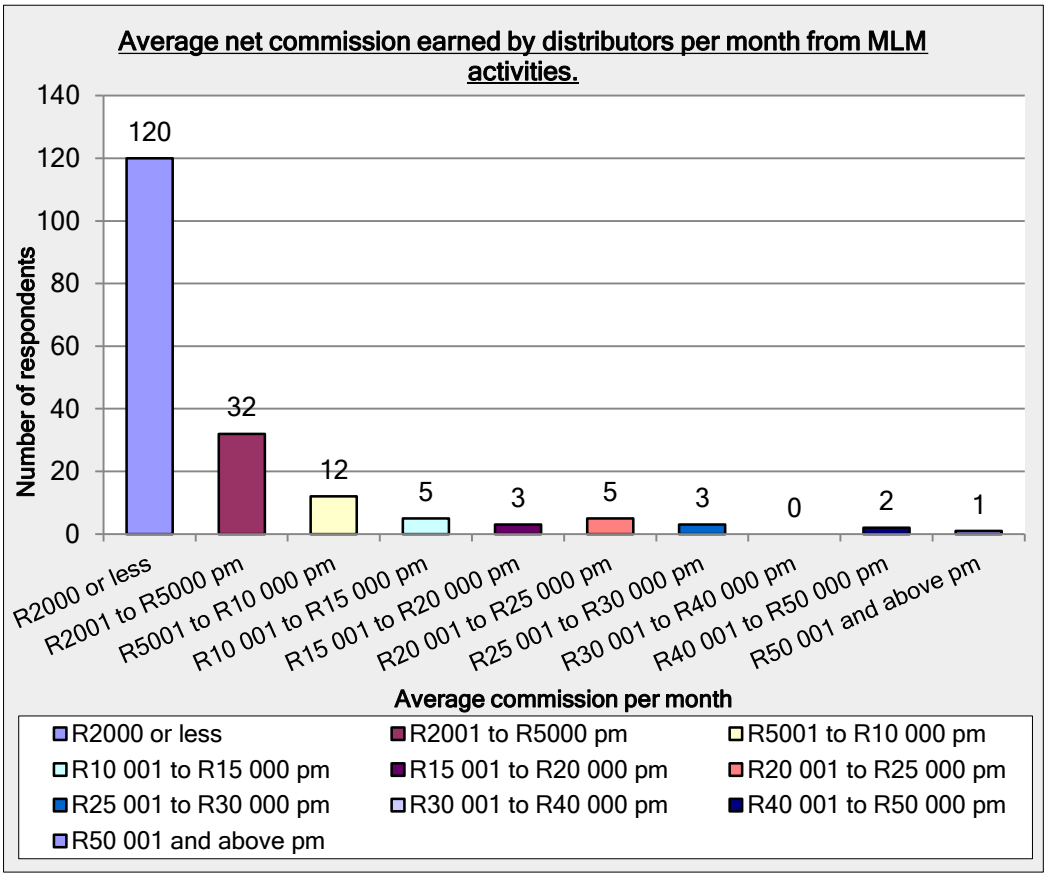

Figure 17: Average commissions received by respondents from MLM activities

Almost two thirds (65.6%) of distributors earn net average commissions of R2 000 or less per month with 17.5 per cent receiving average net commissions of between R2 001 and R5 000 per month. Only seventeen per cent of the entire sample was found to earn a net average commission of more than R5 000 per month.

4.3 Cross-tabulation

As elaborated in Chapter 3, cross-tabulation was used to identify whether certain relationships existed between selected variables as identified within the literature review section of this report and in the research proposition statements. Tests of significance were performed on these relationships in order to provide extra information on characteristics of the respondents. It should be noted that as per the research methodology approach described in Chapter 3, exploratory analyses were conducted and therefore no hypotheses were framed formally for testing. As such, the relationships between the following variables were cross-tabulated:

1. ‘Employment status’ versus ‘Hours spent on Multi-Level Marketing activities per week’.

2. ‘Hours spent on Multi-Level Marketing activities’ versus ‘Average monthly net commissions received from MLM activities’.

3. ‘I spend my Multi-Level Marketing time as follows’ versus ‘Average monthly net commissions received from MLM activities’.

4. ‘Average monthly net commissions received from MLM activities’ versus ‘Period of time spent as an active (recruiting and selling) distributor’.

5. ‘As things stand, I intend to continue as an active distributor with my company’ versus ‘Average monthly net commissions received from MLM activities’.

The chi-square statistic and Spearman's rank order correlation coefficient, as described in the detailed data analysis section (Section 3.4), were employed to test the statistical significance of the associations between the variables as observed.

Only the results of the cross-tabulation and corresponding statistical significance tests will be detailed in this section. The cross-tabulation tables are contained in the Appendix C to Appendix M.

4.3.1 Hours spent on Multi-Level Marketing activities by Employment status

Based on the cross-tabulation results, the employment status of MLM distributors is significantly correlated to the amount of time distributors spend on MLM activities (Chi-square = 84.090, $p < 0.001$). As depicted in Appendix C, over two thirds (69.3%) of distributors that spend between zero and five hours per week on MLM activities are employed full time in other capacities. In comparison, almost all (93.8%) of MLM distributors who spend 36 hours or more on MLM activities participate in MLM on a full time basis.

4.3.2 Hours spent on Multi-Level Marketing activities by monthly MLM commission

Based on the cross-tabulation results, the number of hours spent by distributors on MLM activities per week is significantly correlated to the average monthly MLM commissions received with those who work more hours earning higher commissions than those who work fewer hours (Spearman's Rho = 0.691, $p<0.001$). As per Appendix E, most (87.7%) distributors spending five hours or less on MLM activities per week earn monthly commissions of R2 000 or less. This is in comparison to only six per cent of distributors spending 36 hours or more on MLM activities a week who earn average monthly commissions of R2000 or less. In support of this notion, of the distributors spending 36 hours or more on MLM activities per week, a quarter of them (25%) earn average monthly

commissions of between R5 001 and R10 000. Of the same group, 18.8 per cent earn average monthly commissions of between R20 001 and R30 000, while a minority (6.3%) earn average monthly commissions of R50 000 or above.

4.3.3 Multi-Level Marketing activity by MLM commissions

The cross-tabulation results in Appendix F and G indicate that there is a significant relationship between the average monthly net commissions that MLM distributors earn and the activities that MLM distributors spend their time on (Chi-Square = 32.180, $p<0.001$). To enable easier interpretation of the data categories, the monthly net commissions were combined into two categories namely; R2 000 or less per month, and more than R2 000 per month as per Appendix I. This indicated that 38.8 per cent of distributors who spent their time evenly split between selling and recruiting activities, earned average monthly commissions of R2 000 or less, while the majority (61.2%) of the same group earned average monthly commissions of more than R2 000. Similarly, of the distributors who spent their time mostly on recruiting activities, 35.7 per cent earned average monthly commissions of less than R2 000, while slightly under two thirds (64.3%) earned average monthly commissions of more than R2 000.

In contrast, of the distributors who spent their time mostly selling, the majority (80%) earned average monthly commissions of R2 000 or less, while the remainder (20%) earned average monthly commissions above R2 000.

4.3.4 MLM commissions by time spent as an ACTIVE distributor

As per the cross-tabulation results in Appendix J and K, the average monthly commission earned by distributors increases based on the amount of time MLM distributors have spent as active (Spearman's Rho = 0.476, $p<0.001$). Most (90.0%) distributors who have been active for less than six months earn average monthly commissions of R2 000 or less, but commissions increase as the period of time spent as active distributors in MLM increases.

4.3.5 MLM commissions by intention to continue as active distributor

As per Appendix L, 9.2 per cent of all respondents who answered strongly disagree, disagree or neutral to the statement ‘As things stand, I intend to continue as an active distributor with my company’ earned average monthly net commissions of R5 000 or less. In comparison, all respondents earning average monthly net commissions of R5 001 or above answered the same question with agree, strongly agree and very strongly agree.

There is a statistically significant correlation between the average monthly net commissions received from MLM activities and the intention to continue as an active distributor with their current company (Spearman’s Rho = 0.310, $p<0.001$).

4.4 Factor analysis

Principle component factor analysis was applied to the interval level data of the questionnaire responses in order to identify the underlying factors for each of the research sub-questions. Eigenvalues (supported by scree plots) were calculated and used as the primary method in determining the number of factors to be extracted in the overall factor analysis. Furthermore, Cronbach’s coefficient alpha was then computed to determine the internal validity of the scales comprising the items that loaded highest on each factor.

Throughout the analyses, the mean of the item scores were also calculated for further analyses. The items that loaded highest on each factor were utilised in the calculation of this mean. This approach was adopted after the internal consistency reliability using coefficient alpha was checked for adequacy in an attempt to retain all the item variances. This was in order not to lose variance as would have occurred had the factor scores been used.

4.4.1 Factors influencing the attraction of potential MLM distributors into the MLM industry

The sample of 183 respondents completed the questionnaire with 18 statements relating to what influenced them to participate in MLM. The respondents were requested to indicate their degree of agreement to each statement using a seven-point Likert scale ranging from ‘very strongly disagree’ (1) to ‘very strongly agree’ (7).

KMO and Bartlett's test results

Table 1: KMO and Bartlett's test results for factors influencing the attraction of potential MLM distributors into the MLM industry

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.890
Bartlett's Test of Sphericity	Approx. Chi-Square	1853.626
	df	153
	Sig.	.000

Kaiser-Meyer-Olkin (KMO) measure of .890 indicated a high sampling adequacy for the factor analysis. Bartlett's test of sphericity, which tests whether the correlation matrix is an identity matrix, is significant (p<.000). This indicates that factor analysis is an appropriate technique for analysing correlation. The varimax rotated items and corresponding factor loadings are presented in Table 2.

Table 2: Items and corresponding factor loadings for factors influencing the attraction of potential MLM distributors into the MLM industry

Factors influencing the attraction of potential MLM distributors into the MLM industry					
Question/Statement	**Component**				**Commu-nalities**
	Factor 1	**Factor 2**	**Factor 3**	**Factor 4**	
I hoped to one day participate fulltime in MLM.	0.840	0.228	0.017	0.045	0.760
I expected my network to grow fast.	0.756	0.151	0.132	0.158	0.637
It offered me an opportunity to develop and or improve my management and leadership skills.	0.738	0.289	0.242	0.135	0.705
I saw it as an opportunity to explore an alternative career.	0.723	0.245	0.140	0.093	0.611

Factors influencing the attraction of potential MLM distributors into the MLM industry					
Question/Statement	**Component**				**Commu-nalities**
	Factor 1	**Factor 2**	**Factor 3**	**Factor 4**	
I wanted to build a network that "worked" for me.	0.700	0.359	0.169	0.299	0.738
I wanted to start and run my own business.	0.647	0.326	0.061	0.309	0.624
It offered me the opportunity to develop and or improve on my administration skills.	0.630	0.157	0.384	0.221	0.617
I expected high financial benefits for taking part.	0.434	0.422	0.398	-0.009	0.525
The time required was flexible and I could choose how much time to dedicate to it.	0.269	0.765	-0.033	0.232	0.713
I saw it as an opportunity for having an additional source of income.	0.416	0.652	0.179	-0.012	0.629
It would enable me to work from home.	0.528	0.613	-0.189	0.187	0.726
I found it socially acceptable to participate in the industry.	0.165	0.609	0.357	0.283	0.605
I found the MLM industry attractive.	0.349	0.605	0.461	0.128	0.716
I considered other businesses initiatives or programmes before choosing MLM.	0.190	-0.043	0.740	0.188	0.621
Of the low start-up fee required to join.	-0.077	0.353	0.602	0.103	0.503
I was under financial pressure.	0.436	0.003	0.501	-0.076	0.447
I saw it as an opportunity to use my professional network (work colleagues, existing clients etc.) to generate income.	0.129	0.214	0.085	0.838	0.772
I saw it as an opportunity to use my existing family and social (friends) networks to generate income.	0.235	0.102	0.147	0.815	0.752

A scree plot was created to aid in the decision of which of the extracted factors should be retained as depicted in Figure 18. This indicates the presence of one predominant factor and several additional weak ones, only four of which have eigenvalues greater than one. These four factors explain 65 per cent of the variance.

Table 3 represents the eigenvalues and percentage of explained variance for the components with eigenvalues greater than one.

Total Variance Explained

Table 3: Total variance explained for factors influencing the attraction of potential MLM distributors into the MLM industry

Factors influencing the attraction of potential MLM distributors into the MLM industry									
Component	Initial eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulat-ive %	Total	% of Variance	Cumula-tive %	Total	% of Variance	Cumulat-ive %
1	7.923	44.015	44.015	7.923	44.015	44.015	4.816	26.755	26.755
2	1.408	7.822	51.836	1.408	7.822	51.836	2.962	16.456	43.211
3	1.301	7.226	59.062	1.301	7.226	59.062	2.032	11.290	54.501
4	1.070	5.947	65.009	1.070	5.947	65.009	1.892	10.508	65.009

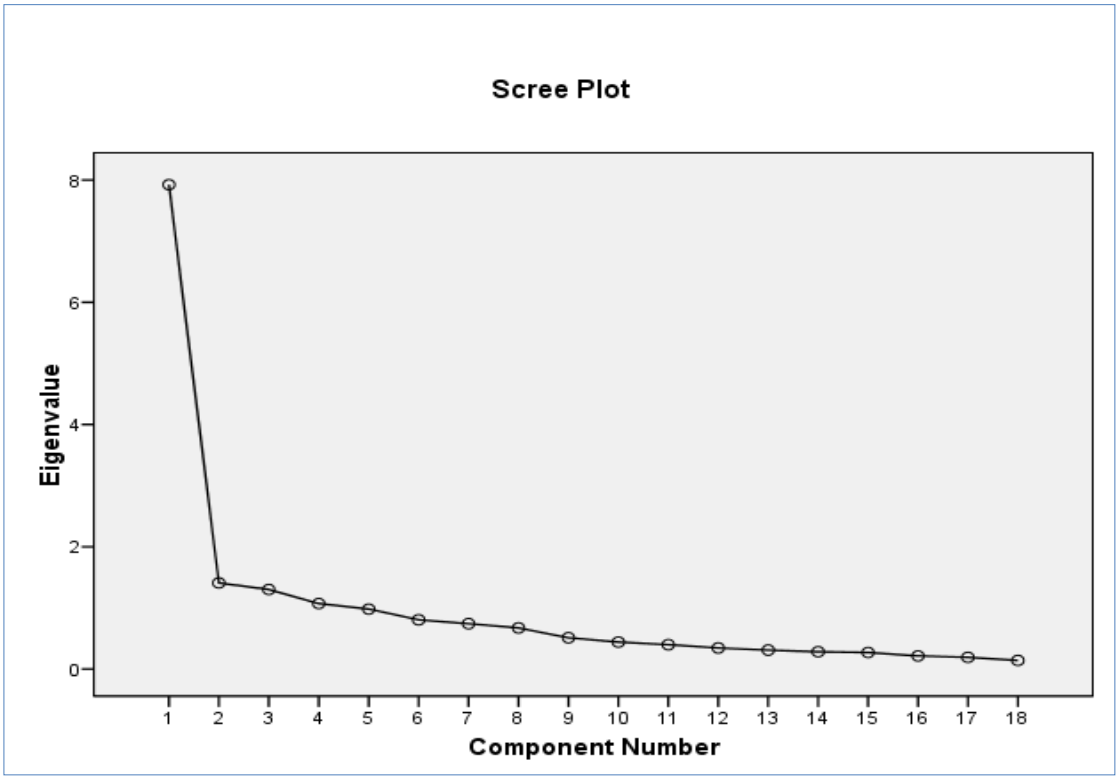

Figure 18: Scree plot for factors influencing the attraction of potential MLM distributors into the MLM industry

The factors that emerged and their composite items are detailed in Table 4. The naming method used to label the factors was that described in the detailed data analysis approach section (Section 3.4).

Table 4: Factors influencing the attraction of potential MLM distributors into the MLM industry

Factors influencing the attraction of potential MLM distributors into the MLM industry		
	Factor Loadings	**Commu-nalities**
Factor 1: Career and Personal Development		
• I hoped to one day participate fulltime in MLM.	0.840	0.760
• I expected my network to grow fast.	0.756	0.637
• It offered me an opportunity to develop and or improve my management and leadership skills.	0.738	0.705
• I saw it as an opportunity to explore an alternative career.	0.723	0.611
• I wanted to build a network that "worked" for me.	0.700	0.738
• I wanted to start and run my own business.	0.647	0.624
• It offered me the opportunity to develop and or improve on my administration skills.	0.630	0.617
• I expected high financial benefits for taking part.	0.434	0.525
Factor 2: Industry attractiveness and time flexibility		
• The time required was flexible and I could choose how much time to dedicate to it.	0.765	0.713
• I saw it as an opportunity for having an additional source of income.	0.652	0.629
• It would enable me to work from home.	0.613	0.726
• I found it socially acceptable to participate in the industry.	0.609	0.605
• I found the MLM industry attractive.	0.605	0.716
Factor 3: Ease of participation		
• I considered other businesses initiatives or programmes before choosing MLM.	0.740	0.621
• Of the low start-up fee required to join.	0.602	0.503
• I was under financial pressure.	0.501	0.447
Factor 4: Income generation opportunity		
• I saw it as an opportunity to use my professional network (work colleagues, existing clients etc.) to generate income.	0.838	0.772
• I saw it as an opportunity to use my existing family and social (friends) networks to generate income.	0.815	0.752

The mean of the item scores were calculated for each factor for further analyses by utilising the items that loaded highest on each factor. This approach was

adopted after the internal consistency reliability using coefficient alpha was checked for adequacy in an attempt to retain all the item variances.

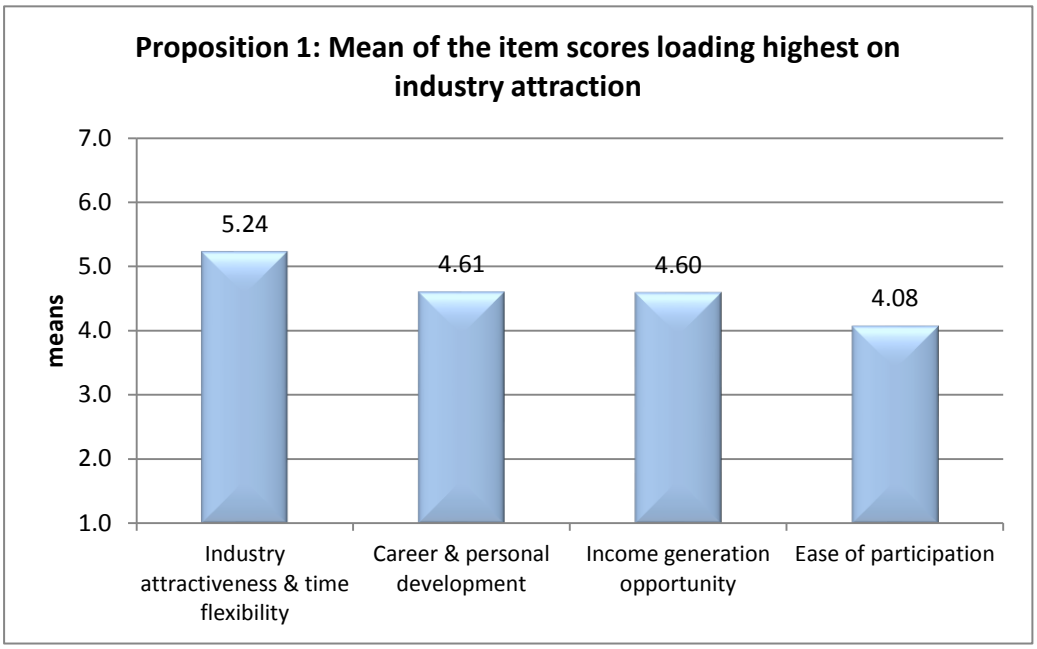

Figure 19: Mean of the item scores loading highest on industry attraction

The mean of the items loading highest on the factors displayed in Figure 19 indicate that based on the seven-point Likert scale, on average, potential MLM distributors scored highest on the items that loaded highest on the factor named industry attractiveness and time flexibility (5.24) regarding the attraction of potential distributors into the MLM industry. The lowest mean computed for the items that loaded highest on the four factors was for the factor named ease of participation (4.08). These means are all relative to the possible maximum score of seven, and all exceed the scale midpoint of four which is indicative of neutral attitudes.

