
Key Motives and Reasons Determining the Start of MLM Activities in the Perspective of Polish Entrepreneurs

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Abstract:

Purpose: The aim of the article is to identify the key motives and reasons for individuals to start an MLM business, considering their level of knowledge of and experience in the industry.

Design/Methodology/Approach: To achieve the designated objective, a quantitative study was designed and conducted among 352 entrepreneurs running MLM businesses in Poland. The target population consisted of individuals collaborating with MLM companies. A purposive sampling method, including the snowball technique, was applied. Given the nature of the study, the CAWI (Computer Assisted Web Interview) method was utilized. A standardized electronic questionnaire was prepared using the Webankieta.pl platform.

Findings: The analysis revealed that various motives drive individuals to start MLM activities. The primary reason, mentioned by 26.7% of respondents, is the search for additional income. Satisfaction with MLM products, indicated by 22.2% of respondents, also plays a crucial role, but it is less often the main reason for starting such activities. Recruitment meetings and recommendations from friends or family have a significant impact on the decision to engage in MLM. The analysis of respondents' statements showed that most have a general knowledge of the products and the MLM company they collaborate with, but they lack detailed knowledge about the functioning of the MLM industry. Respondents typically do not have knowledge of the total number of distributors or consultants working with the company.

Practical implications: The article provides valuable insights that can inform further research on the development of the MLM phenomenon in Poland and globally. The study's findings can be useful for companies using the MLM distribution model to train their employees and develop strategies for recruiting new business partners.

Originality/value: This article focuses on the topic of MLM, which is underexplored in the existing literature. Given the growing significance of this phenomenon in the economic system, there is a justified need for research and analysis in this area.

Keywords: Multi-level Marketing, Network marketing.

JEL classification: M21, M31, M50.

Paper Type: Research study.

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1. Introduction

Multi-level Marketing (MLM) is a phenomenon poorly recognised in the literature on the subject (Reingewertz, 2016). In Poland, activities of this nature often arouse much controversy (Warzecha, 2012). The main reason for this is unethical market practices, which often involve promoting visions of making high profits without spending a lot of time and effort (Groß and Vriens, 2019).

Also, not without significance is the fact of the continuous impersonation of MLM by financial pyramid companies (Koehn, 2001). As a result, this translates into widespread public resistance to this form of business.

Despite unfavourable conditions, the MLM industry is experiencing systematic growth year on year in Poland and worldwide (Annual Report, 2020/2021). In view of the growing importance of this phenomenon in Poland, the need for research and analysis in this area is becoming increasingly apparent. An important area of research seems to be, among other things, the understanding of the motives and reasons that drive individuals to undertake MLM business activities.

Research conducted in this area may not only contribute to the development of scientific knowledge but may also help to understand the conditions that foster further development of this phenomenon in Poland and worldwide.

Against this background, the purpose of the article was formulated, which was to identify the key motives and reasons prompting individuals to start an MLM business, considering their level of industry knowledge and experience.

The article is organized as follows: first an introduction is presented, then a systematic review of the literature on the MLM is made, establishing the theoretical basis for the research questions development. The third section presents the proposed research methodology. The fourth section presents the results, followed by a discussion. The last section concludes by discussing research implications.

2. Literature Review

Through the analysis of the literature on the subject, the essence of MLM can be considered from two perspectives. The first is the perspective of a business that uses one of the unconventional methods of distributing products or services. The aim of this method is to increase the scope and level of distribution (Vogelgesang, 2015).

In doing so, the MLM system makes it possible to eliminate costly links in the sales process, including traditional advertising and wholesale and retail intermediaries. As a result, the company's offer can become more attractive in terms of price and quality. The second perspective relates to people called managers who distribute products for which they receive rewards based on specific commission programmes.

This creates a system in which distribution is based on building a consumer network. In this system, customers not only buy products or services, but also can recommend and sell them. In addition, each customer can become an independent distributor and build their own network by recruiting new customers into their structure. The distributor's profit comes not only from direct product sales, but also from commissions on the turnover generated by his or her structure (Santos, Spers, and Cremonesi, 2017; Norena-Chavez and Thalassinou, 2022; Tyapi *et al.*, 2023).

