

**NETWORK MARKETING BUSINESS (NM) A POTENTIAL
TOOL FOR SOCIAL-ECONOMIC DEVELOPMENT IN
TANZANIA THE CASE OF FOREVER LIVING PRODUCTS
COMPANY**

**NETWORK MARKETING BUSINESS (NM) A POTENTIAL
TOOL FOR SOCIAL-ECONOMIC DEVELOPMENT IN
TANZANIA THE CASE OF FOREVER LIVING PRODUCTS
COMPANY**

**By
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A Dissertation Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Business Administration in Corporate Management (MBA-CM) of Mzumbe University

2013

CERTIFICATION

The undersigned certify and hereby recommend for the acceptance by Mzumbe University Dar es Salaam Business School the research report titled: ***Network Marketing Business, A Potential Tool For Social-Economic Development in Tanzania: Case of Forever Living Product Company Temeke District*** for the partial fulfilment of the requirements for the Degree of Master's of Business Administration in Corporate Management of Mzumbe University.

Major Supervisor

Internal Examiner

Accepted for the Board of

DEAN/DIRECTOR, FACULTY/DIRECTORATE/SCHOOL/BOARD

DECLARATION AND COPYRIGHT

I **Christine Chipaga**, declare that this research report is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award

Signature _____

Date_____

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ACKNOWLEDGEMENTS

The preparation of this important document would not have been possible without the support, hard work and endless efforts of a large number of individuals. First of all, I owe my deepest gratitude to my almighty God for the strength and good health that he gave to me, and without him nothing could be possible.

I would like to thank forever living products Company for giving me permission to commence this research in the first instance, to do necessary research work and to use company data and materials. I have furthermore to thank the Area Manager of Forever Living Products Company Mr Andreson and all forever living staffs and distributors.

I would like to thanks my colleagues at the National Tuberculosis and Leprosy programme under Ministry of Health and Social Welfare who have shouldered an increased workload while i have been otherwise occupied. In particular, I wish to note the encouragement and support of colleagues, Dr. Said Egwaga, Dr Sode Matiku and Dr Mwanaisha Nyamkara.

Special thanks to Dr Baraka Amuri for the consistent encouragement and moral support and patience and understanding during my period of study.

DEDICATIONS

This report is dedicated to my parents the late Dr John Chipaga., and Mrs. Eglia Chipaga this is the product of their strictly encouragement in education they put for me.

I, also dedicate this thesis to Dr Baraka Amuri for his patience, support and understanding.

ABBREVIATIONS AND ACRONYMS

FLP	-	Forever living products company
MLM	-	Multi-levele marketing
NM	-	Network Marketing
TM-		Traditional Marketing

ABSTRACT

World over Network marketing business (NM), also called multi level marketing has become a successful concept that empowers ordinary people to turn into successful entrepreneurs. This concept is about distributing products directly from the manufacturers to the end consumers, thereby doing away with the traditional channel of distributors, wholesalers and retailers, so that the consumers get the entire benefit of direct selling. The network marketing industry as a whole has grown over the years and the reasons for this among many others is that there are more people looking either to supplement or replace their incomes. There are also more opportunity seekers in any recessionary period due to the uncertainty of their present financial situation.

This study aimed to find out the how NM business is a potential tool for socio-economic development in Tanzania, to examine how NM distributors benefit from the business and to find out challenges they are facing in NM business as practiced by forever living products (FLP) Company. The population of interest was all the practicing distributors of FLP products based in Dar es salaam, Tanzania. A convenient sample size of 82 distributors was used in the study. Primary data was collected using a semi structured questionnaire which was administered questionnaires designed. FLP is a classic example of how the NM concepts work in Tanzania Besides being a source of income for those involved. Ranking high was also the fact that NM acts as a social support network for those involved. It helps people to grow and develop not only their business skills but also personal life skills.

The objectives of the of the study was to determine how NM business is a potential tool for socio-economic development in Tanzania, to examine how NM distributors benefit from the business and to find out challenges they are facing in NM business and FLP Company as a case study.

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The study revealed that NM business is an important tool for socio-economic development as it creates employment, improves quality of life and increase individual and national income by paying tax. Challenges encountered were shortage of products, maintaining a large group in the network and transparency. The study concludes with recommendations that network marketing business is a tool for socio-economy development in Tanzania

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CHAPTER ONE

PROBLEM SETTING

1.1 Introduction

Business organizations have long relied on direct marketing to target customers without spending a lot of money on retail distribution. However the Network (Multilevel) Marketers have taken the direct model one step further, i.e. not only they do the sales, but recruit and train new distributors i.e., independent sales persons who are members in the network marketing company. The big draw card in network marketing is the commission paid not only for direct sales made by the salesperson, but also from the sales made by the recruits made by him. That is, if you get friends and relatives to join up, you get a commission not only from the products your friends and relatives purchase, but also from the sales they make to their friends Bloch, (1996). This ‘wonderful’ opportunity attracts prospective candidates to join network marketing companies.