Reliability Statistics

Cronbach's alpha coefficients are presented for each of the sets of items that loaded highest on each factor in order to determine their internal consistency reliability as additional evidence in the decision of factor retention.

Table 5: Descriptive statistics and Cronbach's alpha coefficient of items comprising of the principle components underlying MLM industry attraction

Factors influencing the attraction of potential MLM distributors into the MLM industry							
Fac-tor	Factor Name	No of Items	Cronbach's alpha	Mean	Standard deviation	Minimum Factor loading	Variance Extracted
1	Career and Personal Development	8	0.911	4.613	1.199	0.434	44.015%
2	Industry attractiveness and time flexibility	5	0.838	5.236	1.005	0.605	7.822%
3	Ease of participation	3	0.505	4.082	1.162	0.501	7.226%
4	Income generation opportunity	2	0.742	4.601	1.361	0.752	5.947%

The Cronbach's alpha scores ranged from 0.505 to 0.911 and revealed acceptable internal consistency for three out of the initial four factors. The factor ease of participation (Factor 3) returned a score (0.505) below the desired 0.6 value of acceptable reliability. This factor was not considered further.

Cronbach's alpha for the entire scale was then recomputed after removing Factor 3 and returned a value of 0.925, a slight improvement from the 0.917 returned when Factor 3 was included. The Cronbach's alpha value of 0.925 indicates a high level of internal consistency for the overall scale.

4.4.2 Factors influencing potential distributors to participate in a particular MLM company

The sample of 183 respondents completed the questionnaire with 15 statements relating to what influenced them to join a particular MLM company. The

respondents were requested to indicate their degree of agreement to each statement using a seven-point Likert scale ranging from ‘very strongly disagree’ (1) to ‘very strongly agree’ (7).

KMO and Bartlett's test results

Table 6: KMO and Bartlett's test results for factors influencing distributor participation into a particular MLM company

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.825
Bartlett's Test of Sphericity	Approx. Chi-Square	1559.257
	df	105
	Sig.	.000

Kaiser-Meyer-Olkin (KMO) measure of .825 indicated a high sampling adequacy for the factor analysis. Bartlett's test of sphericity, which tests whether the correlation matrix as an identity matrix, is significant (p<.000). This indicates that factor analysis is an appropriate technique for analysing correlation. The varimax rotated items and corresponding factors are presented in Table 7.

Table 7: Items and corresponding factor loadings for factors influencing distributor participation into a particular MLM company

Factors influencing distributor participation into a particular MLM company				
	Component			
	Factor 1	**Factor 2**	**Factor 3**	**Communalities**
I identified with the company value system.	0.843	0.205	0.177	0.785
I believed they would grow and continue to be successful in the future.	0.835	0.142	0.223	0.767
I believed they were successful at the time.	0.794	0.149	0.265	0.723
I identified with their company image.	0.735	0.341	0.180	0.689
They were well known in the market.	0.498	0.492	0.230	0.543
Their products or services appeared easy to sell.	0.143	0.765	0.340	0.722
I personally believed in their products or services.	0.315	0.720	-0.095	0.627

Factors influencing distributor participation into a particular MLM company				
	Component			
	Factor 1	Factor 2	Factor 3	Communalities
I was a personal user of their products before I signed up.	-0.008	0.692	-0.015	0.480
They had a good public reputation.	0.407	0.674	0.246	0.680
They provided good support to their distributors.	0.300	0.512	0.482	0.584
My sponsor (the person who invited me) belonged to them.	0.400	0.480	-0.026	0.391
Of the way their products were priced.	0.348	0.461	0.280	0.412
I investigated different MLM companies and chose this one.	0.081	-0.130	0.858	0.760
They offered the best commissions.	0.302	0.137	0.747	0.667
Of the training they provide.	0.258	0.354	0.630	0.589

Table 8 represents the eigenvalues and percentage of explained variance for components with eigenvalues greater than one. When combined, these three factors explain 63% of the variance.

Total Variance Explained

Table 8: Total variance explained for factors with Eigenvalues greater than one and influencing distributor participation into a particular MLM company

Factors influencing distributor participation into a particular MLM company									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Vari-ance	Cumula-tive %	Total	% of Vari-ance	Cumula-tive %	Total	% of Vari-ance	Cumula-tive %
1	6.597	43.982	43.982	6.597	43.982	43.982	3.648	24.323	24.323
2	1.608	10.723	54.705	1.608	10.723	54.705	3.346	22.306	46.629
3	1.213	8.090	62.795	1.213	8.090	62.795	2.425	16.166	62.795

A scree plot was once again created in order to aid in the decision of which extracted factors should be retained (Figure 20). This indicated the presence of one predominant factor and several additional weak ones. The scree plot also

indicated that a fourth factor could have been considered based on where the gradient (scree) of the graph noticeably changes. Although inclusion of a fourth factor would improve the variability explained by the model from 62.78 per cent to 68.82 per cent, the fourth factor was not included as it had an eigenvalue of less than one. In addition, the initial three factor model, as stated in Chapter 3, satisfied the factor analysis objectives of identifying the least amount of factors as possible which account for a minimum of 60 per cent of the variance. Three factors were therefore retained.

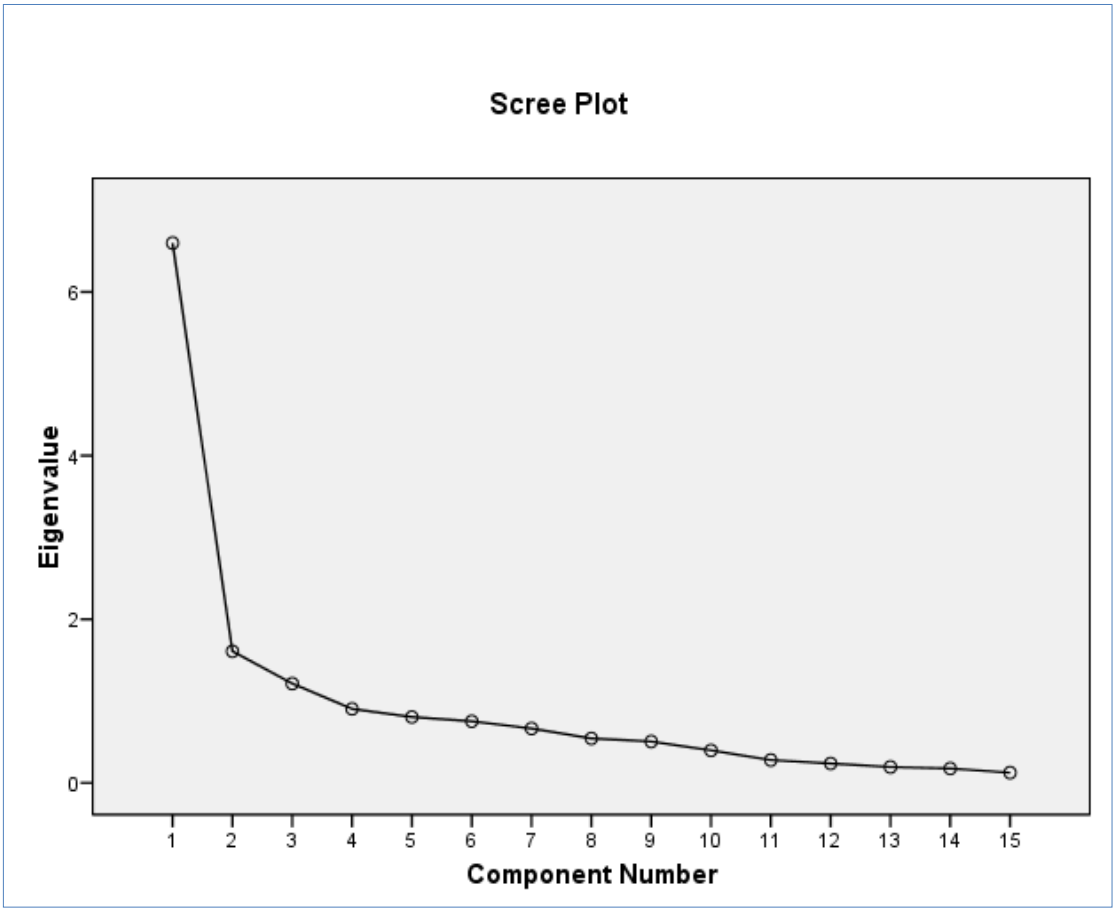

Figure 20: Scree plot for factors influencing distributor participation into a particular MLM company

The factors that emerged and their composite items are detailed in Table 9. The naming method used to label the factors was that described in the detailed data analysis approach section (Section 3.1.6).

Table 9: Factors influencing distributor participation into a particular MLM company

Factors influencing distributor participation into a particular MLM company		
	Factor Loadings	**Commu-nalities**
Factor 1: Company image and success		
• I identified with the company value system.	0.843	0.785
• I believed they would grow and continue to be successful in the future.	0.835	0.767
• I believed they were successful at the time.	0.794	0.723
• I identified with their company image.	0.735	0.689
• They were well known in the market.	0.498	0.543
Factor 2: Product affiliation		
• Their products or services appeared easy to sell.	0.765	0.722
• I personally believed in their products or services.	0.720	0.627
• I was a personal user of their products before I signed up.	0.692	0.480
• They had a good public reputation.	0.674	0.680
• They provided good support to their distributors.	0.512	0.584
• My sponsor (the person who invited me) belonged to them.	0.480	0.391
• Of the way their products were priced.	0.461	0.412
Factor 3: Distributor investigations		
• I investigated different MLM companies and chose this one.	0.858	0.760
• They offered the best commissions.	0.747	0.667
• Of the training they provide.	0.630	0.589

The mean of the item scores were calculated for each factor for further analyses by utilising the items that loaded highest on each factor. This approach was adopted after the internal consistency reliability using coefficient alpha was checked for adequacy in an attempt to retain all the item variances.

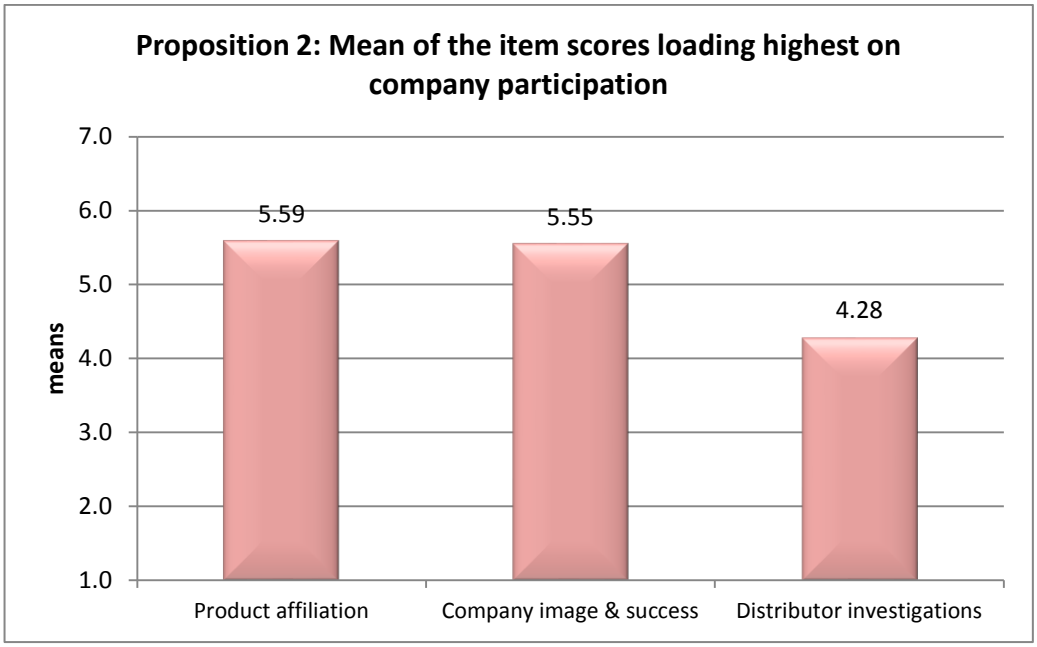

Figure 21: Mean of the item scores loading highest on company participation

The mean of the items loading highest on the factors displayed in Figure 21 indicate that based on the seven-point Likert scale, on average, potential MLM distributors scored highest on the items that loaded highest on the factor named product affiliation (5.59), followed by company image and success (5.55) in terms of influencing potential distributor participation into a particular MLM organisation. The lowest mean computed for the items that loaded highest on the factor named distributor investigations (4.28). These means are all relative to the possible maximum score of seven, and all exceed the scale midpoint of four, indicative of neutral attitudes.

Reliability Statistics

Cronbach's alpha coefficients are presented for each of the sets of items that loaded most highly on each factor in order to determine their internal consistency reliability as additional evidence in the decision of factor retention.

Table 10: Descriptive statistics, Cronbach's alpha and principle components for factors influencing distributor participation into a particular MLM company

Factors influencing distributor participation into a particular MLM company							
Factor no.	**Factor Name**	**No of Items**	**Cron-bach's Alpha**	**Mean**	**Standard deviation**	**Minimum Factor loading**	**Variance Extracted**
1	Company image and success	5	0.883	5.552	0.989	0.498	43.982%
2	Product affiliation	7	0.817	5.591	0.885	0.461	10.723%
3	Distributor investigations	3	0.722	4.282	1.235	0.630	8.090%

The Cronbach's alpha scores ranged from 0.722 to 0.883 and revealed sufficiently high internal consistency for the retention of all three identified factors.

Cronbach's Alpha for the entire scale returned a value of 0.899 when all 15 items were considered, indicating a high level of internal consistency for the overall scale.

4.4.3 Factors influencing MLM distributor retention

The sample of 183 respondents completed this section of the questionnaire with 36 statements relating to what influenced them to remain active distributors within the MLM industry. The respondents were requested to indicate their degree of agreement to each statement using a seven-point Likert scale ranging from 'very strongly disagree' (1) to 'very strongly agree' (7).

The statement 'as things stand, I intend to continue as an active distributor with my company' was removed from the factor analysis model. This statement was intended for later usage as a dependent variable.

KMO and Bartlett's test results

Table 11: KMO and Bartlett's test results for factors influencing MLM distributor retention

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.923
Bartlett's Test of Sphericity	Approx. Chi-Square	5265.616
	df	595
	Sig.	.000

Kaiser-Meyer-Olkin (KMO) measure of 0.923 indicated a high sampling adequacy for the factor analysis. Bartlett's test of sphericity, which tests whether the correlation matrix is an identity matrix, is significant (p<.000). This indicates that factor analysis is an appropriate technique for analysing correlation. The varimax rotated items and corresponding factor loadings are presented in Table 12.

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Table 12: Items and corresponding factor loadings for factors influencing MLM distributor retention

Factors influencing MLM distributor retention								
Statement / Question	**Component**							
	Factor 1	**Factor 2**	**Factor 3**	**Factor 4**	**Factor 5**	**Factor 6**	**Factor 7**	**Communalities**
I am satisfied with the range of products offered by my company.	0.816	0.246	0.104	0.062	0.201	0.110	0.084	0.801
I am satisfied that the products from my company meet the needs of the customers.	0.723	0.249	0.067	0.160	0.328	0.161	0.136	0.766
I am satisfied with how my company promotes and advertises its products and services.	0.707	0.371	0.033	0.148	-0.103	0.307	0.070	0.770
I am satisfied with how the products are priced by my company.	0.620	0.260	0.085	0.212	0.110	0.243	0.172	0.605
My company continues to innovate and develop new products and services.	0.610	0.236	-0.013	0.171	0.407	0.217	0.208	0.713
It is easy to sell the products from the company.	0.504	0.090	0.392	0.265	0.261	0.230	0.273	0.681
Overall, I am satisfied with the commission structures in place at my company.	0.465	0.419	0.188	0.399	0.390	0.094	0.090	0.755
I am satisfied with the on-going training that my company provides.	0.339	0.749	0.161	0.234	0.134	0.130	0.110	0.804
I am satisfied with the coaching and mentorship provided.	0.295	0.704	0.195	0.107	0.179	0.148	0.310	0.783
I am satisfied with the initial training that was provided by my company when I first joined.	0.298	0.695	0.230	0.208	-0.010	0.161	0.110	0.706
I am satisfied with the market share my company has.	0.211	0.537	0.164	0.257	0.301	0.050	0.352	0.642
I am satisfied with the rewards and recognition (non-monetary) programmes in place at my company.	0.418	0.535	0.131	0.358	0.259	0.090	0.067	0.685
I am satisfied with the overall growth and success of my company.	0.254	0.486	0.264	-0.008	0.425	0.206	0.303	0.685
I am satisfied with the growth of my downline network.	-0.007	0.143	0.883	0.145	0.100	0.029	0.167	0.859
I am satisfied with my sales volumes.	0.200	0.143	0.843	0.032	0.154	0.089	0.064	0.807

Factors influencing MLM distributor retention								
Statement / Question	**Component**							
	Factor 1	**Factor 2**	**Factor 3**	**Factor 4**	**Factor 5**	**Factor 6**	**Factor 7**	**Communalities**
In general, I am satisfied with the results I have achieved as a distributor with my company.	0.014	0.138	0.754	0.156	0.233	0.185	0.251	0.764
The network (downline) growth I expected before I joined matched the network growth I achieved after joining.	0.120	0.221	0.569	0.455	-0.045	0.127	0.161	0.638
I am satisfied with the commission I earn from each of the sales generated by my downline.	0.116	0.181	0.192	0.694	0.423	0.177	0.127	0.790
I am satisfied with the commission I earn on each of my own sales.	0.215	0.245	0.238	0.653	0.431	0.141	0.013	0.796
Most of the potential customers I approached are accepting of the MLM selling approach.	0.393	0.026	0.090	0.581	0.015	0.093	0.261	0.578
I believe that I have good growth prospects within the company.	0.149	0.326	0.047	0.577	0.243	0.328	0.279	0.708
The income I expected before joining matched the income I earned after joining my company.	0.101	0.379	0.439	0.570	0.033	0.148	0.165	0.721
I am a regular user of my company's products.	0.157	0.193	0.166	0.256	0.627	0.245	-0.094	0.618
My company allows me to run my own business.	0.314	0.045	0.158	0.110	0.617	0.104	0.172	0.559
I value the relationships I have as a distributor with my customers.	0.289	0.216	0.045	0.160	0.167	0.770	0.086	0.786
I believe that I have good customers.	0.361	-0.096	0.363	0.138	0.081	0.715	0.089	0.817
I value the relationship I have as a distributor with my sponsor.	0.152	0.516	0.053	0.145	0.213	0.560	0.148	0.695
Based on my experiences, I would specifically recommend my company to other people.	0.373	0.182	0.041	0.105	0.491	0.533	0.228	0.763
I am motivated to succeed.	0.087	0.241	0.370	0.247	0.462	0.502	0.170	0.757
I am satisfied with the relationship I have as a distributor with my downline network (recruits).	0.055	0.268	0.220	0.255	0.423	0.445	0.284	0.646
Based on my experiences, I would recommend Multi-Level Marketing to other people.	0.192	0.424	0.093	0.377	0.370	0.434	0.279	0.771
The effort required to succeed is in line with the effort I	0.080	0.136	0.312	0.334	0.047	0.169	0.684	0.732

Factors influencing MLM distributor retention								
Statement / Question	**Component**							
	Factor 1	**Factor 2**	**Factor 3**	**Factor 4**	**Factor 5**	**Factor 6**	**Factor 7**	**Communalities**
expected before joining.								
I am satisfied with the level of competition among the distributors.	0.105	0.125	0.135	0.366	-0.010	0.239	0.650	0.659
I am satisfied with the level of sales support provided by my company.	0.367	0.402	0.236	-0.033	0.225	0.027	0.641	0.815
I am satisfied with the level of administrative support provided by my company.	0.387	0.366	0.270	-0.007	0.246	0.066	0.625	0.813

Table 13 represents the percentage of explained variance for the seven components with eigenvalues of greater than one. The seven factors collectively explain 73 per cent of the variance

Table 13: Total variance explained for factors influencing distributor retention

Factors influencing MLM distributor retention									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Vari-ance	Cumu-lative %	Total	% of Vari-ance	Cumu-lative %	Total	% of Vari-ance	Cumu-lative %
1	16.445	46.987	46.987	16.445	46.987	46.987	4.639	13.253	13.253
2	2.533	7.238	54.225	2.533	7.238	54.225	4.403	12.580	25.833
3	1.737	4.963	59.188	1.737	4.963	59.188	3.749	10.712	36.545
4	1.410	4.029	63.217	1.410	4.029	63.217	3.485	9.958	46.503
5	1.209	3.453	66.670	1.209	3.453	66.670	3.197	9.135	55.638
6	1.137	3.248	69.919	1.137	3.248	69.919	3.170	9.059	64.697
7	1.017	2.905	72.823	1.017	2.905	72.823	2.844	8.127	72.823

A scree plot was again created to aid in the decision of which of the extracted factors should be retained as depicted in Figure 22. This indicates the presence of one predominant factor and several additional weaker ones.