From a company perspective, MLM is a form of sales outsourcing, helping to 'slim down' traditional management structures (Warzecha, 2012; Kadlubek *et al.*, 2022). This allows companies to focus on production, while product distribution is decentralised and handed over to a network of independent distributors. Outlining schematically the specifics of multi-level marketing from the perspective of an MLM enterprise, the following features should be mentioned:

- generates savings from the elimination of costs associated with organising the sale of goods - mainly advertising costs;
- is based on personal communication between the sender and the recipient, with no additional intermediary links;
- builds a multi-level structure of its own market, based on long-term relationships rather than contracts;
- reaches specific audiences to induce purchases or other types of intended responses;

From a customer/distributor perspective, MLM is a method of organising and regulating sales that uses management, motivation, recruitment techniques and Promotion-MIX tools to build its own customer network and distributor structure. Distributors can receive additional commissions on the turnover generated by their structure (Warzecha, 2012). In outlining the specifics of multi-level marketing from a customer/distributor perspective, the following features should be mentioned:

- has no barriers to entry in the sense of low qualification requirements for distributors in terms of sales and management,
- makes it possible to operate without incurring the high financial expenses associated with starting up a conventional business (costs associated with product development, production, logistics, R&D, etc.),
- is oriented towards the generation of profit from the sale of products and income from the turnover of distributors within the established structure,
- enables you to participate in business training organized by the leaders and the MLM parent company,
- makes it possible to receive an award resulting from the achievement of a given level of sales by the built-up structure of distributors,

- is based on partnership, consisting of permanent cooperation of parent companies with participants in the system (leaders, distributors, customers), to improve their activities and increase their individual turnover and profits, as well as increase the turnover and profits of people in their structures.

This approach makes MLM mutually beneficial - MLM companies can increase their distribution reach without incurring additional costs, and MLM distributors have the opportunity to earn income from the sale of the MLM company's products and from the turnover generated by the distributors in the structure they have built.

3. Research Methodology

Based on the literature studies, several research questions were formulated:

RQ1: What are the motives and reasons that push people to start an MLM business?

RQ2: What is the level of knowledge about the MLM industry of those who decide to go into this business?

RQ3: Do individuals who choose to engage in MLM activities have knowledge of the company they are starting with?

RQ4: Do people who initiate MLM activities have previous experience of working in the MLM industry?

In order to obtain answers to the questions posed, a quantitative survey was designed and conducted on a sample of 352 entrepreneurs conducting business based on the MLM model in Poland. A survey method was used, using an electronic survey questionnaire as the measurement instrument. The general population of the study consisted of natural persons conducting business (it did not have to be a business) based on cooperation with an MLM company.

MLM activities are not subject to statistical recording in the Polish economic system. As a result, there is no information available on the total number of people conducting MLM activities. Thus, it becomes impossible to prepare a sampling frame. This had consequences that made random sampling impossible. It was therefore decided to use purposive sampling - including the snowball method (Rózkiewicz, 2002).

This method made it possible to effectively expand the sample to include more individuals from the circle of acquaintances, pre-selected respondents, associated with the MLM industry. The research technique was a CAWI (Computer Assisted Web Interview) web survey (Sobocińska, 2016).

Due to the specificity of the topic and the nature of the research conducted, it was decided to use a questionnaire as the main measurement tool. To this end, a standardised survey questionnaire was developed in an electronic version, prepared in the Webankieta.pl environment.

This way of conducting the survey was conducive to building greater trust among respondents and allowed for more efficient data collection. It also ensured that respondents remained fully anonymous, resulting in more honest and comprehensive statements.

The survey covered 352 respondents, of whom 265 were women (75.3%) and 87 were men (24.7%). In terms of the age distribution of the surveyed group, the largest representation was in the 43-58 age range (34.4% of respondents), followed by those under 26 years of age (21.3%) and those in the 33-42 age group (22.7%).

In terms of respondents' education, those with tertiary education predominated, accounting for 63.9% of respondents, while secondary education was held by 31.8% of survey participants. Experience working in the MLM industry varied, with the largest group having experience of up to 2 years (33.5%). The proportion of those with longer experience was also noticeable, especially those with experience of more than 5 years.

In terms of positions held, the largest group were those with entry level (partner, member) - 41.8%. The second most numerous groups were those holding middle level positions (group and team leaders) - 31.8%, while those holding intermediate level positions (junior manager, manager, senior manager, director) and higher level positions (senior director) made up the remainder of the respondents (26.4%).