Studies reiterate the fact that a 100 percent annual turnover rate among sales personnel in certain network marketing company is not unusual Peterson & Wotruba, (1996).

In today’s modern business-world, every business organization needs marketing. They need to market themselves and their products to earn profit and sustain. Without marketing an organization is out of work which ultimately disrupts its profits. Khan and Talukder (1998, p.65) say that in this era of globalization of market place, the role of marketing is emphasized often without understanding what it really means. Marketing involves different parties mainly buyers and sellers. It also has different dimensions. Traditional Marketing (TM, henceforth) and Network Marketing (NM, henceforth) are two different systems of marketing. The concept NM companies have started their operations in the sub-continental countries including Tanzania; it is desirable to be familiar with NM, TM, and their major areas of differences conceptually. TM and NM differ from each other in various ways in

terms of investment, product, channel of distribution, sales-force (sales team), payment system, risk etc. Generally, MLM is suitable for unique and unconventional products. TM is suitable for any type of product. To learn more about these two marketing systems—TM and NM, their features, distinctions, preferences this study provides conceptual understanding. Since new NM companies are operating.

1.2 Background of the Problem

The Beginning of Network marketing business

Direct selling, a forerunner to network marketing has its origin in the mid 1800s. But it had its beginning in 1929 only. It was known as “Friendship marketing “at that time. In the year 1934, a company by name “Nutrite Products” was formed in the US and a recruiter’s fee was paid to anyone who introduced another person into the programme. New designs of compensation plan were introduced in 1940s where more money was paid to the people involved in the network marketing business. Later on, many standards and guidelines were introduced for this business and Federal Trade Commission in the US validated the legitimacy of this business followed by several countries in the world including India. In the 90s, as it became legitimate, the network marketing business became a very powerful and respectable method of distribution and selling of products and services throughout the world leading to substantial financial benefits and economic growth.

It is interesting to know in this connection, that about five decades ago a small company was started in the US by a man producing detergent in his own garage. He thought by rewarding people who referred their friends to use this product, he would be able to steadily increase his sales without deploying any money for advertising.

In the beginning he had a doubt whether advertising would actually work or not. From this humble beginning another man as a partner and this new concept of network marketing gained strength and momentum leading to the birth of strong company which millions of people are now familiar with namely Amway. Simply by continuing to reward people to refer their friends and relatives the company grew to

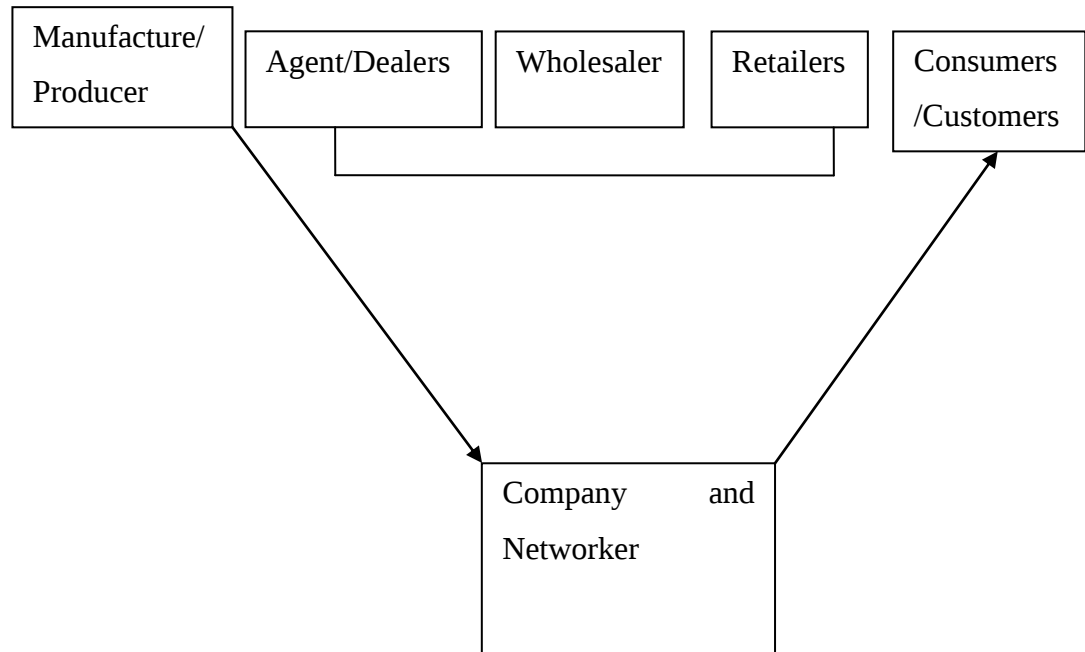
become the largest network marketing company in the world with an annual turnover of around 10 billion US dollars today.