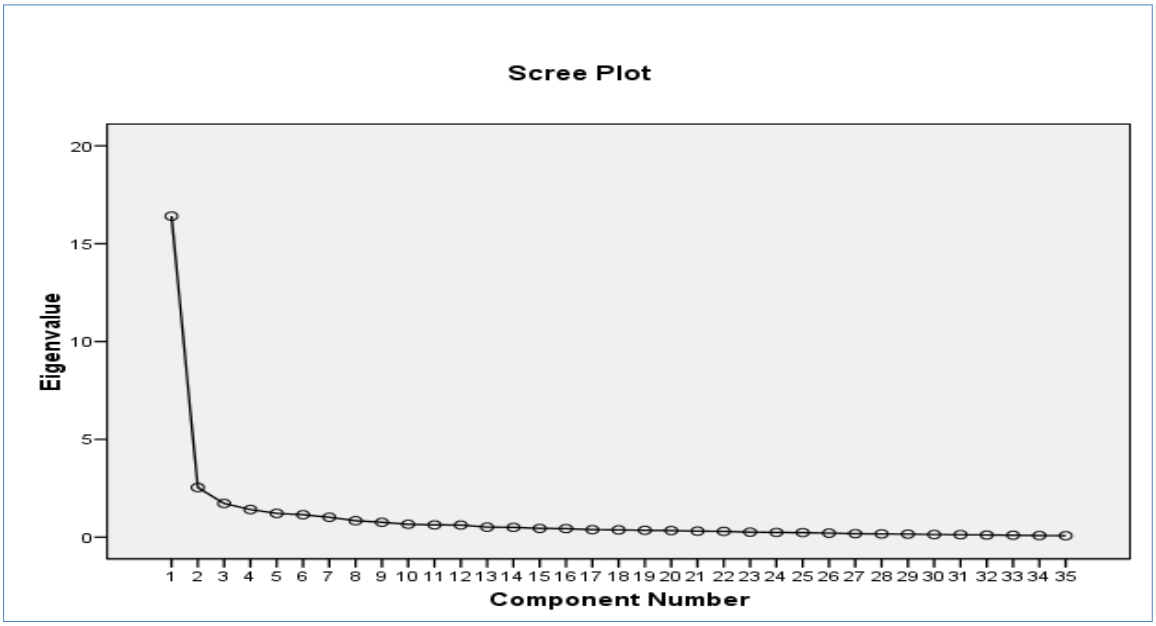

Figure 22: Scree plot diagram for factors influencing MLM distributor retention

The factors that emerged and their composite items are detailed in Table 14. The naming method used to label the factors was that described in the detailed data analysis approach section (Section 3.4).

Table 14: Factors influencing MLM distributor retention

Factors influencing MLM distributor retention		
	Factor Loadings	**Commu nalities**
Factor 1: Marketing mix		
• I am satisfied with the range of products offered by my company.	0.816	0.801
• I am satisfied that the products from my company meet the needs of the customers.	0.723	0.766
• I am satisfied with how my company promotes and advertises its products and services.	0.707	0.770
• I am satisfied with how the products are priced by my company.	0.620	0.605
• My company continues to innovate and develop new products and services.	0.610	0.713
• It is easy to sell the products from the company.	0.504	0.681
• Overall, I am satisfied with the commission structures in place at my company.	0.465	0.755
Factor 2: Distributor development and company performance		
• I am satisfied with the on-going training that my company provides.	0.749	0.804
• I am satisfied with the coaching and mentorship provided.	0.704	0.783

Factors influencing MLM distributor retention		
	Factor Loadings	**Communalities**
• I am satisfied with the initial training that was provided by my company when I first joined.	0.695	0.706
• I am satisfied with the market share my company has.	0.537	0.642
• I am satisfied with the rewards and recognition (non-monetary) programmes in place at my company.	0.535	0.685
• I am satisfied with the overall growth and success of my company.	0.486	0.685
Factor 3: Network and sales growth		
• I am satisfied with the growth of my downline network.	0.883	0.859
• I am satisfied with my sales volumes.	0.843	0.807
• In general, I am satisfied with the results I have achieved as a distributor with my company.	0.754	0.764
• The network (downline) growth I expected before I joined matched the network growth I achieved after joining.	0.569	0.638
Factor 4: Satisfaction with income		
• I am satisfied with the commission I earn from each of the sales generated by my downline.	0.694	0.790
• I am satisfied with the commission I earn on each of my own sales.	0.653	0.796
• Most of the potential customers I approached are accepting of the MLM selling approach.	0.581	0.578
• I believe that I have good growth prospects within the company.	0.577	0.708
• The income I expected before joining matched the income I earned after joining my company.	0.570	0.721
Factor 5: Product usage and entrepreneurship		
• I am a regular user of my company's products.	0.627	0.618
• My company allows me to run my own business.	0.617	0.559
Factor 6: Valuing of relationships		
• I value the relationships I have as a distributor with my customers.	0.770	0.786
• I believe that I have good customers.	0.715	0.817
• I value the relationship I have as a distributor with my sponsor.	0.560	0.695
• Based on my experiences, I would specifically recommend my company to other people.	0.533	0.763
• I am motivated to succeed.	0.502	0.757
• I am satisfied with the relationship I have as a distributor with my downline network (recruits).	0.445	0.646
• Based on my experiences, I would recommend Multi-Level Marketing to other people.	0.434	0.771
Factor 7: Organisational support		
• The effort required to succeed is in line with the effort I expected before joining.	0.684	0.732
• I am satisfied with the level of competition among the distributors.	0.650	0.659
• I am satisfied with the level of sales support provided by my company.	0.641	0.815
• I am satisfied with the level of administrative support provided by my company.	0.625	0.813

The mean of the item scores were calculated for each factor for further analyses by utilising the items that loaded highest on each factor. This approach was adopted following the internal consistency reliability using coefficient alpha was checked for adequacy in an attempt to retain all the item variances.

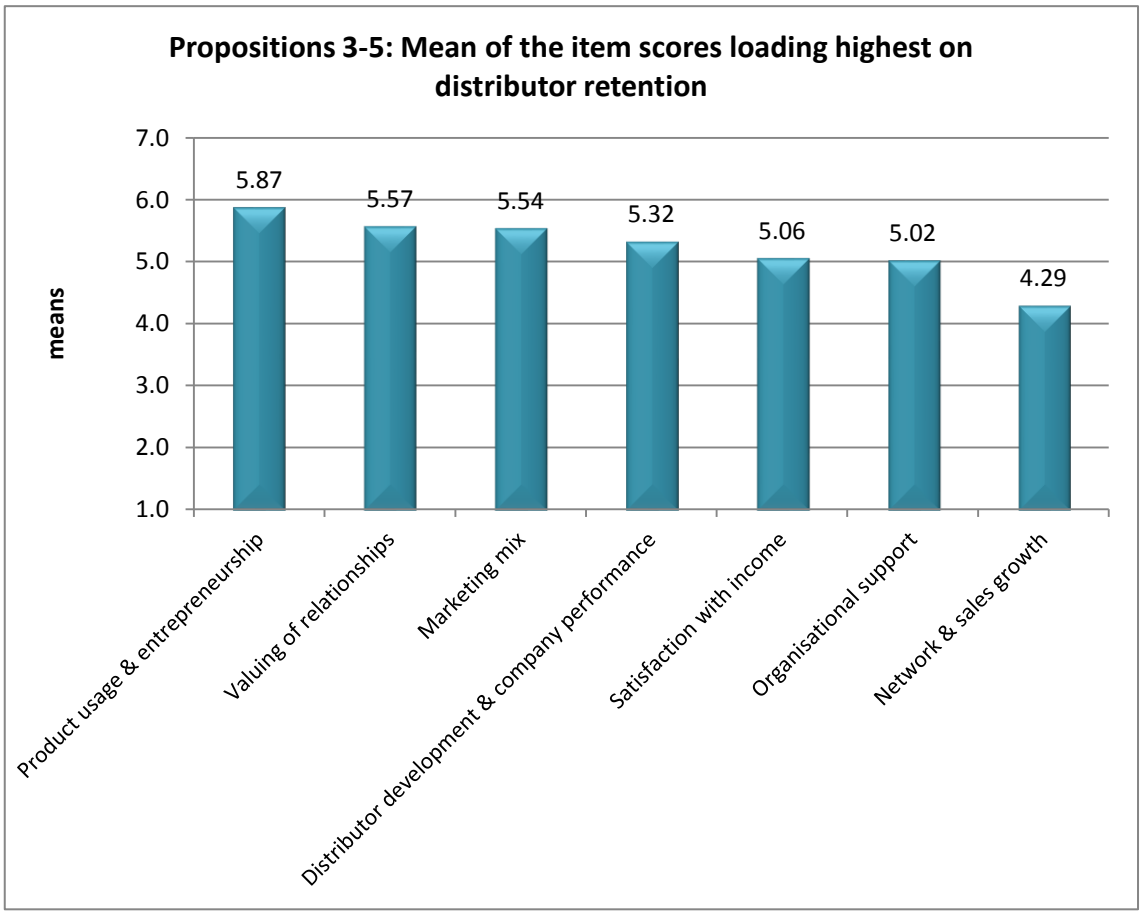

Figure 23: Mean of the item scores loading highest on distributor retention

The mean of the factor items loading highest on the factors displayed in Figure 23 indicate that based on the seven-point Likert scale, on average, potential MLM distributors scored highest on the items that loaded highest on the factor named product usage and entrepreneurship (5.87), followed by valuing of relationships (5.57) and marketing mix (5.54) in terms of the retention on MLM distributors. The lowest mean computed for the items that loaded highest on the factor named network and sales growth (4.29). These means are all relative to

the possible maximum score of seven, and all exceed the scale midpoint of four, which is indicative of neutral attitudes.

Reliability Statistics

Cronbach's alpha coefficients are presented for each of the sets of items that loaded most highly on each factor in order to determine their internal consistency reliability as additional evidence in the decision of factor retention.

Table 15: Descriptive statistics and Cronbach's alpha of items comprising the principle components underlying distributor retention

Factors influencing MLM distributor retention in MLM							
Fac-tor	**Factor Name**	**No. of Items**	**Cronbach's Alpha**	**Mean**	**Standard deviation**	**Minimum Factor loading**	**Variance Extracted**
1	Marketing mix	7	0.910	5.540	0.919	0.465	46.987%
2	Distributor development and company performance	6	0.903	5.323	0.962	0.486	7.238%
3	Network and sales growth	4	0.871	4.294	1.131	0.569	4.963%
4	Satisfaction with income	5	0.863	5.057	0.948	0.570	4.029%
5	Product usage and entrepreneurship	2	0.604	5.874	0.905	0.617	3.453%
6	Valuing of relationships	7	0.905	5.574	0.905	0.434	3.248%
7	Organisational support	4	0.847	5.031	0.996	0.625	2.905%

The Cronbach's alpha scores ranged from 0.604 to 0.910 and revealed acceptable internal consistency for all seven of the identified factors.

4.4.4 Comparison of mean scores of distributors categorised by intention to remain as an MLM distributor

A normality test of the research statement ‘As things stand, I intend to continue as an active distributor with my company’ was conducted as per Figure 24.

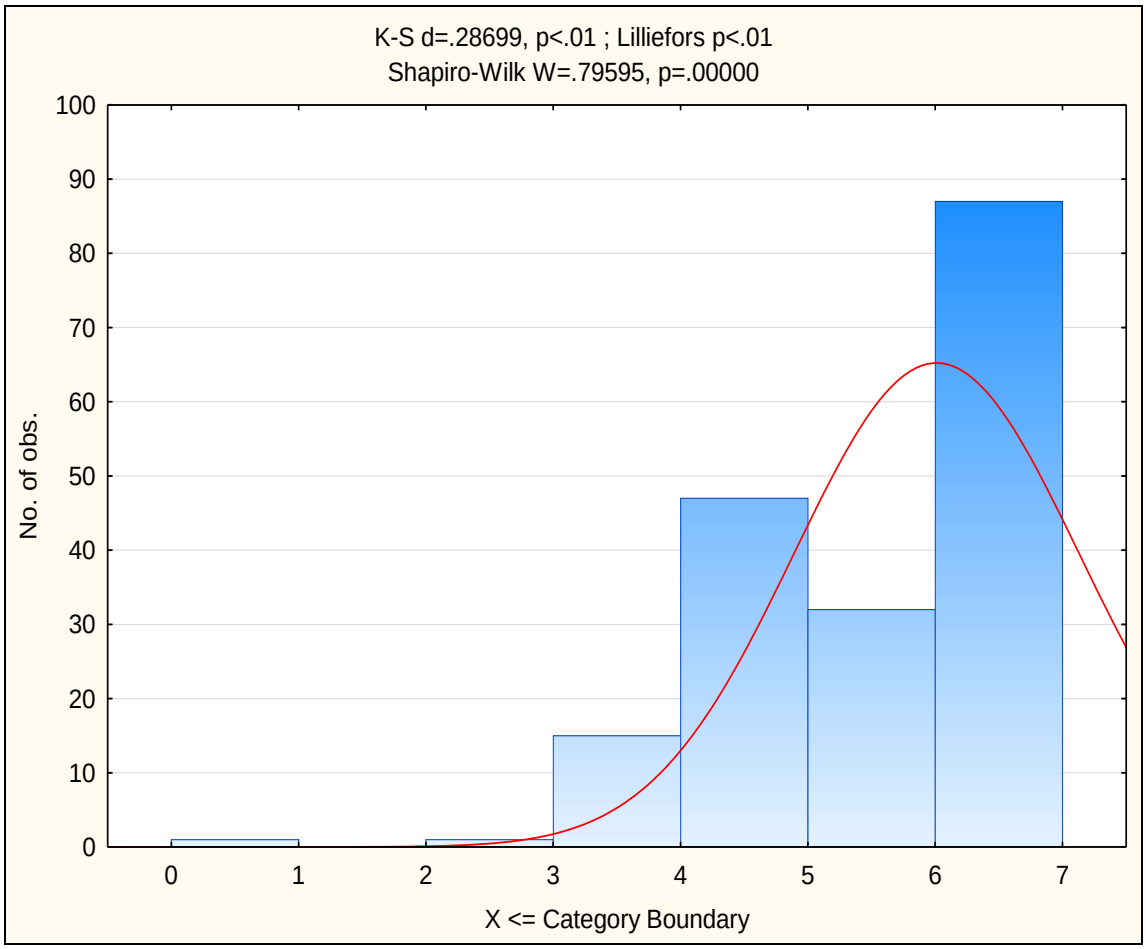

Figure 24: Histogram of distributor intention to continue within MLM

The normality tests indicate that the distribution of responses to the statement is negatively skewed and fails the normality test based on the following three tests; the Kolmogorov-Smirnov test statistic (K-S d=.29, p<0.01), the Lilliefors (test p<0.01) and Shapiro-Wilk test statistic (W = 0.796, p<0.001). In addition, the statement is a single item dependent variable and thus neither scale reliability measure, nor validity could be derived through factor analysis (Hair et

al., 2000). Thus rather than attempting to predict this skewed variable, the approach adopted was to categorise the MLM distributors with scores of six and seven on the Likert scale as having 'strong agreement' and the remaining respondents as having 'weaker agreement'.

Independent Samples t test

The categorisation of the item on distributors' intention to remain within MLM is further illustrated in Table 16. The first distributor group was for those distributors who displayed a strongest agreement to the statement, while the second group being those distributors who displayed weaker agreement to the statement.

Table 16: Distributor groups with intention to continue as MLM distributor

Distributor groups with intention to continue as MLM distributor			
Group	**Group name**	**No.**	**Response to: As things stand, I intend to continue as an active distributor with my company**
1	Strong agreement	119	• Very strongly agree • Strongly agree
2	Weaker agreement	62	• Agree • Neutral

The responses of two distributors who responded 'very strongly disagree' and 'disagree' respectively were excluded as they did not display an intention to remain as distributors.

The independent samples t test was employed, as described in Chapter 3, to compare the means of the two groups against each of the seven factors identified to influence distributor retention. The item measuring intention to stay: 'As things stand, I intend to continue as an active distributor with my company' was used as the independent or grouping variable for the t test comparisons.

Table 17: Independent samples t test of means

	Group 1: strong agreement (n=119)		Group 2: Weaker agreement (n=62)		T test Results (df=179)	
Factor Name	**Mean**	**Std.Dev.**	**Mean**	**Std.Dev.**	**t-value**	**p**
Marketing mix	5.92	0.761	4.87	0.736	8.909	p<0.001
Distributor development and company performance	5.65	0.858	4.74	0.831	6.796	p<0.001
Network and sales growth	4.58	1.114	3.77	0.969	4.896	p<0.001
Satisfaction with income	5.42	0.801	4.43	0.822	7.827	p<0.001
Product usage and entrepreneurship	6.26	0.759	5.15	0.693	9.630	p<0.001
Valuing of relationships	6.05	0.630	4.69	0.602	14.006	p<0.001
Organisational support	5.33	0.918	4.47	0.887	6.006	p<0.001

The t test results as per Table 17 indicate consistently significant differences between the mean responses of the two groups with stronger and weaker agreement to all the sets of items reflecting the factors retained from the factor analyses.

In addition, and as indicated in Figure 25, the positive t values indicate that the means of Group 1 were consistently higher than those of Group 2 for all the factors measured.

