

# The Role of Multilevel Marketing (MLM) in Poverty Alleviation in Calabar – Cross River State, Nigeria: A Case Study of Forever Living Product (Nig.) Ltd

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## Abstract

This study assessed the role of multilevel marketing (MLM) in poverty alleviation in Calabar, Nigeria, using Forever Living Products (Nig.) Ltd. (FLP) as a case study. Structured questionnaires were served on a total of 300 respondent distributors of the company and the data generated were analysed using the Pearson Product Moment correlation statistical technique. The result of the hypotheses tested showed that there is a strong positive relationship between MLM and job creation on the one hand, and MLM and income generation on the other. Although MLM was found to be a means of wealth creation and a good source of residual income, it is by no means a business targeted at poverty alleviation. Significantly, 75% of respondents spent above the poverty benchmark (\$1.25/day) before joining FLP. Most MLM distributors were found to be confronted with the challenges of recruiting new downlines, and high cost of products. However cases of exploitation and inventory loading were minimal. The study recommends that government provide incentives to MLM companies to establish production plants in the country to exploit local economies and stem the tide of unemployment, among many other benefits. MLM companies should initiate business packages that are targeted at the poor.

**Keywords:** Multilevel marketing, Forever Living Products, Poverty Alleviation, Job creation

## INTRODUCTION

Poverty alleviation has become the loudest cry in the development cycle. It is the top priority on the list of the United Nations millennium development goals (MDGs). In 2013, the Spring meeting of the World Bank Group/IMF ended with a target of reducing the number of people living on less than \$1.25 a day to 3% by 2030 – Ubi and Effiom [29]. This was clearly as a result of the ever increasing presence of poverty despite several governmental and non-governmental programmes to tackle it.

In Nigeria, the 2011 poverty survey report of the Nigeria Bureau of statistics (NBS) revealed that an estimated 71.5% of Nigerians were relatively poor, 61.9% were absolutely poor, and 62.8% lived below the dollar per day poverty line of the United Nations – UNDP [31]. This is shocking and paradoxical, given the apparent growth rates posted by the Nigerian economy in recent years. It appears that the numerous anti-poverty campaigns instituted by government at various levels have not produced the desired results.

There is a consensus of opinion that job creation by the private sector is fundamental in alleviating poverty. IFC Open Study [14] and Klein [15] posit that profitable inclusive businesses and markets are pathways for the private sector to make important contributions to poverty alleviation. Job creation and employment is unarguably a requirement for any sustainable development and poverty reduction – [10, 15].

Multilevel Marketing (MLM) is one among such businesses that professes to empower the people by providing them opportunities to partake in easy to start businesses which provide appreciable income returns. Their operations in Nigeria and specifically Calabar have not gone

unnoticed except that they are still young in the country compared to some other Western and European countries where their operations have spanned over three decades. The direct selling industry to which Multilevel Marketing Companies (MLMs) belong released its 2012 outlook survey which reported that its global sales reached \$166.9 billion – a 5.4% growth over its \$158.3 billion sales in 2011. In the United States alone, 15.9 million people were involved in direct selling in 2012 which represents an increase of 1.89% over 15.3 million people in 2011(www.directsellingnews.com). Coughlan and Grayson [5a] noted that “70 per cent of direct selling revenues are generated by network marketing Organizations” – i.e. multilevel marketing companies.

With these figures, it appears that Multilevel Marketing (MLM) has the potential of being a good source for job creation, income generation, and a means to crossing the poverty line. If the claims of Multilevel Marketing Companies (MLMs) were to be upheld, it appears that they could have a significant role to play in poverty alleviation. But is this the case? Upon the claims of multilevel marketing companies, this study seeks to examine if multilevel marketing indeed enhances poverty alleviation. Specifically, the study seeks to determine if MLMs deliberately target the poor as their recruits. What role does MLM play in income generation? Is there any relationship between MLM and job creation? Does MLM lead to skill and personal development of MLM distributors?

The study is structured into five sections. Following the introduction, section two discusses relevant literature and conceptual issues; research methodology is treated in section three; findings and discussion of result is done in section four, and section five concludes the study.