Friends earned wealth and fame by just making referrals, selling and making others sell, building up their own organization and began to lead an extraordinary prosperous life. This gives idea of how powerful “word of mouth” referrals is. There are a number of companies today with network marketing is recognized throughout the world. As a moral and legitimate way for moving products and services are substantially rewarded for their efforts. It is estimated that over 100 billion dollars in global business turnover is channelized through network marketing concept.

The truth of the concept is now realized in the business world. Many major corporations are using network marketing companies to move some of their products and services including charity activities. Those companies include, AT &T, Bausch & Lomb, Campbell's Soup, Chrysler corporation, General Electric, Texas Instruments, TIENS, Hindustan Lever, Certified Organics, National Federation of Blind, India, Herbalife, Forever living products and so on and so forth.

Network companies do away with the costs of advertising, distribution and its overheads which are enormous, exceeding 75% of the turnover in the conventional business operations. This cost is allocated to the networkers to do all the marketing and customers servicing to the company, leave alone the recruiting and training services. Therefore the network companies concentrate on manufacturing warehousing of the products only and dump the large revenue into the network organization. We can now understand why company with a turnover of millions of dollars pays huge commissions and incentives to the networkers as rewards for their marketing efforts. Therefore as a networker you are not rewarded for making simple referral to friend, but also rewarded for building your network organization by widths and depths.

Figure 1.1: How Network Marketing Business Process Works: Avoiding different middlemen MLM process takes the help from only one channel of distribution which is known as ‘Net worker’.



Source: Chandrasekharan (2008)

Background of Forever Living Products Company

Forever Living Products was founded in 1978 U.S.A. With a presence in over 150 countries, 2012 annually sale over \$ 2.6 billion, over 1.5 billion assets, Awarded profit share bonuses \$ 18million, 2011 produced 8.2 million gallons of aloe , over 700 million supplements tablets an Over 9.5 million Distributors worldwide .

Forever Living Products (FLP) is an international family of companies that produce and market exclusive health and beauty products throughout the world through its unique concept that encourages and supports the use and retail sales of its products through independent distributors. FLP provides its distributors with the best quality products, support staff and marketing plan in the industry. The affiliated companies and their products provide an opportunity for consumers and distributors to improve the quality of lives from use of FLP products, and equal access to success to anyone willing to properly work of program. Unlike most business opportunities, there is

little financial risk to FLP's participants, since no minimum capital investment is required and the company provides a liberal buy back policy. King and Ribonson, (2000)

History of Forever Living Products in Tanzania

The concept of Network Marketing Business was unfamiliar to Tanzania. Forever living products company Ltd introduced this concept clear to Tanzania. It is the pioneer company in the NM field in Tanzania. It started formal operations in the year 2007 .From practical experience, it has been observed that Forever living products company is growing very fast with high achievement and recognition, 2011 Forever living products company was the second 2nd tax payer in Temeke Municipal, 2012, forever living products company was among Top 100 companies in the country which have high performance on paying tax, growing fast and strong management system. This makes the Government and society to trust the company. The company has 20,000/= independent distributors and operated in five regions in Tanzania which is, (Arusha, Mwanza, Mbeya, Dodoma and Dar es Salaam (*source: Forever living products company*))

Network marketing business has various synonyms such as Teamwork marketing, Freedom enterprise, Home Base marketing and Holiday business. Since in network marketing distributor sells the products directly to the customer, it is also called direct marketing. As a result expenses of showroom, advertisement and other promotional programs are not needed for the manufacturer. In NM system only one network team-worker is allowed to marketing avoiding more middlemen. (Forever Living Product Company, 2012)

1.3 Statement of the Problem

According to Fischler (2012) This include (a) a clear statement that the problem exists (b) evidence that supports the existence of the problem, (c) evidence of the trend that has led to the problem, (d) definitions of major concepts (e) a clear description of the setting, (f) probable causes related to the problem and (g) a specific and feasible statement.