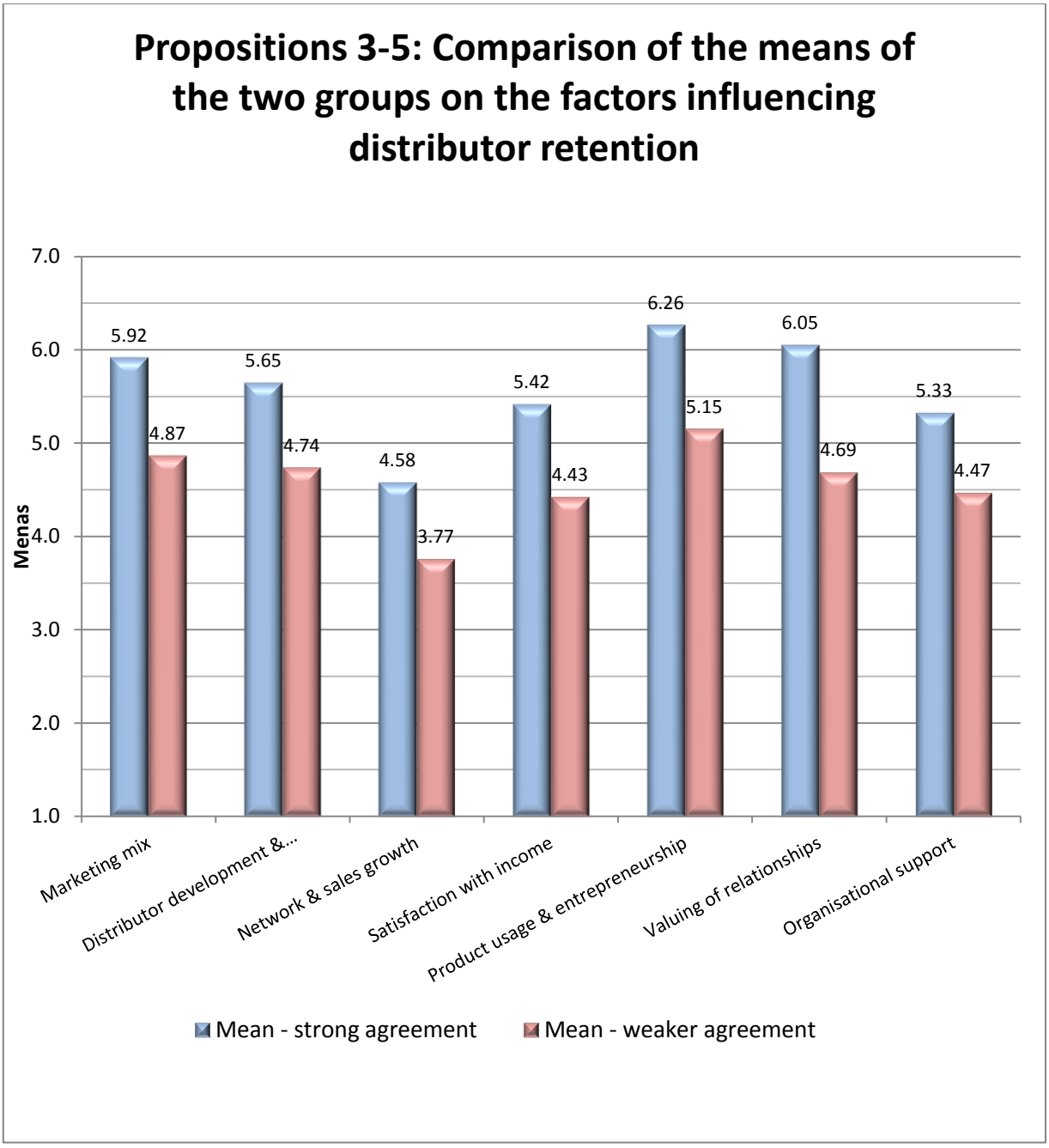

Figure 25: Comparison of the means of the two groups on the factors influencing distributor retention

4.5 Effect size

In order to show the strength of the significant mean differences, Cohen's d was calculated as detailed in Chapter 3.

This is because although the t tests identified that the two groups have significantly different means, the t tests did not indicate that these results are practically significant. The effect size indicates practical significance and was considered as small, medium, or large for d values of 0.20, 0.50, and 0.80 respectively. Cohen's d was calculated for all seven factors identified to influence distributor retention as displayed in Table 18.

Table 18: Effect size for the difference in means using Cohen's d

	Group 1: strong agreement			Group 2: Weaker agreement			Cohen's d results	
Factor Name	**Valid N**	**Mean**	**Std. Dev.**	**Valid N**	**Mean**	**Std. Dev.**	**d**	**Strength**
Marketing mix	119	5.92	0.761	62	4.87	0.736	1.403	strong
Distributor development and company performance	119	5.65	0.858	62	4.74	0.831	1.070	strong
Network and sales growth	119	4.58	1.114	62	3.77	0.969	0.771	moderate
Satisfaction with income	119	5.42	0.801	62	4.43	0.822	1.233	strong
Product usage and entrepreneurship	119	6.26	0.759	62	5.15	0.693	1.517	strong
Valuing of relationships	119	6.05	0.630	62	4.69	0.602	2.206	strong
Organisational support	119	5.33	0.918	62	4.47	0.887	0.946	strong

Figure 26 depicts the effect size for each of the factors identified in order of their influence on distributor retention.

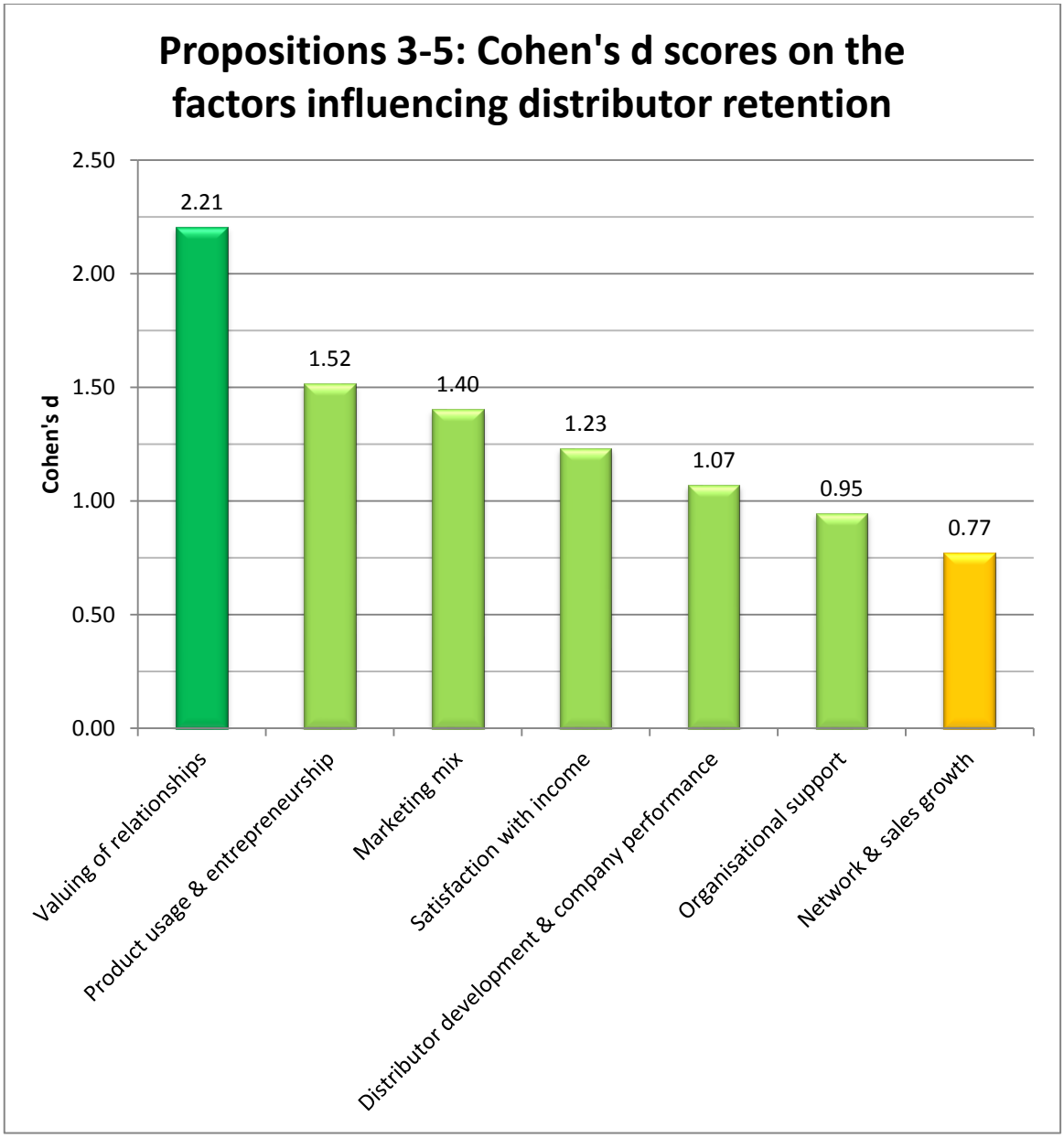

Figure 26: Cohen's d scores on the factors influencing distributor retention

A review of the Cohen's d results indicates a range of d scores from moderate (0.771) to strong (2.2026) for the seven identified factors influencing MLM distributor retention. The higher the d value, the bigger the difference is between the means of Group 1 (strong agreement) and Group 2 (weaker agreement), for the factors identified as influencing distributor retention. The factor valuing of relationships displayed the strongest d value (d = 2.206) along

with product usage and entrepreneurship (d = 1.517) and marketing mix (d = 1.403). These were the strongest three discriminators of distributor retention.

Satisfaction with income (d = 1.233), distributor development and company performance (d = 1.070), and organisational support (d = 0.946) also displayed strong effect sizes. Network and sales growth displayed a moderate d value (d = 0.771) meaning therefore that it was not a strong discriminating factor between Group 1 (strong agreement) and Group 2 (weaker agreement).

4.6 Summary of research results

A summary of the research results depicts the level of support, or absence thereof, for the research propositions as detailed in Chapter 2. The research propositions are restated for the convenience of the reader. A summary table has also been included; it compares the empirically derived factors of this analysis against the theoretically based factors proposed in Chapter 2.

4.6.1 Factors influencing the attraction of MLM distributors in South Africa

Research Propositions 1 and 2 are considered supported if the proposed factors are confirmed by the observed factors as detailed in Table 19 for Proposition 1 and Table 20 for Proposition 2.

Proposition 1: Potential MLM distributors are attracted to the MLM industry based on the industry's attractiveness in conjunction with the monetary, non-monetary and aspirational pull factors as communicated by the MLM organisations within the industry.

Table 19: Research summary results for Proposition 1

Factors influencing the attraction of potential MLM distributors into the MLM industry			
Proposed factors	**Observed in factors**	**Empirical factors**	**Supported / not supported**
• Industry attractive-ness • Non-monetary pull factors	Industry attractiveness and time flexibility	• This observed factor explained 7.82% of the total variance. • It accounted for the second highest variance for distributor attraction. • The scale comprising items of this factor has acceptable internal consistency through a Cronbach's alpha value of 0.838. • Potential MLM distributors scored strongest on the items comprising this factor: mean score of 5.24 out of 7 on the items that loaded highly on this factor	The analysis supports the proposition as it found evidence for the four proposed factors.
• Monetary pull factors	Income generation opportunity	• This observed factor explained 5.95% of the total variance • It accounted for the lowest variance for distributor attraction. • The scale comprising items of this factor has acceptable internal consistence through a Cronbach's alpha value of 0.742. • Potential MLM distributors scored this factor moderately with a mean score of 4.08 out of 7 on the items that loaded highly on this factor. • This was also the lowest mean score on the items loading highest on the factors retained.	
• Aspirational pull factors	Career and Personal Development	• The observed factor explained 44.06% of the total variance. • This factor explained the most variance for distributor attraction. • The scale comprising items loading highest on this factor has very strong internal consistency with a Cronbach's alpha value 0.911. • The mean score of the items loading highly on this factor was moderately high (4.61 out of 7) from the potential MLM distributors based on the seven point Likert scale. • This was the second highest mean score on the items loading highest on the factors retained.	

Proposition 2: Once engaged with the MLM industry, potential MLM distributors participate in specific MLM organisations due to the market presence and performance of these organisations, the personal-organisational fit between the potential distributor and organisation, the distributors' views of the marketing mix, and their sponsor's affiliation to join a particular MLM programme.

Table 20: Research summary results for Proposition 2

Factors influencing distributor participation into a particular MLM company			
Proposed factors	**Observed in factors**	**Empirical factors**	**Supported / not supported**
• Organisation's performance and market presence • Personal-organisational fit	Company image and success	• The observed factor explained 43.98% of the total variance. • This factor explained the most variance for distributor participation. • The scale comprising items of this factor has acceptable internal consistency through a Cronbach's alpha value of 0.883. • Potential MLM distributors scored strongly on the items comprising this factor with a mean score of 5.55 out of 7 on the items that loaded highly on this factor • This was the second highest mean score value of the factors influencing distributor participation.	• The analysis showed partial support for the proposition as it found evidence for 3 of the 4 proposed factors.
• Distributor view of organisation's marketing mix	Product affiliation	• This observed factor explained 10.72% of the total variance • It accounted for the second highest variance for distributor participation. • The scale comprising items of this factor has acceptable internal consistency through a Cronbach's alpha value of 0.817. • Potential MLM distributors scored highest on this factor as reflected by a mean score of 5.59 out of 7 on the items that loaded highly on this factor.	
• Distributor's sponsor affiliation	This proposed factor was not observed.	• Did not load as a separate factor or strongly within any of the observed factors • There were not enough survey items in the questionnaire to observer this factor.	• No support was found for the factor named distributor view of organisation's marketing mix.
• New factor: Not proposed from the available literature	Distributor investigations	• This new observed factor explained 8.09% of the total variance. • It accounted for the lowest variance for distributor participation. • The scale comprising items of this factor has acceptable internal consistency through a Cronbach's alpha value of 0.722. • Potential MLM distributors scored this factor moderately with a mean score of 4.28 out of 7 on the items that loaded highly on this factor. • This was the lowest mean score of the three factors influencing distributor participation.	• A new factor named distributor investigations was proposed and is elaborated on in the interpretation of results section in Chapter 5.

4.6.2 Factors influencing the retention of MLM distributors in South Africa

Research Propositions 3 to 5 are all concerned with MLM distributor retention. Although they were listed separately in Chapter 2 they are jointly discussed in this section for the ease of the reader.

The supported proposed factors are those that have corresponding observed factors where the means of Group 1 are practically and significantly higher than those of Group 2. The effect size was used as the primary determinant for supporting, partially supporting or not supporting each of the factors observed to influence MLM distributor retention. Cohen's estimates were used to establish whether this effect size can be considered large, medium or small, based on the coinciding d values as described in Chapter 3.

The research propositions relating to MLM distributor retention were identified as follows:

Proposition 3: Distributor retention in MLM organisations is influenced by organisational characteristics, company performance, the implemented network configuration, the reward and compensation structures, and the support provided by MLM organisations to their distributors.

Proposition 4: Distributor retention in MLM organisations is influenced by individual distributor characteristics, the distributor perceptions of the organisation’s marketing mix, their customers’ profiles, and the distributors’ financial performances.

Table 21: Research summary results for propositions 3 and 4

Factors influencing MLM distributor retention			
Proposed factors	**Observed in factors**	**Empirical factors**	**Supported / not supported**
• Organisa-tional characteristics (proposition 3) • Company performance (proposition 3)	Distributor develop-ment and company performance	• The observed factor displayed a strong affect size (d=1.070) • This factor was the fifth strongest predictor of distributor retention. • The scale comprising items of this factor has strong internal consistency with a Cronbach's alpha value of 0.903. • MLM distributors scored this factor moderately with a mean score of 5.32 out of 7 on the items that loaded highly on this factor.	The analysis supports both Propositions 3 and 4 as it found evidence for the nine proposed factors.
• Distributor support (proposition 3)	Organisa-tional support	• The observed factor displayed a strong affect size (d=0.946) • This factor was the sixth strongest predictor of distributor retention. • The scale comprising items of this factor has acceptable internal consistency through a Cronbach's alpha value of 0.847. • MLM distributors scored this factor moderately with a mean score of 5.02 out of 7 on the items that loaded highly on this factor.	
• Implemented network configuration (proposition 3) • Reward and compensation structures (proposition 3) • Distributors' financial performance. (proposition 4)	Satisfaction with income	• The observed factor displayed a strong affect size (d=1.233) • This factor was the fourth strongest predictor of distributor retention. • The scale comprising items of this factor has strong internal consistence through a Cronbach's alpha value of 0.863 • MLM distributors scored this factor moderately with a mean score of 5.06 out of 7 on the items that loaded highly on this factor.	
	Network and sales growth	• The observed factor displayed a moderate affect size (d=0.771) • This factor was the seventh, and therefore the weakest of the factors influencing distributor retention. • The scale comprising items of this factor has strong internal consistence through a Cronbach's alpha value of 0.871. • MLM distributors scored weakest on the items comprising this factor with a mean score of 4.294 out of 7 on the items that loaded highly on this factor	
• The distributor perceptions to the organisational marketing mix (proposition 4)	Marketing mix	• The observed factor displayed a strong affect size (d=1.403). • This factor was the third strongest factor influencing distributor retention. • The scale comprising items of this factor has strong internal consistence through a Cronbach's alpha value of 0.910. • Potential MLM distributors scored strongly on the items comprising this factor with a mean score of 5.54 out of 7 on the items that loaded highly on this factor	

Factors influencing MLM distributor retention			
Proposed factors	**Observed in factors**	**Empirical factors**	**Supported / not supported**
• Individual distributor characteristics (proposition 4)	Product usage and entrepre-neurship	• The observed factor displayed a strong affect size (d=1.517). • This factor was the second strongest factor influencing distributor retention. • The scale comprising items of this factor has acceptable internal consistence through a Cronbach's alpha value of 0.604. • Potential MLM distributors scored strongly on the items comprising this factor with a mean score of 5.87 out of 7 on the items that loaded highly on this factor. • This was the strongest mean score.	
• Customer profile (proposition 4)	Valuing of relation-ships	• The observed factor displayed the strongest affect size (d=2.206). • This factor has the most influence on distributor retention. • The scale comprising items of this factor has strong internal consistence through a Cronbach's alpha value of 0.905. • Potential MLM distributors scored strongly on the items comprising this factor with a mean score of 5.57 out of 7 on the items that loaded highly on this factor	

Proposition 5: Distributor retention in MLM organisations is influenced by the distributors' performances and experiences as measured against the distributors' expectations prior to joining a particular organisation.

Table 22: Research summary results for Proposition 5

Factors influencing MLM distributor retention			
Proposed factors	**Observed in factors**	**Empirical factors**	**Supported / not supported**
• Distributors' performances and experiences as measured against the distributors' expectations prior to joining a particular organisation (proposition 5)	This proposed factor was not observed.	• Did not load as a separate factor or strongly within any of the observed factors.	The analysis did not find support for this proposition.

5 INTERPRETATION OF RESULTS

The purpose of this study was to identify the factors that influence the attraction and participation of new distributors into MLM programmes, and the factors that influence the retention of these distributors within MLM programmes in South Africa.

In this chapter, the research findings described in Chapter 4 are evaluated against the research questions (sub problems) that were detailed in Section 1.5 by relating the various levels of support found for the propositions of the study in the context of the research studies reviewed in Chapter 2.

5.1 Demographic profile of sample

The purpose of obtaining demographic information was to describe the sample of MLM distributors utilised.