4. Research Results and Discussion

An important issue from the point of view of achieving the aim of the study was to identify the motives and reasons that drive people to start MLM activities and the factors that are most important when deciding to work with a particular MLM company. Respondents were asked to indicate the immediate impulse that led them to start working with their current or most recent MLM company.

The most frequently indicated impulse was the feeling of needing to find an additional source of income, which was declared by 26.7% of respondents. Next, for 22.2% of respondents an important impulse was the satisfaction derived from previous use of the company's products.

A frequently indicated answer was receiving a recommendation from a friend or relative, which was declared by 19.6% of respondents. A recruitment meeting during which the possibility of cooperation was presented was an impulse for 13.9% of respondents. Respondents also had the opportunity to give another reason. This was used by 5.1% of respondents.

Respondents were then asked to rank the factors that influenced their decision to start an MLM business, from most important to least important. The ranking was intended to help understand what the most common motivation was for starting such

a business. For this reason, the list of factors was arranged to describe two possible categories of motivation.

Table 1. Immediate start-up impulse

Immediate start-up impulse	Frequency	Percentage
the need to find an additional source of income	94	26,7
satisfaction from using the company's products	78	22,2
recommendation of the company by a friend or relative	69	19,6
a recruitment meeting during which the possibility of cooperation was presented to me	49	13,9
previous experience in this type of activity	18	5,1
Other (which?)	18	5,1
the positive results achieved by the MLM company through the analysis carried out on different forms of business activity	17	4,8
advertisement placed on the Internet (e.g. business portals, social media)	9	2,6
Total	352	100

Source: Own study.

The first was the motivation resulting from flowing satisfaction with the MLM company's product. This category included factors such as an attractive product offer from the company, the possibility to order products from the company at a lower price, priority access to new products from the company, access to free samples and special offers from the company.

The second group of factors concerned financial motivation. For this motivation, respondents were able to select factors such as the desire to start their own business, the attractiveness of the company's marketing programme, the prospect of making high profits and the possibility of generating passive income independent of direct work. The results collected are shown in Table 2.

Table 2. Ranking of factors for starting an MLM business

Factors	% indications of a particular place							
	1	2	3	4	5	6	7	8
attractive product offering	25,9	10,8	16,2	15,3	19	6,8	4,3	1,7
possibility to order products from the company at a lower price	7,7	22,2	8,8	11,1	15,6	25,9	6,8	2
priority access to new company products	1,1	3,7	12,8	11,4	7,7	17,3	32,4	13,6
access to free samples and special offers from the company	0	4	6	12,2	8,2	9,4	19,3	40,9
a desire to start up your own business	17,3	9,1	12,8	11,4	17,3	11,1	9,4	11,6

attractive company marketing programme	7,7	13,6	14,8	16,5	12,8	16,5	8,5	9,7
the prospect of high profits	22,2	17,6	14,2	11,6	9,1	6,3	14,2	4,8
the possibility of having a passive income (one that does not result from direct work)	18,2	19	14,5	10,5	10,2	6,8	5,1	15,6

Source: Own study.

Among the factors related to product motivation, the attractiveness of the company's product offering was ranked first - the highest rated. As many as 25.9% of respondents gave this answer. Significantly fewer respondents ranked in first place such factors as the possibility of ordering products from the company at a lower price (7.7%) or priority access to the company's new products (1.1%).

The least important factor in this group of factors, i.e. the one most often indicated in last place (40.9%), was access to free samples and special offers from the company, which proves the low attractiveness of this factor as a motivator to start MLM activities for respondents.

In the group of financial factors, the prospect of making high profits appeared to be the most important - this factor was given first place by 22.2% of respondents.

The next most important factor was the desire to start their own business (17.3%) followed by the possibility of passive income (18.2%). At the end of the list, but still with a significant percentage of indications in first place (7.7%), was the company's attractive marketing programme.

The financial motivation, which includes the desire to start one's own business, the attractiveness of the company's marketing programme, the prospect of making high profits and the possibility of generating passive income, gathered a total of 231% of the indications in the first four places of the ranking. The sum of the percentages is greater than 100%, as each of the financial factors could have been ranked differently by individual respondents.