## **LITERATURE REVIEW AND CONCEPTUAL ISSUES**

### **Approaches to Poverty Alleviation**

There are several approaches to poverty alleviation. Examining them provides a necessary understanding of the nature of poverty and the requisite intervention to tackle it. There are five main approaches to poverty alleviation: the Economic Growth Approach, the Basic Needs Approach, the Rural Development Approach, the Target Approach and the Employment creation approach.

The Economic Growth approach is hinged on the trickledown theory of development which explains that economic growth would lead to increased per capita income, reduced unemployment, and even distribution of income – Fajingbesi and Uga, [8]. Emphasizing this point, Ndiyo [19] remarks that economic growth should be pursued alongside a deliberate policy of equity and income distribution promoted by the participation of the poor. It views economic factors as the root of all forms of poverty, and the non-economic factors as secondary and arising from the primary economic factors. Thus, tackling the economic problems by employing appropriate economic policy tools will have a multiplier effect of improved standard of living on the poor based on the trickledown theory. Olayemi [21] however noted that economic growth is a long term process and as such, will delay before the benefits of growth trickle down to the poor who are rather in need of short and medium term strategies. Economic growth is not a sufficient condition to achieve poverty reduction.

The task of alleviating poverty is extended beyond the scope of individuals. It engulfs whole communities particularly, rural communities which are deprived of basic infrastructures and face stunted development. The rural development approach recognizes that poverty is multidimensional. Thus, it aims at providing basic necessities of life such as food, clean water, shelter, education, health care, and employment to rural dwellers in general, particularly the poor – Daramola [6].The limitation of this approach is that it does not directly target the poor but takes on rural areas generally. Again, decisions on rural areas to target may be done from

ill-political motives. Ndiyo [19] contends that this approach will be more effective if management capabilities of community-based initiatives are strengthened. This can be through seminars and workshops to enable communities participate in the Poverty alleviation Programmes (PAPs) at all levels.

Target approach specifically aims at certain groups in the implementation of poverty alleviation programmes like provision of social safety nets, micro credits, and school meal programmes. A major set-back to this approach is the inability to properly identify the target beneficiaries. Proper targeting is necessary to minimize leakages. Two major targeting techniques exist: the perfect targeting and the total transfer targeting. Whereas, the former seeks to accurately identify the poor households just to raise their income above the poverty line, the later involves the transfer of funds to households simply assumed to be poor with a view of eliminating poverty completely.

Identifying the actual target group can be done using several measures. The use of specific characteristics which have strong correlation with poverty is a good criterion to adopt in selecting programme beneficiaries. These characteristics include: size, sex, age, educational level and so on. Another criterion is to adopt disincentives that will encourage only the poor to participate but discourage the non-poor, for instance queuing to get health subsidy or announcing the name of beneficiaries of a programme.

Employment Creation Approach emphasises the need to eliminate unemployment and underemployment. This will be achieved by creating employment for those who are apparently unemployed and better employment to the underemployed. In this vein higher institutions of education should focus on employment generation in their bid to develop human capital. Also public expenditure should target on priority areas that affect the poor as this will increase the people's productivity.

Employment is regarded as the most effective way to get people out of poverty and it is the core of the growth process – Klein [15]. An inclusive employment is beneficial to the poor, and particularly the less educated and the uneducated in rural areas. From this review, the target approach and the employment creation approach stand out as more effective strategies to alleviate poverty, although no approach is in itself exclusive. With over 60 per cent of the population of Calabar living below the poverty line – Ubi and Effiom [19], poverty alleviation needs a multidimensional approach and no one theory is exhaustive enough in explaining its dynamics – Ubi, Effiom and Okon [30].

### **Overview of Private-Sector Role in Poverty Alleviation**

Over the years there have been numerous interventions by the government and several NGOs (national and multinational) in the campaign against poverty. However attention is gradually shifting to the profit private sector for active participation in poverty alleviation. This section examines the role of the sector in poverty alleviation.