5.1.1 Age, gender and employment

Of the sample being measured, the majority (83.1%) of the respondents were White with a minority (12.6%) of the respondents being African, with the gender distribution indicating a large majority (95.1%) of females. This can be largely attributed to the fact that the products carried by MLM companies include product categories such as skin care, multi vitamins, other toiletries (e.g. perfumes) and kitchenware. These products are largely targeted at women with at least 17 of the 38 direct selling companies registered with the Direct Selling Association of South Africa as at 2010 being dedicated to this segment.

Almost a two thirds (63.4%) of MLM distributors are middle aged individuals falling within the ages of 31 and 50 years of age. The ages 40 to 45 were the most represented at 19.7 per cent. Typical of this age segment is the openness to the pursuit of alternative careers or exploration of additional income. This is in line with the findings in the literature review section that states that MLM participation by distributors provides them with an aspirational component which

allows them to pursue alternative careers (Stanworth et al., 2004) and/or the ideology of the autonomy of entrepreneurship (Bolton, 1971).

The sample returned a relatively high rate of distributors who participate full time in MLM activities with this group representing just over a quarter (26.2%) of the distributors sampled. The majority (72.1%) of the remaining MLM distributors being involved in other forms of employment with 54.1 per cent of the distributors sample being in full-time employment and 18 per cent being employed on a part-time basis. There is very low representation of respondents (1.6%) who are students, which is in line with the low representation of distributors aged 25 or less (4.9%). This again points to the nature of the products offered by MLM companies and where these products are targeted (e.g. household products, cosmetics, toiletries, vitamins etc.).

5.1.2 Tenure, distributor activities and performance

Tenure

Forty-four per cent of distributors have been involved in MLM for more than five years. This is particularly important considering that in the direct selling industry, distributor turnover rates of up to 100 per cent per annum and above have been known to occur (Grandfield & Nicols, 1975; Sudbury, 1990; Wotruba, 1990; Wotruba et al., 1987). Twenty-two per cent of the distributors sampled had been involved in MLM for two to five years. However, it is worth noting that over a quarter (28.5%) of the distributors sampled had been in MLM for between six months and two years, with 13.7 per cent of the overall total having been in MLM for between six months and one year. Although not providing full insight, these observations allude to the fact that the retention of distributors past the second year required further evaluation.

Over three-quarters (80.9%) of the sampled distributors remain active in MLM activities. The active distributors are those distributors who continue to resell their respective companies' products and or continue to recruit new distributors into their MLM programmes. The remainder (19.1%) of the sampled distributors were semi-active. This means that they continue to purchase the products of

the company they are affiliated to for personal use. They are not reselling the products nor are they recruiting new distributors.

Distributor activities

The majority (62.3%) of distributors only spend five hours or less on MLM activities per week. A further 12 per cent spend between six and 10 hours per week on MLM activities. This therefore means that three-quarters (74.3%) of respondents spend 10 hours or less on MLM activities per week. This is in line with the already mentioned employment status information which stipulates that the majority (72.1%) of MLM distributors hold other forms of employment with more than half (54.1%) of the total distributors sampled being in full-time employment and 18 per cent in part-time employment.

Another 12 per cent of distributors spend 31 hours or more on MLM activities. This is relatively low when compared to the previous data collected depicting that a quarter (26.2%) of distributors participates full time in MLM. This might indicates that a distributor participating in MLM while not holding another form of employment does not necessarily translate into that distributor being a full time participant in MLM when a measure of hours spent per week on MLM activities is taken into consideration.

Activities of respondents within MLM depict which key activities distributors dedicate their time to. Two-thirds (65.6%) of distributors mostly dedicate their time to product sales activities while a minority (7.7%) mostly dedicate their time to recruitment (growing their downline networks) activities. This could be due to the commission structure employed by MLM companies where distributors generally receive a higher commission on their own sales rather than on sales generated by their downline network (Coughlan & Grayston, 1998). As independent distributors, MLM distributors are not salaried employees and are commonly remunerated on a commission or mark-up only basis (Msweli-Mbanga & Sargeant, 2001). A quarter (26.8%) of distributors spends their time evenly between selling and recruiting new distributors.

Distributor performance

Almost two thirds (65.6%) of distributors earn net average commissions up to R2 000 per month with 17.5 per cent receiving average net commissions of between R2 001 and R5 000 per month. Only 16.8 per cent of the sample was found to earn a net average commission of more than R5 000 per month,

5.2 Factors influencing the attraction and participation of new distributors into MLM organisations in South Africa.

Identifying the factors influencing the attraction and participation of new distributors into MLM organisations in South Africa was identified as the first research sub problem. This yielded two research propositions. The outcomes of the results and analysis contained in Chapter 4 will now be discussed against each of these propositions.

Proposition 1: Potential MLM distributors are attracted to the MLM industry based on the industry's attractiveness in conjunction with the monetary, non-monetary and aspirational pull factors as communicated by the MLM organisations within the industry.

The findings from the principle component factor analysis conducted on the collected data revealed four distinct factors. These were career and personal development, industry attractiveness and time flexibility, ease of participation, and income generation opportunity. Reliability tests performed to determine internal consistency of the scale items reflected in these factors resulted in the removal of the factor: ease of participation, as the scale items did not satisfy the internal consistency requirements (Nunnally, 1978). The factors: industry attractiveness and time flexibility (in response to the proposed industry attractiveness and non-monetary pull factors), income generation opportunity (in response to the proposed monetary pull factors), and career and personal development (in response to the proposed aspirational pull factors) were retained.

In comparison to the proposed factors as per Proposition 1, the observed factors support all the proposed factors. Proposition 1 is therefore supported. The observed factors will now be discussed individually in the order of their influence on distributor attraction.

5.2.1 Career aspiration and personal development

Career aspiration and personal development emerged as the leading factor in attracting potential MLM distributors to participate in the MLM industry. It supports the non-monetary pull factors influencing distributor attraction discussed in the literature review. Career aspiration and personal development accounted for the largest variance of 44.02 per cent in attracting potential distributors to the MLM industry. Prominent within this factor and therefore an important construct of distributor attraction was the aspiration of potential distributors to eventually be full time participants in MLM. With a majority (72.1%) of MLM distributors holding other forms of employment on a part-time or full-time basis, this means that these distributors were attracted to the industry in search of alternative careers. The distributors were also attracted to the industry based of their aspiration to start and run their own businesses based on the commission and network structures employed by the industry through building networks that ‘worked’ for them.

In addition to career aspiration, another important construct for distributor attraction comprised the various personal development opportunities provided by MLM participation. Key among these is the opportunity for distributors to develop and or improve management and leadership skills through building and managing their networks, coupled with the expectation of high financial benefits. This is related to the notion of distributors running their own businesses as discussed earlier. This is also in line with the literature review findings stating that MLM distributors can be considered as self-employed sales and recruitment agents affiliated to particular MLM organisations (Stanworth et al., 2004).

The MLM industry as a whole therefore needs to be aware that in order to attract distributors, they have to position the industry as an industry that allows individuals to develop their careers in business by assisting them in starting and running their own businesses. The MLM industry must also make mention that MLM participation will also allow participating distributors to develop and improve on both leadership and management skills while generating income.

5.2.2 Industry attractiveness and time flexibility

Industry attractiveness and time flexibility was derived as the second most significant factor in attracting potential MLM distributors to the MLM industry. Although accounting for less than eight per cent (7.82%) of the variance when compared to the career and personal development factor detailed earlier, industry attractiveness and time flexibility was scored as the strongest factor with a mean score of 5.24. This indicates that on average, the respondents scored highest on this factor. This implies that it is an important factor for the overall MLM industry to be attractive to potential distributors. Supported by the notion that the industry itself must be deemed attractive in order to attract participation (Murphy, Shleifer & Vishny, 1991), a component of this industry attractiveness is that potential distributors have to deem it socially acceptable to participate in the industry. This is supported by Chen, Wang and Cheng's (1998) research which states that the MLM industry in Taiwan achieved success and rapid distributor growth by winning increased acceptance among the general public and making itself a powerful and innovative marketing channel that generates robust revenue growth.

The construct for time flexibility within this factor included special mention of the ability to work from home as important components of attracting distributors to the MLM industry. This is in line with various pronouncements stating that MLM participation offers flexibility as there is no location or time constraint. More specifically, the literature states that the flexible time commitment provided by MLM participation (Bloch, 1996) and the ability for distributors to conduct sales where and when suitable to themselves and their customers are important components of distributor attraction (Stanworth et al., 2004).

The MLM industry must therefore ensure that it campaigns to eliminate any negative perception of the industry as stated by Berry (1997) and Bloch (1996). Berry's (1997) research went so far as to state that three out of four people in the US would not choose this industry as an occupation. The South African MLM industry must make sure it never reaches that level of non-acceptance as this would greatly reduce its ability to attract distributors and potentially customers too. The industry must make a point of positioning itself as favourably as possible with the broader public by highlighting the positive attributes for participation including convenience, lifestyle, and flexibility as there are no location or time constraints. The industry must also highlight that MLM distributors can conduct sales where and when suitable to themselves and their customers (Stanworth et al., 2004).

5.2.3 Income generation opportunity

Income generation opportunity was the last retained factor that emerged as influencing the attraction of MLM distributors into the MLM industry. It accounted for less than six per cent (5.95%) of the variance. Key within this factor was the opportunities seen by the potential distributors to leverage off their existing professional and social networks to generate income. In effect, this implies that distributors are also attracted to the MLM industry based on the notion that they already have the existing networks and relationships required as a foundation to be successful within the industry. This supports the proposed factors from the reviewed literature stating that potential MLM distributors are attracted to the industry because it presents an opportunity for the distributors to supplement their current salaries or earnings (Stanworth et al., 2004; Bloch 1996) through the benefit of allowing for existing social networks to be turned into sales opportunities (Grayston, 1996; Stanworth et al., 2004), and therefore income generation.

Although returning a moderate mean factor score (4.60), the observation of this factor is consistent with the research conducted by Coughlan and Grayston (2008) which depicts that over 40 per cent of MLM executives mentioned business or financial reasons for participating in MLM, and that MLM

participation presents an opportunity for active distributors to supplement their existing salary or earnings (Stanworth et al., 2004; Bloch, 1996).

At an overall industry level, it is therefore important for the industry to draw attention to the income generating potential the industry presents while not making this the primary message.

Proposition 2: Once engaged with the MLM industry, potential MLM distributors participate in specific MLM organisations due to the market presence and performance of these organisations, the personal-organisational fit between the potential distributor and organisation, the distributors' views of the marketing mix, and their sponsor's affiliation to join a particular MLM programme.

The reviewed literature suggests that potential MLM distributors first engage with the industry as a whole before deciding to participate in a specific MLM organisation. This is based on the notion that by the time a potential MLM recruit is deciding to enlist as a MLM distributor with the selected organisation, they have to some degree engaged with the industry (Wilson, 1997). Proposition 2 investigated the factors influencing these engaged potential distributors to participate in particular MLM organisations. The literature review section proposed four factors: organisation's performance and market presence, personal-organisational fit, distributor view of the organisation's marketing mix and the distributor's sponsor affiliation.

The results of the principle component factor analysis conducted revealed four distinct factors: company image and success (in response to the proposed factors organisation's performance and market presence, and personal-organisational fit), product affiliation (in response to the proposed factor distributor view of organisation's marketing mix), and distributor investigations, which was not proposed through the literature review but observed through the principle component factor analysis.

In comparison to the proposed factors as per Proposition 2, the observed factors supported three of the four proposed factors. One proposed factor was

not observed and therefore not supported, and one new factor was proposed. Proposition 2 is therefore only partially supported.

The observed factors will now be discussed individually based on their influence on distributor participation.

5.2.4 Company success and value system

Company image and success was identified as the primary factor influencing distributor participation within a particular MLM organisation. This factor accounted for 44 per cent of the variance and addressed the personal-organisational fit, organisational performance and market presence factors which were proposed based on the reviewed literature.

This factor confirms that for potential MLM distributors to affiliate to a particular organisation, they must identify with that company's image and value system. This is aligned to the view by Turban and Keon (1993), that people are attracted to organizations that mirror their personalities and later research by Schneider et al., (1998, 1995) finding that people with a high need to achieve were more attracted to organizations that offered merit-based rewards by rewarding individual performance over their seniority.

The company image and success factor also included the construct indicating that potential distributors also considered the MLM organisation's success and market presence before participating. A key consideration for potential distributors was not only the present organisational performance, but also the organisation's future growth and success. This is consistent with Msweli-Mbanga and Sargeant (2001) who contend that the greater the presence a given organisation has in a particular market, the easier it will be for that organisation to recruit distributors. This is because potential MLM distributors believe that end-user customers will have greater confidence in these organisations and their products which will in turn make it easier for them to generate sales (Berry & Parasuraman, 1991) and therefore be successful.

To attract distributors ahead of their competitors, MLM companies must ensure they also follow the traditional techniques of positioning themselves favourably against their peers within the potential distributor market. They have to ensure they project and manage their brands and images accordingly. Although this research did not delve into the details as to what potential distributors look for when evaluating company image, the literature did allude to items such as performance based rewards systems, company innovation and organisational entrepreneurship. This is because MLM distributors are generally not employees of the organisations but self-employed sales agents and are often considered entrepreneurs themselves (Baden-Fuller, 1995) who, seek out and exploit opportunities in the market (Gibb, 1996). They will therefore seek companies displaying similar characteristics. Future research should consider identifying the factors believed by potential MLM distributors to influence organisational brand image and value system.

5.2.5 Product affiliation

Product affiliation was the second most significant factor and accounted for about 11 per cent of the factors influencing potential distributors to participate in a particular MLM company. It addressed the factor distributor view of an organisation's marketing mix as derived from the reviewed literature. Product affiliation also returned the strongest mean score of 5.59 based on a seven point Likert scale, indicating the importance of how potential distributors consider the organisation's products before choosing to participate. This factor included items such as the potential MLM distributors personally believing in the organisation's products, being personal users of the products, and being in support of how the products are priced.

This is consistent with the literature which states that the product and price categories were found to be a key component in attracting distributors to particular MLM organisations (Chen & Cheng, 2000; Berry, 1997). This is because MLM distributors are also end-user customers for the products they retail with 85 per cent of MLM distributors buying products for their own consumption (Ryan et al., 2000). Potential distributors must therefore like (Berry

1997) and believe in the products offered by the MLM organisation they consider joining (Legara et al., 2008).

Although product and price featured heavily when distributors were deciding on which organisation to join, the promotion and place elements of the marketing mix were not deemed as important. This is also considering that the MLM business model does not use a retail network and that distributors work from home or sell at the customers' homes. This would mean the place marketing mix component is not as important as in traditional retail businesses.

Considering the above, MLM organisations need to ensure that the products they offer are of high quality, meet the customer needs and are priced correctly in order to effectively compete on the open market. This means these products need to be subjected to continuous research, innovation and development initiatives (Legara et al., 2008).

5.2.6 Distributor's sponsor affiliation

The factor distributor's sponsor affiliation was proposed but not observed. This may be because the research questionnaire did not contain enough research items to allow for this factor to be properly observed. The reviewed literature indicated that the potential distributor's sponsor is a factor influencing the distributor's participation into a particular organisation. This implies that the potential distributor is most likely going to participate in the organisation that they have been recruited to participate in. This is because the recruitment approach of MLM organisations relies on the formation of cooperate social networks (Legara et al., 2008) based on the notion that consumers attach high importance to the opinion of family, friends and colleagues while making purchase decisions (de Valck et al., 2002). Extending this theory to the MLM industry, this research tested the notion that potential distributors will also place high importance on invitations to participate in MLM programmes if invited by family, friends and colleagues (Koehn, 2001). The expectation was therefore that the MLM sponsor's affiliation would feature prominently or as a standalone

factor to attracting new distributors to a particular MLM organisation. This was however not the case.

However, observations of the demographic information in Figure 11 indicate that more than half (55.2%) of MLM distributors were introduced to MLM by a friend or a family member and that only six per cent were influenced by company advertising. Almost ten per cent (9.3%) of the distributors did however conduct their own research before selecting participating in a particular MLM organisation, the balance (21.3%) responding as 'other'. Future research should explore this proposed factor further. A possible approach is to allow for more research items for this construct in future research and for the demographic section to allow for multiple selections. This is because a potential distributor could be invited to participate in MLM by a friend or colleague, and then based on their own research, choose to participate in a different MLM organisation.

5.2.7 Distributor investigations

Distributor investigations were the third and final factor that was observed from the principle factor analysis as influencing distributor participation into a particular MLM company. This factor was however not proposed from the reviewed literature and can therefore be considered as a new factor. The three items included in this factor were potential MLM distributors having investigated various MLM companies before choosing one, affiliating to a company that offered the best commissions, and choosing a company based on the training they provided. There is no obvious reason as to why these seemingly unrelated items would jointly reflect a single factor. A possible reason would be where potential distributors investigated different MLM organisations based on various considerations which include comparing commission structures and the training provided by the organisations.

Accepting this reason would mean that the commission consideration item is consistent with the earlier research finding in Proposition 1 where income generation opportunity was accepted as a factor attracting potential MLM

distributors to the MLM industry. This means this notion could potentially be extended to potential MLM distributors considered joining a particular MLM organisation. Similarly, distributor training in this instance can be viewed in line with the career and personal development factor accepted as influencing distributor attraction to the MLM industry in Proposition 1. The training provided is therefore seen as an enabler to this notion and considered by distributors when choosing an MLM organisation. It also gives the view to the potential MLM distributor that the company will assist them through the training to obtain the desired sales, network growth and therefore their objectives. A more targeted question should be included in future research.

5.3 Factors influencing distributor retention in MLM

Identifying the factors influencing distributor retention in South Africa was identified as the second research sub problem in section 1.5.

The literature review section derived three research propositions for this research problem. As all three research propositions relate to distributor retention, they are discussed together for ease of reporting. The three research propositions comprised of ten proposed factors among them, these being distributed as follows:

Proposition 3: Distributor retention in MLM organisations is influenced by organisational characteristics, company performance, the implemented network configuration, the reward and compensation structures, and the support provided by MLM organisations to their distributors;

1. organisational characteristics,
2. company performance,
3. the network configuration as dictated by the MLM organisations,
4. the implemented reward and compensation structures,
5. distributor support.

Proposition 4: Distributor retention in MLM organisations is influenced by individual distributor characteristics, the distributor perceptions of the organisation's marketing mix, their customers' profiles, and the distributors' financial performances;

6. the individual distributor characteristics,
7. the distributor perceptions to the organisational marketing mix,
8. the distributors' customers' profiles,
9. the distributors' financial performance.

Proposition 5: Distributor retention in MLM organisations is influenced by the distributors' performances and experiences as measured against the distributors' expectations prior to joining a particular organisation;

10. the distributors' performance experiences as measured against the distributors' expectations prior to joining a particular organisation.

Principle component factor analysis was used to compare the empirically derived factors to the expected theoretically derived factors (Werbeloff, 2012). This analysis yielded seven observed factors which were named marketing mix, distributor development and company performance, network and sales growth, satisfaction with income, product usage and entrepreneurship, valuing of relationships, and organisational support.

T tests and corresponding effect sizes were then computed and used to confirm which of the factors identified influenced distributor retention by interrogating the differences between the respondent group that displayed a strong intention to remain in MLM (Group 1) against the group displaying a weaker intention to remain (Group 2) as detailed in Table 16. The confirmed factors were then compared to the proposed factors contained in the research propositions in order to assess the support for the stated research propositions.