Successful Personal selling based on referrals is the key to ensure regular expansion of customer base and building long term customer relations. Conventional marketing may become slow or stagnated over a period of time. Kiyosaki, (2004) argued that in a typical network marketing organization you are encouraged to build a network of distributors who have the same opportunity as you to make the same or even more money than you. Therefore, not everyone at the top necessarily makes the most money. This is a marketing system where you can start from the bottom and go to the top and become a top achiever within a company by building your own business.

Promotion usually comes from encouraging distributors within your own organization to achieve promotion, totally opposite from the corporate world where promotion usually threatens the higher positions within the company. (Forever Living Product Company Policy, 2012) Therefore you are in WIN-WIN situation for all parties involved with a network marketing company. King and Robinson, (2000) argued that network marketing has a lot of benefits include time freedom, being your own boss, financial remuneration and self-actualization among others.

Despite the fact that Network marketing has a lot of benefits and may even act as the turnaround tool in conversional marketing its role in social- economic development in Tanzania it's not yet known. Therefore the study aims assess how NM is as a tool of socio-economic development so that further improvements and extension in to similar businesses can be considered.

1.4 Objectives of the study

1.5 General Objectives of the study

The general objective of this study was to assess how Network marketing business is a potential tool for socio-economic development in Tanzania

1.6 Specific Objectives of the study

- (i) To find out the role of Network marketing Business as a tool for economic development in Tanzania.

- (ii) To examine how Network Marketing distributors benefit from the business at Forever Living Product Company.
- (iii) To find out the challenges that Network Marketing distributors are facing in conducting the business at Forever Living Product Company

1.6.1 Research Questions

The research was guided by the following research questions:

- (i) What is the contribution of Network Marketing as a tool for economic development in Tanzania?
- (ii) How do Network Marketing Distributors benefit from Network Marketing business at Forever Living Product Company?
- (iii) What are the challenges that Network Marketing distributors are facing in conducting business at Forever Living Product Company?

1.6.2 Significance of the Study

Refer to Latiff (2010), significance of the study state how the findings can make the difference and why it is important that the research be carried out. This study intended to contribute the development and expansion of network marketing business in Tanzania.

The study was intended to assist members of the general public, customers and operators of Forever Living Product Company to become aware of the extent to which Network Marketing is a tool for social- economic development Tanzania so that they take effort to make sure that customers are satisfied with the service and the quality of the products are improved. The study will also serve as a stepping stone to future researcher on the same or similar topic by suggesting areas that need further studies to be conducted. This study intended to assist policy makers to establish policy that are relevant to people and that address their basic needs especially in Network Marketing Business.

1.6.3 Scope of the Study

Study analyses the Network Marketing business as a potential tool for economic development in Tanzania. For easy comparison purpose and generalization of findings, this study confined to Forever Living Products Company Head quarter branch as the case study.

1.6.4 Geographical scope

The research has been carried out at Forever Living Product Company with its distributors in Dar es Salaam, Tanzania. The emphasis was on the distributors of the products and networking for data relating to NM business.

1.6.2 Time Scope

NM business as a tool for social-economic development between January and July 2013 was considered.

1.6.3. Content Scope

This covers roles, benefits and challenges of NM business carried out in Forever Living Product Company to confirm whether NM business is a tool for socio-economic development in Tanzania.

1.6.4 Limitation of the Study

Some of the respondents were not friendly and co-operative thus reluctant to fill in the questionnaires in time. Financial constraint since research requires money for printing and transport. This occurred when the actual expenditure exceeded the budget. However, despite of the above constraints, the researcher was determined and gathered enough efforts to produce quality work.

1.6.5 Suggestion

The research has not been exhaustive and conclusive enough due to the limited resources at the disposal of the researcher. However, areas that required further research are like how the distributors cope with the challenges and whether the NM business have helped in improving quality of life for distributors.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents theoretical and empirical literature that aims developing an understanding of the existing relationship between Network Marketing and economic development and sheds light on the specific aspects that will be tested validate the assumption that improvement and expand the Network Marketing Business and likely increase economic development.

2.2 Theoretical Framework

According to Mertens (1998, 3) theoretical framework has implications for every decision made in the research process” Therefore The methods applied, on the other hand, convey “the techniques or procedures used to gather and analyse data to some research questions Crotty (1998, 3) this study used the social exchange theory as a model theory and guide to the research project.

2.2.1 Social Exchange Theory

Social exchange theory is a sociological perspective whereby social change and stability are considered to be a process for negotiation of exchanges between different parties. Social exchange theory posits that all human relationships are formed by the use of a subjective cost-benefit analysis and the comparison of alternatives. Social exchange theory takes an economic approach to explain relationships. The premise under this theory is that in relationships, just as in life, you do not get something for nothing Wilson & Sasse (1999). Relationships have rewards and costs. Rewards are anything that brings pleasure or satisfaction in a relationship. People look for different kinds of rewards from their contacts with others, such as support, stability; excitement, love, or material benefits. Costs in a relationship are the physical, mental, and emotional contributions that are made.