The profit private-sector refers to a range of economic activities set-up to create value with the primary aim of making profit for the business owners. There has been an increasing advocacy in the development literature for the active participation of the private sector in poverty reduction. UNDP [31]. Its key contribution is in the area of job creation. The World Bank and development scholars maintain that the goal of reducing extreme poverty rate to 3% by 2030 “will not be achieved without a robust private sector creating the jobs critical to lifting people out of poverty” – [34, 15]. The private sector can involve the poor as (a) Producers (i.e. direct

suppliers, employees or distributors; (b) consumers (i.e. special products and markets can be created for them) and (c) indirect involvement (value chain or outsourcing – [15, 33])

The involvement of the private sector in poverty reduction has not escaped criticism. Mahmud [17] noted that the profit motive of the private sector is in direct conflict with any poverty reducing goal and that, unless the private sector growth will ensure a reduction in income inequality, it will be ineffective in poverty reduction. London [16] observes that corporate social responsibility of the private sector will not have much impact on poverty reduction since the income generated from such are collected by third-party partners. Hierli [12] however suggests that businesses done with the aim of alleviating poverty should be operated with “a clear policy of honesty, transparency and a long term vision that allows for win-wins for both parties”. Other attributes of a successful private-sector led poverty reduction strategy include: scalability, sustainability; inclusiveness, genuineness, local capacity building and defined targets.

Thus the above evaluation of the private sector's role in poverty alleviation provides a good framework with which to assess the role of Multilevel Marketing Companies (MLM) in poverty alleviation.

### **An Overview of the Direct Selling Industry (DSI) and (MLM)**

The whole concept of (MLM) is relatively new in Nigeria when compared with some other European and Western Countries where they have existed for over three decades. The DSI is a conglomerate of all firms that distribute consumer goods and services through personal (Seller to buyer) contact in a location away from fixed business areas (like retail stores) particularly at home. It is the locational characteristic that distinguishes it from other forms of personal selling.

MLM is a subset of the DSI. Distributors are used in selling company products, and also in recruiting other distributors. As a result, they receive compensation for their sales and from sales of those individuals they recruit. The senior distributors are called uplines while their recruits are called downlines – Peterson and Wotruba, [24].

Common products sold through Multilevel Marketing (MLM) include: health and fitness products, cosmetics, cleaning agents, electrical appliances and several others. It is very important to note that many Multilevel Marketing Companies (MLMs) do not incur any cost on advertisement since they do not engage in such. Middlemen (Wholesalers and retailers) are usually boycotted by MLMs, and as such, MLMs rely heavily on the activities of their distributors to promote their products through direct sales, party plans and demonstration. Among the various MLM companies in Nigeria are; Trevo, Tiens/Tianshi, GNLD, Green world, FLP and several others.

### **MLM Structure and Operation**

The distributors in MLM are usually organized into network structures that are interwoven and connected. Two main types of such structures are the binary structure, and unilevel structure. The former allows just two direct downlines at each level, and other direct recruits are to be placed at different levels in the network of downlines. On the other hand, the unilevel structure permits the recruitment of an unlimited number of downlines. Beasley [3] applied statistical analysis to show that the binary structure is unethical.

Direct selling firms usually opt between two choices, either employees or independent distributors. There are no salaries or other fixed costs associated with recruitment of independent distributors. In the United States, over 99% of direct sales people are

independent distributors. Cruz and Olaya [5] observed that most distributors are predominantly end users of the product in MLMs. Peterson and Wotruba [24] pointed out that a non-selective recruitment used with a straight method of compensation often tends to draw people “with naive hopes for large and easily earned incomes from only a modest commitment in time and effort”.

There are basically three grounds on which income is earned in a multilevel marketing business. Cruz and Olaya [5] noted the categorization of Coughlan and Grayson [5a]: distribution, via earning of a mark-up profit between 30% to 50% of the whole sale price of the purchased products; Personal Volume (PV) – commission based on the value of every product bought or sold during a period; Group Volume (GV) – commission earned by uplines for their group cumulative sales, made up of their personal volume (PV) plus the volume of the products that are bought or sold by their downlines during the same period. There are also incentives or earnings that usually accrue to a few distributors that are on the top of the MLM pyramid. These include cars, houses, international vacation, and their likes.