Relative to the proposed factors for Propositions 3 to 5, the observed factors supported nine of the ten proposed factors. One of the proposed factors was

not observed and based on this outcome, Propositions 3 and 4 were supported, however, no support was found for Proposition 5.

The observed factors are discussed in order of their importance to influencing distributor retention. The cross-tabulation results have also been considered and included in this section where relevant.

5.3.1 Valuing of relationships

MLM distributors considered valuing of relationships as the most significant factor influencing retention. This factor returned a very strong and the largest effect size (Cohen's d = 2.2 being the strength of the mean difference between the respondent group that displayed a strong intention to remain in MLM against the group displaying a weaker intention to remain) of the factors observed to influence distributor retention. Valuing of relationships addressed the proposed factor named customer profile. The key items loading within the valuing of relationships factor included distributors valuing the relationships they had with their customers, with their sponsor, and the distributors believing they had good customers. This is in line with the available literature with Msweli-Mbanga and Sargeant (2001) contending that those distributors with access to a large number of end-user customers with spending potential will have enhanced earnings potential. This will therefore have a positive influence on the distributor retention. This research did not however explore what distributors consider to be good customers.

In addition, the importance of valuing of relationships as a distributor retention factor is supported by the previously mentioned demographic information in Figure 11 which indicates that over half (55.2%) of MLM distributors in the research sample were introduced to MLM by a friend or a family member while less than ten per cent (9.3%) of distributors joined MLM or a specific MLM company based on their own research. Further supporting this notion, Msweli-Mbanga and Sargeant (2001) found that new distributors usually recruit their family members and acquaintances to their affiliated MLM organisations first. As a consequence, the distributors are more reluctant to terminate their

involvement with the MLM organisations as this will require explanations to those they have recruited.

Another key construct loading within the valuing of relationships factor is the willingness for distributors to continue to recommend their companies and to a lesser degree MLM in general to other people. This does not only indicate a favourable view of the organisation by these distributors, but also the confidence to continue with product sales and recruitment for the organisation. This is considered as displaying the intention to continue within their respective organisations.

In light of this, MLM organisations need to ensure they have targeted strategies for retaining distributors. These should include creating programmes that create and strengthen relationships among the distributors. This will foster a network of support between the distributors. In addition, approaches or programmes aimed at assisting distributors to build and strengthen relationships with their downline networks and product purchasing customers should be explored. An approach commonly referred to as relationship management is commonly used in sales based industries and should be adopted by MLM organisations. This explores various opportunities to contact and communicate with customers outside of sales calls.

MLM organisations should also review and consolidate their existing approaches where internal marketing initiatives remain the primary promotional tool in retaining customer conscious employees (Gronroos, 1990) by leveraging on internal programmes such as sales conferences, incentive schemes and target based competitions as strategies to focus distributors (Toiton, 2008). This will create a platform for distributors to interact and build relationships while maintained focus on the organisational objectives of generating revenue.

5.3.2 Product usage and entrepreneurship

MLM distributors viewed product usage and entrepreneurship as the second most significant factor influencing distributor retention. This factor displayed a very strong effect size (Cohen's d = 1.517 being the strength of the mean

difference between the respondent group that displayed a strong intention to remain in MLM against the group displaying a weaker intention to remain) which was the second strongest of the seven factors observed. The product usage and entrepreneurship factor contends that personal product usage by distributors implies that the distributors personally believe in the organisation's products and the value derived when taking into consideration the product price (Chen and Cheng 2000; Berry 1997). This notion is collaborated by the information that a majority (85%) of active MLM distributors purchase products for their own consumption (Ryan et al., 2000). Product usage by MLM distributors is therefore also a good indicator of how the distributors perceive their companies' products and pricing. It therefore stands to reason that should MLM distributors continue to prefer their own organisation's products through strongly affiliating with the product offerings and pricing, they are most likely going to remain with that particular organisation.

This is supported by the research findings in Figure 12 displaying that although the majority (80.9%) of distributors are fully active (continue to resell products and or continue to recruit new distributors), 19.1 per cent were semi-active. This means that although the semi-active distributors no longer resell the company products, nor recruit new distributors, they do affiliate strongly enough with the organisation's products that they choose to retain their affiliation with the organisation in order to continue to have easy access to these products. Although MLM organisations would prefer that all distributors are fully active, it is important to note that it will be easier and more cost effective for MLM organisations to persuade these distributors to become fully active again in comparison to recruiting new distributors.

Also included in the product usage and entrepreneurship factor was the research item, my company allows me to run my own business. This talks to the entrepreneurial ambitions of MLM distributors and the more importantly, the autonomy that is associated with them running their own businesses. This allows distributors the freedom to select which activities to focus on (recruitment, selling and or purchasing products for own usage), based on what they perceive to be the most critical at the time or what the resources they have

allow them to do. This is supported by the reviewed literature describing that MLM distributors are generally not employees of the organisations but self-employed sales agents who are often considered entrepreneurs themselves, (Baden-Fuller, 1995) that seek out and exploit opportunities in the market (Gibb, 1996). In addition, entrepreneurs are considered to be innovative persons who will seek opportunities and combine various factors of production in an innovative manner to seek out and exploit opportunities in the market (Gibb, 1996). All of which will improve their ability to survive within the MLM industry (Msweli-Mbanga & Sargeant, 2001) and increase their chances of being retained.

The product usage and entrepreneurship factor and its inclusion of the research items relating to distributor product affiliation (as customers), and entrepreneurial inclination and autonomy therefore addresses the factor named individual distributor characteristics, which was proposed as one of the factors influencing distributor retention.

To enhance distributor retention, MLM organisations must take into account the multiple roles that distributors play within their organisations. Although it is well documented that in addition to generating sales and therefore revenue (Poon 2003), MLM distributors also satisfy a range of other roles and functions such as recruiting new distributors, small order collections, accounts control, distributor training and motivation (Msweli-Mbanga & Sargeant, 2001). It is recommended that MLM organisations view these distributors as entrepreneurs who consider themselves to be running their own businesses and therefore willing to fulfil these multiple roles as self-employed individuals tend to do. This means that MLM organisations must ensure that they view their distributors as entrepreneurs as well as product customers. MLM organisations must therefore understand the factors motivating entrepreneurially inclined individuals and how these differ from general employee motivation factors. Organisational programmes must therefore be specifically developed with this is in mind. MLM organisations must also consult with and involve their distributors as partners and as customers when considering new products and product enhancement.

This will increase the affiliation of the distributors to the products and the organisation itself, and therefore increase retention.

5.3.3 Marketing mix

Marketing mix also returned very strong effect size (Cohen's d = 1.403 being the strength of the mean difference between the respondent group that displayed a strong intention to remain in MLM against the group displaying a weaker intention to remain) and emerged as the third most discriminating factor in determining distributor retention. This factor addressed the proposed factor relating to the distributor perceptions to the organisational marketing mix, and comprised of distributors being satisfied with the products offered by the company, that the products offered meet customer needs, how the advertising and promotion activities are carried out, how products are priced, and the innovation and product development approaches of the organisation. This is in relation to the distributors considerations of how the organisations' offerings will be viewed by end-user customers and how they will perform in the market. This must not be confused with the product component included in the previously described product usage and entrepreneurship factor which was concerned with how distributors in their role as customers viewed their organisations products.

The importance of the marketing mix factor influencing distributor retention is consistent with the research by Msweli-Mbanga (2004) which postulates that if MLM distributors hold favourable perceptions of the organisation's marketing mix (product, price, promotion and place), they will exhibit higher organisational performance, commitment and increasing propensity to remain within the organisation. Product and price are the predominant constructs based on the research results when evaluating the marketing mix. This is taking into consideration that MLM is based on a direct selling approach which does not use retail selling channels, meaning the place construct within the marketing is of less importance. This is because the method of selling in MLM often includes home selling situations such as appointments, referrals and product parties in place of traditional retail approaches (Alturas, 2003).

For the product construct of the marketing mix, MLM distributors require the MLM organisation to maintain a portfolio of products and services that is competitive, attractive, and relevant to the target market (Toiton, 2008; Msweli-Mbanga & Sargeant, 2001). The products must also be subjected to continuous research, innovation and development initiatives (Legara et al., 2008) in order to remain relevant. This is in order for the distributors to be able to generate the required repeat sales (Peterson & Wotruba, 1996), which will directly influence their retention.

Price emerged as the second key component of the retention of MLM distributors within the marketing mix factor. This is in support of the literature highlighting that price is a key influencer of the number and type of customers the product will attract, the suppliers the organisation will use and the competitors it will challenge (du Plessis et al., 2005). This therefore influences how MLM products will compete in the open market (Legara et al., 2008). The mark-ups included in the product price also have a direct bearing on how the MLM organisations structure and maintain their network commission structures (Wilson, 1999). All of which influence distributor retention.

The promotion construct of the marketing mix also featured within this factor. MLM organisations seldom use advertising and instead prefer internal marketing initiatives that are targeted at their internal distributors (Toiton, 2008). The expectation of distributors when it comes to product promotion and advertising is that the more recognisable the product brand is to customers, the easier it will be for distributors to generate sales.

It is important to note that decisions involving the marketing mix reinforce one another to influence both internal and external perceptions (Naik et al., 2005).It is therefore critical for MLM organisations to properly construct and review their marketing mix approaches against not only other MLM organisations, but also against other traditional retailers and the competing offerings they carry. MLM organisations must recognise that product and price components seem to be the cornerstone of the marketing mix. At a minimum, the MLM product offerings must therefore be able to compete in the market both from an offering and price

perspective. MLM organisations must also utilise their distributor networks as input to product design, improvement and pricing strategy.

5.3.4 Satisfaction with income

Distributors considered satisfaction with income the fourth most important factor influencing distributor retention. This factor returned a strong effect size (Cohen's d = 1.233 being the strength of the mean difference between the respondent group that displayed a strong intention to remain in MLM against the group displaying a weaker intention to remain). The satisfaction with income factor includes the items relating to MLM distributor satisfaction with the commissions they earn from the sales of their downline networks, the commissions they earn from the their own sales, the acceptance of customers to the MLM sales approach, the belief that they have good growth prospects within the organisation, and the satisfaction with the income they have received as measured against the income expectations they had before participating in MLM. The satisfaction with income factor therefore addresses the proposed factors, implemented reward and compensation structures, network configuration as dictated by the organisations, and the distributors' financial performance which were proposed through the available literature.

The cross-tabulation results for "MLM commissions by intention to continue as an active distributor" also found that there is a statistically significant correlation between the commissions earned by distributors and their intention to continue as an active distributor with their current MLM companies. A closer look at these results also revealed that all of the distributors earning average monthly commissions of above R5 000 displayed the intention to remain and continue in MLM.

The research findings are in line with the literature which states that the commission structures in MLM organisations can be complex (Coughlan & Grayston, 2008), vary among the various MLM programmes, and play a key role in influencing distributor retention (Msweli-Mbanga & Sargeant, 2001). This is because MLM network configurations have a direct impact on the commission

structures used and therefore influence the income the distributors earn based on the sales generated by themselves and/or those generated by their networks. This distributor income must also be measured against what distributors expected to earn prior to participating in MLM.

The factor items relating to potential customers being accepting of the MLM sales approach and the distributors believing in their growth prospects within the organisation are related to the future income distributors perceive to be possible. This means that distributors also evaluate future income generation possibilities when considering retention.

MLM organisations must therefore be aware of the importance of distributor income in relation to distributor retention. Where possible, the MLM organisations must also be aware of the commission values (e.g. R5 000 pm) where distributor retention is mostly likely to be maintained. MLM organisations must therefore ensure that they have carefully considered the commission structure configurations for both the distributor generated sales and for the sales generated by each distributor's network. Msweli-Mbanga and Sargeant (2001) expand on this concept by adding that the distributor compensation approach used by organisations must also be viewed in comparison to the market and competitor landscapes in mind, in order for MLM organisations to retain their best distributors.

In addition, since distributors also measure their income against the income they expected prior to participating, and the cross-tabulation results for "MLM commissions by time spent as an ACTIVE distributors" indicating that most distributors (90.0%) who have been active for less than six months earn average monthly commissions of R2 000 or less, MLM organisations must ensure they monitor and carefully control the messages to potential distributors in order to manage income expectations. This might mean a reduction in new distributors joining their organisations in the short term; however, it will result in higher retention of those distributors that do join as they would not have been enticed with over inflated income expectations.

5.3.5 Distributor development and company performance

The analysis shows the distributor development and company performance factor to be a strong predictor of distributor retention as it displayed a strong effect size (Cohen's d = 1.0700 being the strength of the mean difference between the respondent group that displayed a strong intention to remain in MLM and the group displaying a weaker intention to remain). This factor was considered by MLM distributors to be the fifth strongest of the factors observed to influence distributor retention. The distributor development construct within this factor comprised of distributor satisfaction with the initial training, on-going training, and the continuous coaching and mentorship provided by the organisation. This is in response to the proposed factors of organisation characteristics which includes distributor support and company performance as influencers of distributor retention (Slater, 1990).

This is in line with the current literature which concludes that MLM organisations are required to display specific people focused characteristics (Toiton, 2008) in order to maintain and retain distributors, by implementing topics considered important by distributors (Poon, 2003; Berry, 1997). There is also indication that distributor retention is also related to other organisational characteristics that influence job satisfaction and includes key motivators relating to sales success and network growth (Msweli-Mbanga, 2001; Williams & Anderson, 1991). Factors relating to training (Poon, 2003; Berry, 1997) and coaching (Babakus et al., 1996) among others, are also key organisational approaches influencing distributor retention.

The job satisfaction motivators of sales success and network growth relate to organisational performance and are perceived to influence the market share of the MLM organisation. The respondent data and available literature both depicted an MLM organisation's performance and success as noteworthy influencers of distributor retention. This is because distributors find it easier to initiate sales if affiliated with a growing entity or market leader as end-user customers will show greater recognition of and confidence in the organisation's products (Berry & Parasuraman, 1991). This implies that increasing sales can

be achieved by existing distributors and therefore influencing distributor retention (Msweli-Mbanga & Sargeant, 2001).

MLM distributors require their organisations to have approaches to support and develop them in order to be retained. MLM organisations must make sure they weave these organisational characteristics into their organisational distributor approaches. This must include setting up formal programmes for distributor training and coaching and mentoring. Since a vast majority of these will be administered by distributors to their downline network, MLM organisations must ensure that they don't only train distributors on products, sales and marketing, but also on people management, coaching and mentorship techniques. This should yield improved retention figures if implemented correctly.

In addition, and over and above MLM organisations being required to be successful in order to maintain distributors, the MLM organisations need to develop communication channels that highlight company success. A culture of celebrating success will also be required. This will allow the MLM distributors to be consistently informed of organisational performance, and more notably of organisational success which will have a positive influence on retention. A change in communication tactics will however be required where organisational performance is below the required levels.

5.3.6 Organisational support

The factor organisational support showed strong effect size (Cohen's d = 0.946 being the strength of the mean difference between the respondent group that displayed a strong intention to remain in MLM against the group displaying a weaker intention to remain) and addresses the distributor support factor proposed from the literature review. Organisational support included research items such as comparing the effort required to succeed versus the effort expected by distributors before participating, the distributor satisfaction with the level of competition among the distributors, distributor satisfaction with the level of sales support provided by their companies, and distributor satisfaction with the level of administrative support provided by their companies. The statement,

“the effort required to succeed is in line with the effort I expected before joining”, could have been interpreted by the respondents in a way that postulates that the greater the sales support provided by the organisation, the less the effort required by the distributor to succeed. It can then be said that the factor organisational support is concerned with the level of support provided by the organisations to the distributors in order to allow them to focus on sales and recruitment activities.

In line with the available literature, Msweli-Mbanga and Sargeant (2001) identified distributor support as a contributing factor to job satisfaction and therefore distributor retention. This organisational support provided to distributors must also include inter-functional co-ordination such as timeous stock delivery, acting on customer feedback, controlling competition between individual distributors, and the consistency and quality of the support provided (Slater, 1990).

In response, MLM organisations must make a deliberate effort to focus on the actual distributors of the organisation (Msweli-Mbanga & Sargeant, 2001). This implies that the internal marketing activities used for retaining customer conscious employees as described by Gronroos (1990) must be adopted by MLM organisations as tools for distributor retention. The communication channels must however be effective both ways. It is suggested that the MLM organisations must engage with the distributors to understand the levels of support they require, the frustrations they have and also what they believe is working. Jointly, the MLM organisations and distributors can further develop the required support structures to ensure joint success. This will improve organisation and distributor engagement while improving on the distributor support requirements, thereby having a positive influence on distributor retention.

5.3.7 Network and sales growth satisfaction

The factor network and sales growth satisfaction is considered a moderate predictor of distributor retention. It returned the lowest effect size (Cohen’s d =

0.771 being the strength of the mean difference between the respondent group that displayed a strong intention to remain in MLM against the group displaying a weaker intention to remain), and also scored the lowest mean score (4.29) of the seven factors observed to influence distributor retention. This factor is concerned with the general satisfaction of the results achieved by distributors with a specific mention of distributors being satisfied with the growth of their downline networks, and the sales volume growth they have achieved. In addition, the network and sales growth satisfaction factor also took into account the expectations the MLM distributors had prior to participating in MLM.

This factor was not directly observed in the available literature and therefore not explicitly proposed. This is because the available literature detailed satisfaction with network and sales growth as a component of the job satisfaction motivator factors when considering distributor retention (Msweli-Mbanga, 2001; Williams & Anderson, 1991). The literature also viewed this factor as being closely related to distributor income growth, which was observed as the fourth strongest factor influencing distributor retention. It therefore stands to reason that even though continuous network and sales volume growth have a positive influence on distributor retention, they are not considered as strong predictors of distributor retention when compared to the satisfaction with income factor. This is particularly true where the growth in the network is not translating into growth in distributor income.

5.3.8 Distributor performances and experiences versus their expectations prior to joining a particular organisation

Proposition 5 stated that distributor retention in MLM organisations is influenced by the distributors' performances and experiences as measured against the distributors' expectations prior to joining a particular organisation. This implies that the further away the results achieved by distributors are to the results they anticipated before participation, the least likely those distributors are to be retained.

Although this factor was proposed from the literature reviewed, it was not observed as a standalone factor from the analysis of the collected data. Instead, the research items relating to this proposed factor loaded with the specific constructs they relate to. For example, the research item ‘the income I expected before joining matched the income I earned after joining’ loaded to the satisfaction with income factor, and the research item ‘the network (downline) growth I expected before I joined matched the network growth I achieved after joining’ loaded to the observed factor network and sales growth satisfaction.

This factor is therefore rejected as a standalone factor. MLM organisations do however need to be aware that when addressing the specific factors influencing distributor retention, the measure of success distributors’ use for each of the major constructs (e.g. income), does take into account the expectations the distributors had before participating. This means that although MLM organisations need to be persuasive when recruiting new distributors, they must not inflate the results potential distributors stand to achieve for participating as this approach will lead to increasing attrition rates at a later stage.

5.4 Interpretation of results summary

In comparing the factors proposed as part of the literature review section in Chapter 2 against the factors observed, Table 23 below summarises the research outcomes per proposition.