On the other hand, motives related to product satisfaction, such as an attractive product offer from the company, the possibility to order products from the company at a lower price, priority access to new products from the company, access to free samples and special offers from the company, gathered a total of 169.2% of indications in the first four places of the ranking.

Based on the above summary, it can be concluded that, for respondents, financial issues are significantly more important in their decision to start an MLM business than aspects related to the product itself. Summarising this part of the survey results, the following conclusions can be drawn.

- Satisfaction with the use of the company's products and recommendation from friends or relatives are important factors to start working with an MLM company.
- Recruitment meetings play an important role in convincing potential entrepreneurs to start working with them.
- The need to find an additional source of income is one of the main motives for starting an MLM business.
- An attractive product offer, the possibility to order products at a lower price and access to new products are important contributors to starting an MLM business.
- The desire to start one's own business, an attractive marketing programme, the prospect of making high profits and the possibility of having passive income are factors that particularly determine the decision to start an MLM business.

The next questions asked respondents to assess their level of knowledge about the MLM industry and its specific form of operation, prior to working with their current/last MLM company. Respondents were given the opportunity to rate their knowledge in various areas, on a scale from 0 (no knowledge) to 5 (very high level of knowledge). Detailed results are shown in the table below.

Table 3. *Level of knowledge of the MLM industry*

Area	Knowledge		Assessment of existing knowledge				
	Did not have (in %)	Had (in %)	1	2	3	4	5
Various forms of business	7,7	92,3	7,4	16,3	42,2	25,8	8,3
Activity based on the Multi-Level Marketing model	13,6	86,4	12,5	22,7	31,3	22,7	10,9
Types of marketing plans found in MLM companies	19,9	80,1	12,4	22,7	35,8	20,9	8,2
Criteria to be met by a reliable MLM company	16,8	83,2	10,9	19,8	34,5	23,2	11,6
MLM companies	12,8	87,2	10,4	18,9	36,5	26,7	7,5
Products sold by MLM companies	6,8	93,2	6,4	11,9	42,7	32	7
Market trends for products sold through MLM	12,2	87,8	11,3	19,4	37,2	25,9	6,1

Source: *Own study.*

Analysing the respondents' answers on this subject, the following observations emerge.

- Respondents had the greatest knowledge prior to starting MLM activities in "Products sold by MLM companies", where only 6.8% of them declared a lack of knowledge. In contrast, as many as 42.7% of respondents described their level of knowledge as medium and 32% as high or very high.
- The second area where respondents had a relatively high level of knowledge was "Various forms of business". Here, a lack of knowledge was declared by only 7.7% of respondents, and a medium or higher level of knowledge was reported by a total of 76.3% of respondents.
- Compared to the other areas, respondents had the least knowledge in "Types of marketing plans found in MLM companies". Nevertheless, lack of knowledge was declared by only 19.9% of respondents, and a medium or higher level of knowledge was reported by a total of 65% of respondents.
- Respondents generally had some knowledge of the MLM industry prior to starting the business. All indications are that prior to deciding to work with an MLM company, respondents were gaining information about products, different forms of business, and marketing plans of MLM companies.

In the next step, respondents were asked what their state of knowledge about the MLM company was before they decided to start their business. This was to understand whether respondents had basic information about the company before they started working with it.

Table 4. *Period of operation of the company*

Okres działalności firmy MLM	Frequency	Percentage
I have no knowledge	64	18,2
less than one year	25	7,1
1 to 2 years	20	5,7
over 2 to 5 years	38	10,8
over 5 to 10 years	65	18,5
above 10	140	39,8
Total	352	100,0

Source: Own study.

When asked how long the company had been operating in the market, only 18.2 respondents had no knowledge of this. Almost 40% of the respondents, knew that their current or last MLM company has been operating in the domestic market for

more than 10 years. The information obtained shows that people are more likely to choose companies that already have some sort of longer history in the market (more than 5 to 10 years - 18.5%, more than 2 to 5 years - 10.8%).

Half of the respondents (56.3%) had no knowledge of the number of distributors or consultants working with their current or most recent MLM company. Of those who did have this information, the largest group (21.6%) knew that their company had more than 10,000 distributors or consultants.