The recruitment of a new distributor allows for only a single connection with his upline; double registration of a single distributor is not compatible with the MLM compensation plan. A distributor is allowed to partake in the three activities of the MLM company: purchase of the product as end-users; sale to customers and access to mark-up profit; and recruitment of new sales persons. It is primarily through recruitment that expansion of the network occurs. The diffusion of the product or service in the market is stimulated strictly by the consumption or purchase of the product.

There are several benefits that MLM offers to distributors, the company, and the consumers. These include low start-up cost; leverage Factor (distributors can enjoy from the income of others i.e. the downlines benefit in the distribution network); multiple source of income (profits from retails, group volume, and other bonuses and incentives); personal development via trainings and business support materials, enhanced entrepreneurial spirit, improved interpersonal skills, and increased self-confidence; and job creation. It is indeed a win-win business model. For the company, there is no cost of advertisement. It is therefore able to reinvest such savings by offering the product at a lower price or / and producing higher quality products.

Challenges and constraints do also exist. Beasley [3]; Vander and keep [32] fault MLM on the grounds that the more emphasis is placed on recruitment, the more likely it is that the company is fraudulent. Muncy [18] and Barret [2] submit that products of most MLM companies are often over-priced. Some products' claim are often not established and not scientifically verified except for word-of-mouth testimonies which are not reliable. Cruz and Olaya [5] attribute the failure of MLM distributor to different reasons – income expectations, budget investment in the business, different product benefits, difficulty in recruitment, the constraint of the target population which is finite, which may lead to the collapse of the programme in the long run. Taylor [27] discovered that the loss rate of recruiting MLMs is approximately 99.6% for all participants after subtracting profit. Eisenberg [7] avers that the cost of business associated with training, maintaining inventory and product promotion reduces profits or even erodes profit especially for the poor distributor.

Other constraints include the fact that the distributor often becomes the end-user of the product, especially when there is pressure to make purchases for rewards whereas there are no available customers for the products; market saturation – new recruitments become

impossible, where for instance everybody is convinced to join an MLM company in a country. Exploitation, deceit and falsehood is also common as some MLM companies and practitioners exploit the economic aspirations and vulnerability of the masses to lure them into the business which often becomes unprofitable for them – [2, 7]. This can be likened to the “get-rich-quick” schemes. Beasley [3] and Barret [2] observed that sales persons are pressured to make monthly purchases for their personal use rather than sell to end-users in the open market. In addition to this is the exaggerated probability of making significant income.

Having looked at the direct selling industry and multilevel marketing, and their associated problems, are there any chances that it can still contribute to poverty alleviation? This again reinforces the need to undertake an empirical analysis of the role that MLM plays in poverty alleviation in Calabar.

### **Forever Living Products (FLP): An Overview**

FLP was founded by Rex Maughan in 1978. He is the present chief executive officer of the company. The first FLP meeting had about 33 persons in attendance but today, it has about 10 million distributors in its distribution network with its presence in over 150 countries.

Forever living products (Nig) Ltd. was incorporated in Nigeria and began full scale operation in April 2000. The Nigeria/Benin region has over 300, 000 distributors registered with it. The region currently has over 26, 000 recognized managers, 11 sapphire managers, 4 diamond sapphire managers, and 4 diamond managers. Between 2000 and 2012 the Nigerian/Benin region recorded its highest yearly sales turnover of N6.3 billion. In that same year it ranked fourth position in the world and first in Africa for 2009, 2010 and 2011.

Its products include: Aloe Vera drinks, bee hive products; weight management, nutritional supplements, personal care and hygiene products; Sonya cosmetics and Sonya skin care products. The company has distribution centres in Lagos, Abuja, Calabar, Benin city, Enugu, Niger, Chad, just to mention a few ([www.flpnigeria.com](http://www.flpnigeria.com))

The company's policy allows for refund and buy-back of unsold products that are in good condition. If after a 12-month period a distributor intends to leave the company, his unsold inventory can be returned to the company and his money refunded. However, any bonus or promotion that was given on such purchase shall be deducted from his upline's account. A new distributor registers and picks a start-up pack for N62 000.