Table 23: Interpretation of results summary table

Research outcomes per proposition		
No.	**Research proposition**	**Research outcome**
1	Potential MLM distributors are attracted to the MLM industry based on the industry's attractiveness in conjunction with the monetary, non-monetary and aspirational pull factors as communicated by the MLM organisations within the industry.	Fully supported: • All the proposed factors were supported by the observed factors.
2	Once engaged with the MLM industry, potential MLM distributors participate in specific MLM organisations due to the market presence and performance of these organisations, the personal-organisational fit, their view of the marketing mix, and their sponsor's affiliation to join a particular MLM programme.	Partially supported: • The observed factors supported three of the four proposed factors • One proposed factor was not observed at all and therefore rejected. • One new factor was proposed.
3	Distributor retention in MLM organisations is influenced by organisational characteristics, company performance, the implemented network configuration, the reward and compensation structures, and the support provided by MLM organisations to their distributors.	Fully supported: • All the proposed factors were supported by the observed factors.
4	Distributor retention in MLM organisations is influenced by individual distributor characteristics, the distributor perceptions of the organisation's marketing mix, their customers' profiles, and the distributors' financial performances.	Fully supported: • All the proposed factors were supported by the observed factors.
5	Distributor retention in MLM organisations is influenced by the distributors' performances and experiences as measured against the distributors' expectations prior to joining a particular organisation.	Not supported: • The proposed factor was not observed.

6 CONCLUSIONS AND RECOMMENDATIONS

The purpose of this study was to identify the factors that influence the attraction and participation of new distributors into MLM, and the factors that influence the retention of these distributors within MLM companies in South Africa. The pertinent research findings will be summarised in this chapter, along with the identified research limitations, recommendations and identified future research.

6.1 Summary of significant research results

6.1.1 Factors influencing the attraction of potential MLM distributors into the MLM industry

The literature study showed that before potential MLM distributors participate in a particular MLM organisation, they must first be attracted to and engaged with the MLM industry as a whole. This research study observed and confirmed that career and personal development was the predominant factor influencing the attraction of potential MLM distributors to the MLM industry. This was followed to a lesser degree by industry attractiveness and time flexibility, and the income generation opportunity presented by MLM participation as the remaining factors attracting potential MLM distributors to the MLM industry.

Ease of participation did emerge in the principal component analysis as a factor influencing the attraction of potential MLM distributors but the items that loaded most highly on this factor did not have acceptable internal consistency reliability. Ease of participation was therefore not accepted as a factor influencing industry attractiveness.

6.1.2 Factors influencing the participation of distributors into a particular MLM organisation

Once engaged with the MLM industry as a whole, various organisational factors then come into play to influence the potential MLM distributors to participate in specific MLM organisations. Company image and success, product affiliation,

and own distributor investigations were observed and confirmed through this research study to be factors influencing potential distributors to participate in a specific MLM organisation.

The distributor's sponsor affiliation was proposed but not observed as a factor influencing distributor participation into a particular MLM organisation. Based on the reviewed literature, the expectation was that MLM distributors would automatically affiliate with the company they were invited to join.

Although distributor investigations was observed and confirmed as a factor influencing distributor participation into a particular MLM company, this factor was not proposed. This is therefore a new factor that contributes to the influencing of MLM distributors to participate in a particular MLM organisation.

6.1.3 Factors influencing the retention of distributors in MLM

MLM distributors considered the factor valuing of relationships as the most significant factor influencing retention. This was followed by the factors product usage, entrepreneurship and marketing mix as the top three factors influencing distributor retention. Satisfaction with income, distributor development and company performance, were identified by this research as the fourth, fifth and sixth most important factors influencing distributor retention respectively.

Network and sales growth was the seventh and least influential factor in terms of distributor retention. This means that this was not a strong discriminating factor between the group of respondents indicating a strong intention to be retained and the group displaying a weaker agreement.

Lastly, the literature proposed that distributor retention in MLM organisations is also influenced by the distributors' performances and experiences as measured against the distributors' expectations prior to joining a particular organisation. This was however not supported as a standalone factor from the analysis of the collected data within this research.

6.2 Limitations

Prior to providing recommendations and suggestions for future research, the following limitations of this study need to be highlighted:

- This study utilised a newly designed measurement instrument, which was therefore being used for the first time.

- Likert-type scale questions were used in the research instrument. These may sometimes be subject to distortion where respondents may avoid using extreme response categories (*central tendency bias*); agree with statements as presented (*acquiescence bias*); or try to portray a more favourable outcome of the situation (*social desirability bias*).

- The internet was used as the primary medium for data collection. Although allowing access to a large number of respondents, this approach does restrict the survey to individuals with access to the internet.

- A combination of judgemental and snowballing sampling approaches were utilised within this research. Total generalisation of the MLM distributor population may therefore not be applicable.

- Intention to stay was used as a predictor of distributor retention. Although intention is theorised to be a good predictor of retention, it cannot be confirmed whether the respondents who had indicated their intention to be retained were actually retained or not.

6.3 Recommendations

This study was undertaken to assist MLM organisations with reliable information on how to better acquire and retain distributors. This is important to MLM organisations due to the multiple roles and functions that distributors fulfil within the MLM companies. MLM organisations need to first understand that in order

to attract distributors to their organisations; these distributors must first be attracted to the MLM industry as a whole.

MLM organisations must therefore be collective custodians of the industry. This implies addressing any negative sentiments regarding the industry and positioning the industry favourably in the eyes of the public. The MLM organisations, through their respective industry bodies must ensure they understand the key drivers and factors impacting their industry and they must develop targeted strategies and plans for addressing these.

Each MLM organisation must then ensure they not only understand and contribute positively to the development of the industry as a whole, but they must also look internally to ensure they are configured for success. This implies developing approaches to attracting high numbers of quality distributors to their organisations through the understanding of what distributors consider to be important. MLM organisations need to ensure that they also focus on brand, product and pricing strategies that position them favourably in the market. They also need to understand that they do not only compete with other MLM organisations but also traditional retailers carrying the same product lines.

Retention is a key success factor for MLM organisations because of the multiple roles the distributors fulfil and therefore the operational voids created by high attrition rates. It is recommended that MLM distributors implement and maintain two-way communication channels between themselves and their distributors. This is to ensure distributors do not only know, but also contribute to the organisational plans, strategies and particularly product development and enhancement ideas. This is because distributors are not only customers themselves, but their on-the-ground approach ensures they are also market research officers. This will also improve organisational engagement with the distributors and therefore increase retention.

MLM organisations should investigate implementing exit interviews in order to understand why distributors opt out of MLM participation. This information should then be used as input to continuous improvement initiatives.

Although focusing on recruitment strategies might seem counter intuitive when addressing distributor retention, the research shows that distributor characteristics have an influence on distributor retention. MLM organisations must therefore not only focus on distributor volume, but also distributor quality.

6.4 Suggested future research

This study has provided some insight into the factors influencing the attraction, participation and retention of MLM distributors in South Africa. As more insight is gained on the subject, new questions will be identified. The following avenues are suggested for future research:

- The research expectations were framed as research propositions rather than as hypotheses. Future research should explore this approach in order to allow more rigorous statistical tests such as confirmatory factor analysis or structural equation modelling to be employed.

- In depth study of distributor characteristics in South Africa and how these compare to research undertaken in other countries with similar macro-economic and social conditions.

- The perception of the South African consumer public on MLM and the factors driving it. This should target end user customers, MLM distributors and traditional retailers.

- A study as to what the factors are that influence MLM distributors to leave MLM.

- The approach and consideration that potential MLM distributors follow when evaluating MLM organisations.

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APPENDIX A:

Cover letter research questionnaire

The Wits Business School
2 St David's Place, Parktown,
Johannesburg, 2193
Telephone: +27 11 717 3600
Website: http://www.wbs.ac.za

Dear Respondent,

I am an MBA student undertaking research for my thesis with the University of the Witwatersrand Business School. The following questionnaire forms part of the research I am conducting on the factors that influence the attraction and retention of distributors in the multi-level (network) marketing.

Please complete the attached questionnaire based on your honest experience and participation in multi-level marketing. Your participation will be highly valued and your will remain confidential. The data gathered will be aggregated and used for statistical purposes only.

Yours Sincerely,

_____

Thuthuka Mashaba

MBA STUDENT

I confirm that Thuthuka Mashaba is an MBA student at the WITS Business School and is conducting this research under my supervision.

_____

Laurence Beder
MARKETING CONSULTANT AND LECTURER

Faculty of Commerce, Law and Management

WITS Business School

APPENDIX B:

Complete Research Questionnaire

Multi-Level Marketing: MBA Research

1. Welcome!

You made it, well done.

Please allow us to thank you in advance for taking part in this survey.

As part of an MBA thesis, the purpose of this survey is to identify the factors that influence the attraction (participation) of new distributors into Multi-Level Marketing (MLM) programmes, and the factors that influence the retention of these distributors within MLM programmes in South Africa.

In simple terms, we are trying to find out why YOU;
1) Joined a Multi-Level Marketing company or programme.
2) Remained (or did not remain) in a Multi-Level Marketing company or programme after joining.

Please also note the following when completing the questionnaire:
- All questions and statements in this questionnaire relate to your involvement in Multi-Level Marketing. They do not relate to any other company, employment or business activities.

- For every statement, please choose the answer which in your opinion, most appropriately describes your experience in Multi-Level Marketing.

- In this survey, Multi-Level Marketing = MLM = Network Marketing

- In this survey, MLM programme and MLM company can be considered the same where you feel its appropriate.

- All responses are truly anonymous with no personal data being requested.

- It should take no longer than 10 to 15 minutes to complete the questions. We tested this.

Please click on the "Next" button to proceed.

Should you have any questions, please do not hesitate to contact Thuki on 083 297 2111.

Click.. click

Multi-Level Marketing: MBA Research

2. Demographic Information

Before we get to the interesting questions, please complete the demographic information that follows. This is to help us get a better view of the composition of the MLM community.

* 1. Race group

◯ African ◯ Indian ◯ Coloured ◯ White ◯ Other

* 2. Gender

◯ Male ◯ Female

* 3. Age (No lies ladies.. we won't tell)

[ ]

* 4. Employement status

◯ Student ◯ Employed Part-time ◯ Employed Full-time ◯ Full time in MLM

* 5. Current participation status

◯ Active (I continue to purchase products and services from an MLM company on a regular base for reselling and/or recruiting new distributors)

◯ Semi-active (I continue to purchase the companies products or services but only for personal usage)

◯ Inactive (I was once active but I am no longer reselling any company's products or recruiting new distributors)

◯ Was never active (I did sign-up but never actively participated)

Multi-Level Marketing: MBA Research

3.

* 1. Have been participating in MLM for a period of

* 2. Period of time spent as an ACTIVE (cruiting and selling) distributor

* 3. Invited to participate in MLM by

* 4. Hours spent on Multi-Level Marketing activities PER WEEK

* 5. I spend my Multi-Level Marketing time as follows

◯ Mostly selling ◯ Mostly recruiting ◯ Evenly between selling and recruiting

* 6. Average monthly net commissions received from MLM activities.
This is the average monthly amount taken home and includes commissions generated by your downline.

Multi-Level Marketing: MBA Research

* 7. I belong to the following MLM companies

- [ ] AIM AFRICA INC.
- [ ] AMC COOKWARE
- [ ] AMWAY SOUTH AFRICA
- [ ] ANNIQUE SKINCARE PRODUCTS
- [ ] AVON JUSTINE
- [ ] AVROY SHLAIN COSMETICS
- [ ] BALLTRON
- [ ] BOUTLE BUHLE
- [ ] CANYON ORGANICS
- [ ] IFA/CLIENTELE LIFE
- [ ] FOREVER LIVING PRODUCTS
- [ ] GENOVESE
- [ ] GNLD INTERNATIONAL
- [ ] HERBALIFE INTERNATIONAL SOUTH AFRICA
- [ ] HONEY FASHION ACCESSORIES
- [ ] HOUSE OF HEALTH
- [ ] ICI MARKETING
- [ ] JEAN GUTHRIE BEAUTY CARE
- [ ] KMI – THE SPRAY VITAMIN COMPANY
- [ ] MIGLIO DESIGNER JEWELLERY
- [ ] MISSING LINK EDUCATION
- [ ] NUTRI-STAHL COOKWARE
- [ ] PRES LES
- [ ] SH'ZEN
- [ ] SPORTRON INTERNATIONAL
- [ ] STEMTECH AFRICA
- [ ] STOCK MARKET COLLEGE
- [ ] SUNRIDER SA
- [ ] SWISSGARDE
- [ ] TABLE CHARM
- [ ] THE UNLIMITED
- [ ] TIANSHI SA
- [ ] TUPPERWARE SOUTHERN AFRICA
- [ ] 20TH CENTURY DISTRIBUTORS
- [ ] VANDA COSMETICS
- [ ] VOX TELECOM
- [ ] WATKINS VALEUR
- [ ] WORLD BOOKS
- [ ] Other
- [ ] I would rather not say

Multi-Level Marketing: MBA Research

4. I joined Multi-Level Marketing (MLM) because:

This section of the questionnaire is to understand the reasons that influenced you to participate in Multi-Level Marketing.

Some questions will also cover why you decided to join a particular Multi-Level Marketing company.

To make answering these questions easier, try to remember back when you were still considering taking part in Multi-Level Marketing and you were just about to join your company.

*** 1. I decided to participate in Multi-Level Marketing because:**

	Very Strongly Disagree	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Very Strongly Agree
I saw it as an opportunity for having an additional source of income.	◯	◯	◯	◯	◯	◯	◯
I expected high financial benefits for taking part.	◯	◯	◯	◯	◯	◯	◯
Of the low start-up fee required to join.	◯	◯	◯	◯	◯	◯	◯
I found the MLM industry attractive.	◯	◯	◯	◯	◯	◯	◯
It found it socially acceptable to participate in the industry.	◯	◯	◯	◯	◯	◯	◯
I wanted to start and run my own business.	◯	◯	◯	◯	◯	◯	◯
I considered other businesses initiatives or programmes before choosing MLM.	◯	◯	◯	◯	◯	◯	◯
I saw it as an opportunity to explore an alternative career.	◯	◯	◯	◯	◯	◯	◯
I saw it as an opportunity to use my existing family and social (friends) networks to generate income.	◯	◯	◯	◯	◯	◯	◯
I saw it as an opportunity to use my professional network (work colleagues, existing clients etc.) to generate income.	◯	◯	◯	◯	◯	◯	◯
The time required was flexible and I could choose how much time to dedicate to it.	◯	◯	◯	◯	◯	◯	◯
It would enable me to work from home.	◯	◯	◯	◯	◯	◯	◯
I was under financial pressure.	◯	◯	◯	◯	◯	◯	◯
I wanted to build a network that "worked" for me.	◯	◯	◯	◯	◯	◯	◯
It offered me an opportunity to develop and or improve my management and leadership skills.	◯	◯	◯	◯	◯	◯	◯
It offered me the opportunity to develop and or improve on my administration skills.	◯	◯	◯	◯	◯	◯	◯
I expected my network to grow fast.	◯	◯	◯	◯	◯	◯	◯
I hoped to one day participate fulltime in MLM.	◯	◯	◯	◯	◯	◯	◯

Multi-Level Marketing: MBA Research

5. I joined a particular Multi-Level Marketing (MLM) company because:

This section of the questionnaire explores why you decided to join a specific Multi-Level Marketing company or programme. In essence, we are trying to find out what made you join your current (or last) Multi-Level Marketing company and not a different one.

*** 1. I decided to join a particular/My Multi-Level Marketing company because:**

	Very Strongly Disagree	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Very Strongly Agree
I investigated different MLM companies and chose this one.	◯	◯	◯	◯	◯	◯	◯
They offered the best commissions.	◯	◯	◯	◯	◯	◯	◯
I believed they were successful at the time.	◯	◯	◯	◯	◯	◯	◯
I believed they would grow and continue to be successful in the future.	◯	◯	◯	◯	◯	◯	◯
I identified with their company image.	◯	◯	◯	◯	◯	◯	◯
I identified with the company value system.	◯	◯	◯	◯	◯	◯	◯
They were well known in the market.	◯	◯	◯	◯	◯	◯	◯
My sponsor (the person who invited me) belonged to them.	◯	◯	◯	◯	◯	◯	◯
They had a good public reputation.	◯	◯	◯	◯	◯	◯	◯
I personally believed in their products or services.	◯	◯	◯	◯	◯	◯	◯
Of the way their products were priced.	◯	◯	◯	◯	◯	◯	◯
Of the training they provide.	◯	◯	◯	◯	◯	◯	◯
I was a personal user of their products before I signed up.	◯	◯	◯	◯	◯	◯	◯
Their products or services appeared easy to sell.	◯	◯	◯	◯	◯	◯	◯
They provided good support to their distributors.	◯	◯	◯	◯	◯	◯	◯

*** 2. Please confirm your current MLM participation status as Active or Inactive.**

◯ Active (or Semi-active): I continue to purchase products and services from an MLM company on a regular base for reselling and/or recruiting new distributors

◯ Inactive: I was once active but I am no longer reselling any company's products or recruiting new distributors

Multi-Level Marketing: MBA Research

6. I am still an ACTIVE member/distributor with my Multi-Level Marketing compa...

Almost there. This is the last section and is split over two pages.

In this section, we are trying to understand why you continue to participate in MLM.

*** 1. I am still an ACTIVE member/distributor with my company because:**

	Very Strongly Disagree	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Very Strongly Agree
The effort required to succeed is in line with the effort I expected before joining.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with the level of competition amongst the distributors.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with the level of administrative support provided by my company.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with the level of sales support provided by my company.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with the initial training that was provided by my company when I first joined.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with the ongoing training that my company provides.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with the coaching and mentorship provided.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with the overall growth and success of my company.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with the market share my company has.	◯	◯	◯	◯	◯	◯	◯
It is easy to sell the products from the company.	◯	◯	◯	◯	◯	◯	◯
My company continues to innovate and develop new products and services.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with the range of products offered by my company.	◯	◯	◯	◯	◯	◯	◯
I am satisfied that the products from my company meet the needs of the customers.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with how the products are priced by my company.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with how my company promotes and advertises its products and services.	◯	◯	◯	◯	◯	◯	◯
Most of the potential customers I approached are accepting of the MLM selling approach.	◯	◯	◯	◯	◯	◯	◯
Overall, I am satisfied with the commission structures in place at my company.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with the rewards and recognition (non monetary) programmes in place at my company.	◯	◯	◯	◯	◯	◯	◯
Based on my experiences, I would recommend Multi-Level Marketing to other people.	◯	◯	◯	◯	◯	◯	◯

Multi-Level Marketing: MBA Research

7. I am still an ACTIVE member/distributor with my MLM company because:

This is the last page (we promise) and is merely a continuation of the previous one.

*** 1. I am still an ACTIVE member/distributor with my company because:**

	Very Strongly Disagree	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Very Strongly Agree
I am satisfied with the commission I earn on each of my own sales.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with the commission I earn from each of the sales generated by my downline.	◯	◯	◯	◯	◯	◯	◯
I believe that I have good growth prospects within the company.	◯	◯	◯	◯	◯	◯	◯
The income I expected before joining matched the income I earned after joining my company.	◯	◯	◯	◯	◯	◯	◯
The network (downline) growth I expected before I joined matched the network growth I achieved after joining.	◯	◯	◯	◯	◯	◯	◯
My company allows me to run my own business.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with my sales volumes.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with the growth of my downline network.	◯	◯	◯	◯	◯	◯	◯
In general, I am satisfied with the results I have achieved as a distributor with my company.	◯	◯	◯	◯	◯	◯	◯
I am motivated to succeed.	◯	◯	◯	◯	◯	◯	◯
I believe that I have good customers.	◯	◯	◯	◯	◯	◯	◯
I am a regular user of my company's products.	◯	◯	◯	◯	◯	◯	◯
I value the relationships I have as a distributor with my customers.	◯	◯	◯	◯	◯	◯	◯
I value the relationship I have as a distributor with my sponsor.	◯	◯	◯	◯	◯	◯	◯
I am satisfied with the relationship I have as a distributor with my downline network (recruits).	◯	◯	◯	◯	◯	◯	◯
Based on my experiences, I would specifically recommend my company to other people.	◯	◯	◯	◯	◯	◯	◯
As things stand, I intend to continue as an active distributor with my company.	◯	◯	◯	◯	◯	◯	◯

Multi-Level Marketing: MBA Research

8. Thank you page.

Thank you kindly for completing this questionnaire.