Table 5. *Number of company distributors.*

Number of company distributors.	Frequency	Percentage
I have no knowledge	198	56,3
up to 100	15	4,3
101 to 500	23	6,5
501 to 5 000	26	7,4
5 001 to 10 000	14	4,0
above 10 000	76	21,6
Total	352	100,0

Source: Own study.

Based on respondents' answers to the last two questions, the following generalisations can be made:

- Most respondents join MLM companies that are already established in the market, which may be due to trust in companies with longer market tenure.
- There is a great lack of knowledge about the number of distributors or consultants working with a given MLM company. This may indicate limited transparency in the MLM industry or that this information is not considered important to many distributors when choosing a company.
- For companies with many distributors (over 10,000), this may suggest that they have a strong sales network, which may be attractive to potential new distributors.

In the next question, respondents were asked to state the number of MLM companies they have worked with so far. Almost half of the respondents (47.7%) had cooperated with only one MLM company. Only a slightly smaller group (almost 41%) cooperated with 2-3 companies.

The remainder declared cooperation with 4-7 companies (9.1%), or more than 7 companies (2.3%), which means that the vast majority (nearly 78% of respondents) of MLM managers undertake this activity without previous experience with multi-level marketing companies and without prior knowledge of the principles of the MLM system.

Table 6. Number of companies with which cooperation was undertaken.

Number of companies	Frequency	Percentage
1	168	47,7
2-3	144	40,9
4-7	32	9,1
above 7	8	2,3
Total	352	100,0

Source: Own study.

In summary, it can be concluded that most respondents have a fairly short work experience in MLM and generally work with a small number of companies. This may suggest that for many people, MLM activity is a new experience, related to the search for alternative sources of income or a flexible form of earning.

In the question concerning the total length of service in MLM structures, respondents were asked to specify the period of cooperation with their current/last company (expressed in years).

Table 7. Period of cooperation with the current or last MLM company

Period of cooperation	Frequency	Percentage
less than 1 year	113	32,1
over 1 to 2 years	94	26,7
over 2 to 5 years	79	22,4
over 5 to 10 years	40	11,4
over 10 years	26	7,4
Total	352	100,0

Source: Own study.

The survey results show that most respondents have a relatively short period of activity within their current or most recent MLM company. However, there is also a visible group of respondents who have been involved for a longer period, which may indicate that they are satisfied with working within such structures.

5. Conclusions

The analyses conducted showed that people are prompted to start MLM activities by different motives and reasons. The primary impulse to start working with an MLM company is most often the search for an additional source of income, which was declared by 26.7% of the respondents. In addition, for 22.2% of respondents, satisfaction with the use of the products offered by the MLM company is an important factor.

This indicates that product quality plays a significant role in the decision-making process. Furthermore, both recruitment meetings and recommendations from friends or relatives have a significant impact on the decision to start an MLM business, confirming the importance of trust and relationship-building in the recruitment process for this type of venture.

In terms of financial motivation, the vast majority of respondents indicated the attractiveness of the prospect of making high profits (22.2%), the desire to start their own business (17.3%), and the possibility of generating passive income (18.2%). Based on these results, it can be concluded that decisions to start an MLM business are motivated by both financial aspects and the quality of the products offered.

However, among these two categories, it is the financial aspects that have a slightly greater influence on the respondents' decisions. The analysis of the respondents' statements showed that most of them had a general knowledge of the products offered by MLM companies before starting MLM activities.

On the other hand, the respondents showed significant gaps in their knowledge regarding the operation of MLM companies. The lack of understanding of the specifics of this business may raise questions about the degree of preparation of MLM start-ups and suggest potential difficulties in achieving success in such activities.

However, it can be concluded that respondents have a partial knowledge of the MLM company before starting to work with it. Most respondents are aware of the company's long-standing presence in the market. This may indicate a tendency to choose companies with a stable position and a long operating history.

On the other hand, a significant proportion of respondents had no knowledge of the number of distributors or consultants working with the company. This may be a reason for the lack of due transparency among MLM companies or the low value of such information for potential distributors. The analysis of the data collected showed that people who decide to go into MLM business often have no previous experience in the industry.

For this reason, it was not surprising that most respondents indicated only one company they had worked with so far. This confirms the fact that for many people MLM activities mostly represent a new experience, often related to the search for alternative sources of income.

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