## **METHODOLOGY**

### **Research Design**

The case study design was adopted with elements of the survey design. Ndiyo [20] notes that case study has a long history in social science. Among its benefits are that it helps to carry out detailed description, and observation of a single unit, subject or event – Idaka and Germany [13]. It allows for the retention of holistic and meaningful features of real life events. “Case studies are often based on a notion that a choice case is typical of many other cases, and as such once it is studied it can provide insights into the class of events from which the case has been drawn”. This is very true for the MLM industry. The inclusion of survey design was based on its role in addressing questions about what is happening. This is typical of descriptive survey research.

### **Study Area**

The study area is Calabar Metropolis. Calabar is the capital city of Cross River State of Nigeria. Cross River State lies in the South-South region of the country. The city is popularly known as the “Canaan City” located between latitude 4°59' and 46°20'N, and longitude 8°19' and 05"E.

Calabar Metropolis is divided into two local government areas for administrative convenience, viz: Calabar Municipality, and Calabar South, with headquarters in Calabar Municipality and Anantigha respectively. The city has an area of 406km<sup>2</sup>, and a population of 371 022 as at 2006 census. The occupational distribution of the city covers civil servants, professionals, traders and services, and the unemployed. Towns within the metropolis include Akim, Ikot Ansa, Ikot Ishie, Ikot Omin, Anantigha, Mbukpa area, etc. The larger Calabar area extends to Akamkpa, Odukpani, and Biase local government Areas.

### **Population of the Study**

The study population includes all multilevel marketing distributors of the selected company-FLP. The choice of this population is because there are several multilevel marketing companies in Calabar (Trevor, Edmark, Green World, Herbal Life, etc.) whose operations in the country are relatively young compared to that of the selected company. Furthermore, extending the population to cover all MLM distributors in Calabar metropolis may be a hindrance to observing the peculiarities of each company and could unnecessarily broaden our scope and lead to bias due to large variations.

### **The Sample Size and Sampling Procedure**

The quota sampling technique was used together with the survey sample. This was done to capture the distribution of MLM distributors on the basis of sex, age, and educational level. 300 distributors were contacted based on the quota which is a good representation of the population of active FLP distributors in Calabar estimated at 1000.

### **Sources of Data, Instrument and Method of Data Collection**

Primary and secondary data were both used in the research. The former included questionnaires given out to respondents. Their responses were collated and analysed. Secondary data, which provided the materials for the literature review, were sourced from the internet, textbooks, periodicals, journal articles and the library.

The instrument for data collection was structured questionnaire, composed of both closed and open-ended questions. Contingency questions were also asked. The merit of this instrument is that respondents are given the same set of questions posed in exactly the same way. It is also less-time and energy consuming. Primary data collection was done without the use of enumerators. Respondents were met at the venue of their weekly meetings. This was done to reduce cost considering that it was relatively easy to distribute the questionnaires personally.

### **ANALYSIS OF DATA**

Data was analysed using descriptive and non-descriptive (inferential) statistical tools. The descriptive tools used include: tables, bar chart, frequency distribution and percentages. Inferential statistical tool used was the Pearson Product Moment correlation which is applied in determining relationship existing between two variables (independent and dependent). This was important in helping to draw inference from which generalizations were made. The significance of the coefficient of correlation in each case was computed before inference was made about the variables under consideration. The Pearson Product Moment Correlation is obtained as:

Where:

n=the sample size

x<sub>1</sub>=the x measurement of for the ith observation

$\bar{x}$ =the mean of the x measurements

$S_x$ =Standard deviation of the x measurements  
 $y_1$ = the y measurement of for the ith observation  
 $\bar{y}$  = the mean of the y measurements  
 $S_y$ =Standard deviation of the y measurements

### OPERATIONALIZATION OF VARIABLES

#### Poverty Status of MLM Distributors.

This was determined using the dollar-per day poverty line. Presently the World Bank benchmark is \$1.25. This is based on an exchange rate of \$1=N165, an average of the International Foreign Exchange Market (IFEM), Dutch Auction System (DUC), and the Bureau De Change (BDC). Therefore, N206.25 was multiplied by 31 days in a month which gives, N6390 approximately. This produces the naira equivalent of the monthly expenditure poverty line used in categorizing respondents into poor or rich.