To ensure that that you did not suffer through it alone, please foward this link to your sponsor and everyone in your downline. This is an MLM survey after all :)

Just copy the link below, email it to them and ask them to copy and paste it in their web browser:

http://www.surveymonkey.com/s/MBA-MLMresearch

Should you have any questions or suggestions, please do not hesitate to contact Thuki on 083 297 2111

Thank you once again.

APPENDIX C:

Cross tabulation of 'Employment status' versus 'Hours spent on MLM activities per week'

			Hours spent on MLM activities PER WEEK								
			0 to 5 hrs	**6 to 10 hrs**	**11 to 15 hrs**	**16 to 20 hrs**	**21 to 25 hrs**	**26 to 30 hrs**	**31 to 35 hrs**	**36 or more**	**Total**
Employment status	Employed Full-time	Count	79	14	2	1	1	0	1	1	99
		% within Hours spent on Multi-Level Marketing activities PER WEEK	69.3 %	63.6 %	33.3 %	12.5 %	16.7 %	0.0%	16.7 %	6.3%	54.1%
	Employed Part-time	Count	23	5	2	2	1	0	0	0	33
		% within Hours spent on Multi-Level Marketing activities PER WEEK	20.2 %	22.7 %	33.3 %	25.0 %	16.7 %	0.0%	0.0%	0.0%	18.0%
	Full time in MLM	Count	10	2	2	5	4	5	5	15	48
		% within Hours spent on Multi-Level Marketing activities PER WEEK	8.8%	9.1%	33.3 %	62.5 %	66.7 %	100.0 %	83.3 %	93.8 %	26.2%
	Student	Count	2	1	0	0	0	0	0	0	3
		% within Hours spent on Multi-Level Marketing activities PER WEEK	1.8%	4.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%
Total		Count	114	22	6	8	6	5	6	16	183
		% within Hours spent on Multi-Level Marketing activities PER WEEK	100%	100%	100%	100%	100%	100%	100%	100%	100%

APPENDIX D:

Chi-Square Tests for ‘Employment status’ versus ‘Hours spent on MLM activities per week’

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	84.090	3	0.000
Likelihood Ratio	83.240	3	0.000
N of Valid Cases	183		

APPENDIX E:

Cross-tabulation of 'Hours spent on MLM activities per week' versus 'Average monthly net commission received from MLM activities'

			Hours spent on MLM activities PER WEEK								
			0 to 5 hrs	6 to 10 hrs	11 to 15 hrs	16 to 20 hrs	21 to 25 hrs	26 to 30 hrs	31 to 35 hrs	36 or more	Total
Average monthly net commissions received from MLM activities	R2000 or less	Count	100	14	1	2	0	0	2	1	120
		% within Hours spent on Multi-Level Marketing activities PER WEEK	87.7%	63.6%	16.7%	25.0%	0.0%	0.0%	33.3%	6.3%	65.6%
	R2001 to R5 000 pm	Count	12	5	3	3	1	3	2	3	32
		% within Hours spent on Multi-Level Marketing activities PER WEEK	10.5%	22.7%	50.0%	37.5%	16.7%	60.0%	33.3%	18.8%	17.5%
	R5001 to R10 000 pm	Count	1	3	1	1	2	0	0	4	12
		% within Hours spent on Multi-Level Marketing activities PER WEEK	0.9%	13.6%	16.7%	12.5%	33.3%	0.0%	0.0%	25.0%	6.6%
	R10 001 to R15 000 pm	Count	1	0	0	1	1	1	0	1	5
		% within Hours spent on Multi-Level Marketing activities PER WEEK	0.9%	0.0%	0.0%	12.5%	16.7%	20.0%	0.0%	6.3%	2.7%
	R15 001 to R20 000 pm	Count	0	0	0	0	1	0	0	2	3
		% within Hours spent on Multi-Level Marketing activities PER WEEK	0.0%	0.0%	0.0%	0.0%	16.7%	0.0%	0.0%	12.5%	1.6%
	R20 001 to R25 000 pm	Count	0	0	1	0	1	0	0	3	5
		% within Hours spent on Multi-Level Marketing activities PER WEEK	0.0%	0.0%	16.7%	0.0%	16.7%	0.0%	0.0%	18.8%	2.7%
	R25 001	Count	0	0	0	0	0	1	1	1	3

			Hours spent on MLM activities PER WEEK								
			0 to 5 hrs	**6 to 10 hrs**	**11 to 15 hrs**	**16 to 20 hrs**	**21 to 25 hrs**	**26 to 30 hrs**	**31 to 35 hrs**	**36 or more**	**Total**
	to R30 000 pm	% within Hours spent on Multi-Level Marketing activities PER WEEK	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	16.7%	6.3%	1.6%
	R40 001 to R50 000 pm	Count	0	0	0	1	0	0	1	0	2
		% within Hours spent on Multi-Level Marketing activities PER WEEK	0.0%	0.0%	0.0%	12.5%	0.0%	0.0%	16.7%	0.0%	1.1%
	R50 001 and above pm	Count	0	0	0	0	0	0	0	1	
		% within Hours spent on Multi-Level Marketing activities PER WEEK	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.3%	0.5%
Total		Count	114	22	6	8	6	5	6	16	183
		% within Hours spent on Multi-Level Marketing activities PER WEEK	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

APPENDIX F:

Spearman's Correlation Coefficient for 'hours spent on MLM activities per week' versus 'average monthly net commission received from MLM'

			Hours spent on Multi-Level Marketing activities PER WEEK	Average monthly net commissions received from MLM activities
Spearman's rho	Hours spent on Multi-Level Marketing activities PER WEEK	Spearman's rho	1	0.691
		P-Value	.	0.000
		N	183	183
	Average monthly net commissions received from MLM activities.	Spearman's rho	0.691	1
		P-Value	0.000	.
		N	183	183

APPENDIX G:

Cross-tabulation of 'I spend my Multi-Level Marketing time as follows' versus 'Average monthly net commissions received from MLM activities'

			I spend my Multi-Level Marketing time as follows			
			Evenly between selling and recruiting	Mostly recruiting	Mostly selling	Total
Average monthly net commissions received from MLM activities	R2000 or less	Count	19	5	96	120
		% within I spend my Multi-Level Marketing time as follows	38.8%	35.7%	80.0%	65.6%
	R2001 to R5 000 pm	Count	11	3	18	32
		% within I spend my Multi-Level Marketing time as follows	22.4%	21.4%	15.0%	17.5%
	R5001 to R10 000 pm	Count	8	0	4	12
		% within I spend my Multi-Level Marketing time as follows	16.3%	0.0%	3.3%	6.6%
	R10 001 to R15 000 pm	Count	2	3	0	5
		% within I spend my Multi-Level Marketing time as follows	4.1%	21.4%	0.0%	2.7%
	R15 001 to R20 000 pm	Count	2	0	1	3
		% within I spend my Multi-Level Marketing time as follows	4.1%	0.0%	0.8%	1.6%
	R20 001 to R25 000 pm	Count	3	1	1	5
		% within I spend my Multi-Level Marketing time as follows	6.1%	7.1%	0.8%	2.7%
	R25 001 to R30 000 pm	Count	3	0	0	3
		% within I spend my Multi-Level Marketing time as follows	6.1%	0.0%	0.0%	1.6%
	R40 001 to R50 000 pm	Count	1	1	0	2
		% within I spend my Multi-Level Marketing time as follows	2.0%	7.1%	0.0%	1.1%
	R50 001 and above pm	Count	0	1	0	1
		% within I spend my Multi-Level Marketing time as follows	0.0%	7.1%	0.0%	0.5%
Total		Count	49	14	120	183
		% within I spend my Multi-Level Marketing time as follows	100.0%	100.0%	100.0%	100.0%

APPENDIX H:

Chi-Square Tests for ‘I spend my Multi-Level Marketing time as follows’ versus ‘average monthly net commissions received from MLM activities’

Chi-Square Tests			
	Value	**df**	**Asymp. Sig. (2-sided)**
Pearson Chi-Square	32.180	2	0.000
Likelihood Ratio	31.855	2	0.000
N of Valid Cases	183		

APPENDIX I:

Condensed cross-tabulation analysis of ‘how distributor time is spent in MLM’ versus ‘the average monthly net commissions received from MLM activities’

			I spend my Multi-Level Marketing time as follows			
			Evenly between selling and recruiting	**Mostly recruiting**	**Mostly selling**	**Total**
Average Monthly Net Commission	R2000 or less	Count	19	5	96	120
		% within I spend my Multi-Level Marketing time as follows	38.8%	35.7%	80.0%	65.6%
	More than R2000 pm	Count	30	9	24	63
		% within I spend my Multi-Level Marketing time as follows	61.2%	64.3%	20.0%	34.4%
Total		Count	49	14	120	183
		% within I spend my Multi-Level Marketing time as follows	100%	100%	100%	100%

APPENDIX J:

Cross-tabulation of 'average monthly net commissions received from MLM activities' versus 'period of time spent as an ACTIVE distributor'

			Period of time spent as an ACTIVE (recruiting and selling) distributor							
			Less than 6 months	6 months to 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	more than 5 years	Total
Average monthly net commissions received from MLM activities	R2,000 or less	Count	18	24	30	12	9	3	24	120
		% within Period of time spent as an ACTIVE (recruiting and selling) distributor	90.0%	82.8%	93.8%	70.6%	64.3%	37.5%	38.1%	65.6%
	R2,001 to R5,000 pm	Count	1	4	2	4	5	2	14	32
		% within Period of time spent as an ACTIVE (recruiting and selling) distributor	5.0%	13.8%	6.3%	23.5%	35.7%	25.0%	22.2%	17.5%
	R5001 to R10,000 pm	Count	0	1	0	0	0	2	9	12
		% within Period of time spent as an ACTIVE (recruiting and selling) distributor	0.0%	3.4%	0.0%	0.0%	0.0%	25.0%	14.3%	6.6%
	R10,001 to R15,000 pm	Count	1	0	0	0	0	1	3	5
		% within Period of time spent as an ACTIVE (recruiting and selling) distributor	5.0%	0.0%	0.0%	0.0%	0.0%	12.5%	4.8%	2.7%
	R15,001 to R20,000 pm	Count	0	0	0	0	0	0	3	3
		% within Period of time spent as an ACTIVE (recruiting and selling) distributor	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.8%	1.6%
	R20,001	Count	0	0	0	0	0	0	5	5

			Period of time spent as an ACTIVE (recruiting and selling) distributor							
			Less than 6 months	6 months to 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	more than 5 years	Total
	to R25,000 pm	% within Period of time spent as an ACTIVE (recruiting and selling) distributor	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.9%	2.7%
	R25,001 to R30,000 pm	Count	0	0	0	1	0	0	2	3
		% within Period of time spent as an ACTIVE (recruiting and selling) distributor	0.0%	0.0%	0.0%	5.9%	0.0%	0.0%	3.2%	1.6%
	R40,001 to R50,000 pm	Count	0	0	0	0	0	0	2	2
		% within Period of time spent as an ACTIVE (recruiting and selling) distributor	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%	1.1%
	R50,001 and above pm	Count	0	0	0	0	0	0	1	1
		% within Period of time spent as an ACTIVE (recruiting and selling) distributor	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	0.5%
Total		Count	20	29	32	17	14	8	63	183
		% within Period of time spent as an ACTIVE (recruiting and selling) distributor	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

APPENDIX K:

Spearman's Correlation Coefficient for 'average monthly net commissions received from MLM activities' versus 'period of time spent as an ACTIVE distributor'

			Average monthly net commissions received from MLM activities	Period of time spent as an ACTIVE (recruiting and selling) distributor
Spearman's rho	Average monthly net commissions received from MLM activities.	Spearman's rho	1	0.476
		P-Value	.	0.000
		N	183	183
	Period of time spent as an ACTIVE (recruiting and selling) distributor	Spearman's rho	0.476	1
		P-Value	0.000	.
		N	183	183

APPENDIX L:

Cross-tabulation of the 'average monthly net commissions received from MLM activities' versus 'intention to remain as an active distributor'

			As things stand, I intend to continue as an active distributor with my company.							
			Strongly Disagree	**Very Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**	**Very Strongly Agree**	**Total**
Average monthly net commissions received from MLM	R2000 or less	Count	0	0	1	15	39	19	46	120
		% within As things stand, I intend to continue as an active distributor with my company	0.0%	-	100.0%	100.0%	83.0%	59.4%	52.9%	65.6%
	R2001 to R5 000 pm	Count	1	0	0	0	5	5	21	32
		% within As things stand, I intend to continue as an active distributor with my company	100.0%	-	0.0%	0.0%	10.6%	15.6%	24.1%	17.5%
	R5001 to R10 000 pm	Count	0	0	0	0	1	6	5	12
		% within As things stand, I intend to continue as an active distributor with my company	0.0%	-	0.0%	0.0%	2.1%	18.8%	5.7%	6.6%
	R10 001 to R15 000 pm	Count	0	0	0	0	0	1	4	5
		% within As things stand, I intend to continue as an active distributor with my company	0.0%	-	0.0%	0.0%	0.0%	3.1%	4.6%	2.7%
	R15 001 to R20 000 pm	Count	0	0	0	0	0	0	3	3
		% within As things stand, I intend to continue as an active distributor with my company	0.0%	-	0.0%	0.0%	0.0%	0.0%	3.4%	1.6%

			As things stand, I intend to continue as an active distributor with my company.							
			Strongly Disagree	**Very Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**	**Very Strongly Agree**	**Total**
	R20 001 to R25 000 pm	Count	0	0	0	0	1	0	4	5
		% within As things stand, I intend to continue as an active distributor with my company	0.0%	-	0.0%	0.0%	2.1%	0.0%	4.6%	2.7%
	R25 001 to R30 000 pm	Count	0	0	0	0	1	1	1	3
		% within As things stand, I intend to continue as an active distributor with my company	0.0%	-	0.0%	0.0%	2.1%	3.1%	1.1%	1.6%
	R40 001 to R50 000 pm	Count	0	0	0	0	0	0	2	2
		% within As things stand, I intend to continue as an active distributor with my company	0.0%	-	0.0%	0.0%	0.0%	0.0%	2.3%	1.1%
	R50 001 and above pm	Count	0	0	0	0	0	0	1	1
		% within As things stand, I intend to continue as an active distributor with my company	0.0%	-	0.0%	0.0%	0.0%	0.0%	1.1%	0.5%
Total		Count	1	0	1	15	47	32	87	183
		% within As things stand, I intend to continue as an active distributor with my company	100.0%	-	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

APPENDIX M:

Spearman's rho for ‘average monthly net commissions received from MLM activities’ versus ‘as things stand; I intend to continue as an active distributor with my company’

			Average monthly net commissions received from MLM activities	As things stand, I intend to continue as an active distributor with my company.
Spearman's rho	Average monthly net commissions received from MLM activities.	Spearman’s rho	1	0.310
		P-Value	.	0.000
		N	183	183
	As things stand, I intend to continue as an active distributor with my company.	Spearman’s rho	0.310	1
		P-Value	0.000	.
		N	183	183

APPENDIX N:

Descriptive statistics data with factor scores for factors influencing distributor attraction

	Valid N	Mean	Confidence 95%	Confidence 95%	Median	Minimum	Maximum	Std.Dev.	Skewness	Kurtosis
Career & personal development	183	4.61	4.44	4.79	4.75	1.00	7.00	1.20	-0.49	0.00
Industry attractiveness & time flexibility	183	5.24	5.09	5.38	5.20	1.00	7.00	1.00	-0.85	2.33
Ease of participation	183	4.08	3.91	4.25	4.00	1.00	7.00	1.16	0.09	-0.10
Income generation opportunity	183	4.60	4.40	4.80	5.00	1.00	7.00	1.36	-0.85	0.77

APPENDIX O:

Descriptive statistics data with factor scores for factors influencing distributor participation

	Valid N	Mean	Confidence 95%	Confidence 95%	Median	Minimum	Maximum	Std.Dev.	Skewness	Kurtosis
Company image & success	183	5.55	5.41	5.70	5.60	2.60	7.00	0.99	-0.41	-0.15
Product affiliation	183	5.59	5.46	5.72	5.57	3.71	7.00	0.88	-0.12	-0.99
Distributor investigations	183	4.28	4.10	4.46	4.00	1.00	7.00	1.23	0.18	0.05

APPENDIX P:

Descriptive statistics data with factor scores for factors influencing distributor retention

	Valid N	Mean	Confidence 95%	Confidence 95%	Median	Minimum	Maximum	Std.Dev.	Skewness	Kurtosis
Product usage & entrepreneurship	183	5.87	5.74	6.01	6.00	2.50	7.00	0.91	-0.49	-0.21
Valuing of relationships	183	5.57	5.44	5.70	5.57	2.86	7.00	0.90	-0.17	-0.53
Marketing mix	183	5.54	5.40	5.67	5.57	3.00	7.00	0.92	-0.20	-0.52
Distributor development & company performance	183	5.32	5.19	5.46	5.17	1.50	7.00	0.95	-0.18	0.41
Satisfaction with income	183	5.06	4.92	5.20	5.00	1.60	7.00	0.95	-0.14	1.09
Organisational support	183	5.02	4.88	5.17	5.00	1.00	7.00	0.99	-0.20	1.42
Network & sales growth	183	4.29	4.13	4.46	4.25	1.00	7.00	1.13	-0.18	0.21

APPENDIX Q:

T test groupings: Intention to continue for the two groups stated as Group 1: strong agreement; Group 2: weaker agreement

	Mean - strong agreement	Mean - weaker agreement	t-value	df	p	Valid N - strong agreement	Valid N - weaker agreement	F-ratio - Variances	p - Variances
Marketing mix	5.92	4.87	8.909	179	0.000	119	62	1.068	0.786
Distributor development & company performance	5.65	4.74	6.796	179	0.000	119	62	1.065	0.796
Network and sales growth	4.58	3.77	4.895	179	0.000	119	62	1.322	0.228
Satisfaction with income	5.42	4.43	7.827	179	0.000	119	62	1.053	0.797
Product usage and entrepreneurship	6.26	5.15	9.630	179	0.000	119	62	1.198	0.437
Valuing of relationships	6.05	4.69	14.006	179	0.000	119	62	1.096	0.702
Organisational support	5.33	4.47	6.006	179	0.000	119	62	1.071	0.779

Hotelling T^2=260.207 F(14,166)=17.236 p<0.0000

APPENDIX R:

Effect size for the factors identified to influence distributor retention

	Mean - strong agreement	Mean - weaker agreement	t-value	df	p	F-ratio - Variances	p - Variances	d	strength
Marketing mix	5.92	4.87	8.909	179	0.000	1.068	0.786	1.403	strong
Distributor development & company performance	5.65	4.74	6.796	179	0.000	1.065	0.796	1.070	strong
Network and sales growth	4.58	3.77	4.895	179	0.000	1.322	0.228	0.771	moderate
Satisfaction with income	5.42	4.43	7.827	179	0.000	1.053	0.797	1.233	strong
Product usage and entrepreneurship	6.26	5.15	9.630	179	0.000	1.198	0.437	1.517	strong
Valuing of relationships	6.05	4.69	14.006	179	0.000	1.096	0.702	2.206	strong
Organisational support	5.33	4.47	6.006	179	0.000	1.071	0.779	0.946	strong