#### Data Analysis, Presentation of Result and Discussion of Findings

The data generated for the study, its analysis, and interpretation are presented in this section. A total of 300 questionnaires were successfully distributed, filled, and returned. Table 1 and Table 2 show the demographic data of respondents.

**Table 1: Gender Distribution of Respondents**

Gender	Frequency	Percentage (%)
Male	120	40
Female	174	58
No response	6	2
Total	300	100

Source: Fieldwork (2014)

Specifically, the gender distribution of respondents on Table 1 reveals that 40% of the sample population is male while a higher proportion is female who make up 58% of all respondents.

**Table 2: Educational Level of Respondents**

Educational level	Frequency	Percentage (%)
Primary	45	15
Secondary	36	12
Certificate	18	6
Tertiary	192	64
No response	9	3
Total	300	100

Source: Fieldwork (2014)

Table 2 shows that the largest number of respondents has attained tertiary education. This represents 64% of the sample population while 15%, and 12% had attained primary and secondary education respectively, with 6% obtaining other certificates (like N.C.E).

#### Data Presentation Based On Objectives

Data explaining the 5 specific objectives of this study are presented in this section.

#### MLM and Poverty Status of Distributors

**Table 3: Monthly Expenditure of Respondents before Recruitment.**

Responses	Frequency	Percentages (%)
Yes	225	75
No	51	17
Neutral	24	8
Total	300	100

Source: Fieldwork (2014)



Table 3 shows respondent’s answer to the assertion: “before joining MLM, I spent above N6, 390 monthly”. 75% of respondents spent above the poverty benchmark (\$1.25/day), 17% spent below that, while 8% were neutral.

**MLM and Income Generation**

**Table 4: (a) Reason for Joining MLM (income)**

Response	Frequency	Percentage (%)
Basic income	33	11
Additional income	219	73
None	48	16
Total	300	100

Source: Fieldwork (2014)

Table 4 above reveals that 73% of respondents joined MLM primarily for additional income, 11% joined for basic income and 16% were neutral on this. Following from this, Fig. 1 below shows their responses to the achievement of their objective.

**Fig.1 achievement of income objective by mlm distributors**

Source: fieldwork (2014)

From Fig.1 above, 57% of respondents agreed that their objectives had been met, 4% indicated that their objectives had not been met, 16% indicated not really, while 23% were neutral.

**Table 5 (b): Award of Incentives to Distributors**

Responses	Frequency	Percentages (%)
Yes	69	23
No	225	75
Neutral	6	2
Total	300	100

Source: Fieldwork (2014)

From the table above, 23% of respondents had received incentives, 75% had not received any incentive, while 2% were neutral.

**MLM and Job Creation**

With regards to the third objective, questionnaire item 11 probed the reason for joining MLM and the following were revealed.

**Table 6: Reason for Joining MLM (Job)**

Responses	Frequency	Percentage (%)
Full-time job	51	17
Part-time job	138	46
None	111	37
Total	300	100

Source: Fieldwork (2014)

From the table above it is evident that only 17% of respondents chose MLM as a full-time job, 46% took it up as a part-time job, and others did not opt for any.

**FIG. 2 ACHIEVEMENT OF JOB OBJECTIVE BY MLM DISTRIBUTORS**

Source: Fieldwork (2014)

63 respondents joined either for full-time job or part-time job. 62% of them achieved their objective, 22.2% had not really achieved their objective, while 13.7% did not achieve their objective, and 3.17% were indifferent.

**Challenges faced by MLM distributors**

Source: Fieldwork (2014)

As shown above, 69% of respondents had difficulty with recruiting down lines, 29% did not encounter such, and 2% were indifferent. As for excess inventory, only 21% of respondents faced such problems, 65% did not really encounter this, while 14% were indifferent. The problem of high cost was encountered by 61% of respondents, but 35% did not agree, leaving 4% indifferent. Lastly, respondents' answers to the problem of exploitation showed that only 4% accepted they had been exploited and misled, 88% disagreed, while 7% did not respond.

**HYPOTHESES TESTING AND INTERPRETATION OF RESULT**

**Hypothesis one**

H0- There is no significant relationship between joining Multilevel Marketing (MLM) and job creation.

**Table 7: Pearson Product Moment Correlation analysis of the relationship between joining MLM and job creation**

Variables	Mean	S.D	R. calc.
Joining MLM	2.53	1.35	0.70
Job creation	2.80	0.71	

P < 0.05; D.F=98

Critical r = 0.196

Decision rule:

Accept H0 if critical r > r-calc. and reject H1 or

Accept H1 If critical r < r-calc. and reject H0.

**Interpretation**

The correlation co-efficient, (r=0.70) indicates that there is a strong positive relationship between joining multilevel marketing and job creation. However, to ensure that this result is statistically significant and not merely a product of chance, the calculated r-value of 0.70 was found to be greater than the critical r-value of 0.196 needed for significance with 98 degrees of freedom. Hence we reject the null hypothesis and conclude that a significant relationship exists between multilevel marketing and job creation.

**Hypothesis Two**

H<sub>0</sub> - There is no significant relationship between joining Multilevel Marketing (MLM) and income generation.

**Table 8: Pearson Product Moment Correlation analysis of the relationship between joining MLM and income generation**

Variable	Mean	S.D	r-cal
Joining MLM	3.12	1.25	0.57
Income generation	2.96	0.53	

P < 0.05, D.F = 98

Critical r = 0.196

Decision rule:

Accept H0 if critical r > r-calc. and reject H1 or

Reject H0 if critical r < r-calc. and accept H1

## **Interpretation**

It was discovered that multilevel marketing has a fairly positive relationship with income generation as indicated by the correlation co-efficient ( $r = 0.57$ ). However, to verify that this positive relationship was not an outcome of chance, the critical  $r$ -value of 0.196 was found to be less than  $r$ -calculated 0.57. Hence we reject  $H_0$  and conclude that joining MLM has a significant relationship with income generation.

## **DISCUSSION OF FINDINGS**

In line with the study objectives, the study assessed the role of MLM in poverty alleviation within Calabar. It was discovered that 75 per cent of the respondents lived above one dollar per day poverty benchmark of \$1.25/day ([www.worldbank.org](http://www.worldbank.org) - poverty analysis) before joining MLM, hence most of them were not considered poor. This implies that the MLM Company does not target any particular welfare group as recruits into its network of distributors, and as such both the poor and rich face equal opportunity of joining the business. There is no strategic attempt to distribute income equally between the rich and the poor. The business is not necessarily aimed at poverty alleviation but serves as a means of wealth creation.

Of significance is the fact that majority of those who joined MLM for either basic income or additional income achieved their objective. Hypothesis one confirms this by showing a positive relationship between MLM and income generation. This conforms to the company's claim that one "can enjoy multiple opportunities to earn money" ([www.foreverliving.com](http://www.foreverliving.com)). 75% of respondents joined MLM primarily to get additional source of income. This supports the fact that sourcing for additional (residual) income is a major reason why people join MLM as indicated by Selladura [26].

Of the 300 respondents, only 23% had received incentives (cars, houses, international vacation and company profit share). This implies that the MLM business also creates other forms of wealth other than generating income alone. The low percentage may be associated with the length of time distributors were recruited and the weight of personal investment put into the business. The study confirms that there is a role for the private sector in poverty alleviation.

The second hypothesis tested showed that there is a strong positive relationship between MLM and job creation. This is concurrent with the findings of the IFC open study [14] that job creation by the private sector is fundamental in alleviating poverty. Indeed by recruiting individuals as distributors, MLM was able to create jobs for 62% of respondents which affirms Klein's [15] opinion that private sector can involve the poor by recruiting them as distributors. A very remarkable discovery relating to job creation is that, there is no educational criterion to register as a distributor in the selected case-study of MLM- Forever Living Products (FLP). This opens room for people to register irrespective of their educational status.

However, the problems of difficulty in down-line recruitment, and high cost of products were encountered by 69% and 61% of respondents respectively. This supports the findings of Beasley [3]; and Vander and keep [32] who remark that when much emphasis is placed on recruitment by an MLM company, then there is a likelihood of fraud. Although this was not established, but since recruiting is part of the business strategy it means most respondents faced that challenge. This is a factor that is capable of limiting the success rate of affected distributors.

Inventory loading was not a major challenge faced by respondents. This negates, although not absolutely, the claim by Selladurai [26] that it is a common problem among MLM companies. Nevertheless, its occurrence indicates its existence. Also a great number (87%) of respondents clearly disagreed about being exploited or deceived. This case is quite rare as opposed to Barret [2] who submitted that MLM companies exploit the economic aspirations and vulnerability of people. Forever living products (FLP), the case study of this research, meets the prescription of Hierli [10] who suggests that businesses done with the aim of alleviating poverty should be operated with a “clear policy of honesty, transparency and a long-term vision that allows for win-wins for both parties”.

### **RECOMMENDATIONS**

The study recommends that FLP and other MLM companies should evolve strategic policies of targeting the poor within the framework of their overall marketing strategy. It is unfortunate that the current structure of recruitment admits of only the rich or middle income earners who can afford registration as a distributor with about \$394. While it can be argued that one can start with a lesser amount, the truth remains that this path is a difficult way to the top. Not only that, the requirement of spending about \$196 every month on products for personal use, besides monthly recruitments, is indeed beyond the reach of the poor.

Incidental to the burden of poverty alleviation is the compelling need of FLP (Nig) Ltd to domesticate its industrial production plants in Nigeria. Thus governments at the various levels might consider providing incentives that will induce MLM companies to set-up production plants in the country. This would encourage job creation for citizens not only as distributors, but also in form of labour needed to work in the companies’ farms and plants, considering their huge annual sales turnover nationally and globally.

Extant institutional mechanisms like the Economic and Financial Crimes Commission (EFCC) should beam their search light on the activities of dubious business schemes and companies that exploit the economic vulnerability of the masses. This could help in nurturing the growth and effectiveness of genuine MLM companies like FLP (Nig) Ltd, and prevent exploitation of the people. The proliferation of MLM companies across the country calls for an agency to regulate the entry into the industry and operations of MLM companies to ensure standard ethical practice.

MLM companies might consider making products that are relatively cheaper and price competitive with other substitutes in the market. This would enhance effective market penetration, given the large size of the Nigerian market. Finally, MLM companies might consider creating business packages that are targeted at specific groups with common interest. This would provide the ease for groups with varying interest to reach their desired objectives; it will also help in building stronger business networks.

### **CONCLUSION**

The study was conducted to examine the role of Multilevel Marketing (MLM) in poverty alleviation in Calabar, Cross-River state, Nigeria, using Forever Living Product (FLP) as a case study. It was premised on arguments in development literature that there exists a role for the private sector in poverty alleviation. Two hypotheses were formulated to determine the relationship between MLM and income generation on the one hand, and job creation on the other, from which inferences were made. Secondary and primary data were used in the study. Data for the study was generated from a sample population of 300 respondents out of an estimated 1000 FLP distributors in Calabar. The survey cum case study research design was employed. Data were analysed using statistical tools such as bar charts, tables and percentages while the hypotheses were tested using Pearson Product Moment correlation technique

Major research findings were that: there exists a fairly strong positive relationship between MLM and income generation, job and wealth creation. Significantly the study revealed that although MLM is a means of wealth creation, it is not necessarily a business targeted at poverty alleviation. Indeed one needs a strong financial foundation for sustainability in the business. Further findings indicate that there exists no particular educational criterion for joining MLM. While majority of MLM distributors joined the business for additional income and part-time job, most MLM distributors face challenges such as high cost of products and difficulty in recruiting downlines. Exploitation problems and excess inventory were not common among the distributors. The study recommends, among others, the need for government to provide incentives towards inducing MLM companies to set their production plants within the country in order to exploit the advantages of local economies and also stem the tide of unemployment. We recommend future efforts in this area of research to be directed to verifying if the traditional means of distribution (marketing by indirect sales using middlemen and advertising) is inferior to MLM in terms of cost, effectiveness, and income generation for both middlemen and distributors. This will prove if indeed MLM is sustainable and true to its claims of rewarding distributors with savings from boycotting advertisement.

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