Currently, Social exchange theory is applicable in many different situations with the same idea of the exchange of resources.

In this study, social exchange theory focuses much on the anticipated reciprocity within relationships, the influence of benefits and direct rewards people receive from both sides and on the altruism and the perception of relationship efficacy.

As people anticipate reciprocity within their relationships, however, both actors in the relationships must supply each other with different things with either great or less intensity that Hatfield, Walster, & Berscheid, (1978) termed as symmetric and asymmetric network among actors.

Similarly, as relationship is concerned with the issue of cost and reward, the unequal distribution of scarce resources leads to both collaboration and competition. Some groups band together to acquire scarce resources collaboratively, whereas others compete and conflict over resources.

The other reason of using the social exchange theory in this study was where it analyse the Network Marketing Business as a potential tool for social-economic development. There is thus, among Network Marketing distributors a transitive kind of network where person A networks with person B and B with person C and vice versa.

2.2.2 Definition of Terms

- (i) According to Dominique (1993), Network marketing Business (NM) is a marketing strategy in which the sales force is compensated not only for sales they personally generate, but also for the sales of others they recruit, creating a down-line of distributors and a hierarchy of multiple levels of compensation.

- (ii) Business dictionary (2010) defined Distributors as an entity that buys noncompeting products or product lines, warehouses them, and resells them to retailers or direct to the end users or customers. Most distributors provide strong manpower and cash support to the supplier or manufacturer's promotional efforts. They usually also provide a range of services (such as product information, estimates, technical support, services, credit) to their customers.
- (iii) Todaro (2003) defined social- economic development is a multidimensional process involving changes in structures, institutions, and attitudes as well as the acceleration of economic growth, the reduction of inequality, and the eradication of absolute poverty.
- (iv) He urged that social-economic development must represent the entire gamut of changes by which an entire social system, tuned to the diverse basic needs and desires of individuals and social groups within that system, moves away from a condition of life widely perceived as unsatisfactory, and moves towards a situation or condition of life regarded as materially and spiritually 'better'.

2.3 Who is Entrepreneur?

According to economist Schumpeter (1883-1950), entrepreneurs are not necessarily motivated by profit but regard it as a standard for measuring achievement or success. Schumpeter discovered that they (1) greatly value self-reliance, (2) strive for distinction through excellence, (3) are highly optimistic (otherwise nothing would be undertaken), and (4) always favor challenges of medium risk (neither too easy, nor ruinous)

The important role that small businesses and entrepreneurship play in stimulating economic activity, creating employment, wealth creation ,alleviating poverty ,uplifting living standards and paying tax to the government , has been recognized internationally as well as in Africa. Vuuren & Groenewald, (2007:269)

2.3.1 Women Entrepreneurship

There is an ongoing debate as to the best way to stimulate women entrepreneurship that contributes to both economic and social inclusion (Welter, 2004:218). A thorough understanding how SMEs grow is an important issue because, according to Berger and Udell (1998:613) and Radovic (2007:1), small and medium-sized enterprises provide the engine for economic growth for many countries. There is a strong business case for promoting women's economic development, entrepreneurship and enterprise.

2.3.2 Entrepreneurship Theory and Creativity

The entrepreneurship theory and creativity has been defined by Hult et al (2003) as 'a set of interrelated constructs (concepts). Definitions and propositions' that presents a systematic view of phenomena by specifying relations among variables, with the purpose of explaining and predicting a phenomenon". It consists of a new combination causing discontinuity which occur, under the following conditions, task – related motivation, expertise, expectation of gain for self and a supportive environment. The environment is a combination of factors which play greater role in the development of entrepreneurship.

There are theories which explain how sociological factors accelerate the growth of entrepreneurs and they are divided into two categories. The first one is based on religious beliefs and the second one relates to social change. Theory of religious beliefs was propounded by Hult, (2003) and according to him, entrepreneurism is a function of religious beliefs and impact of religion shapes the entrepreneurial culture. He emphasized that entrepreneurial energies are exogenous supplied by means of religious beliefs. However the theory was criticized by many researchers because of the unrealistic assumptions.

For entrepreneurial theorizing based on Schumpeter's pioneering work, this has meant that (besides the "mechanical" constrained maximization governing decisions in the equilibrium world) we can now pay attention to the specific qualities which generate successful entrepreneurial decisions. Such qualities, emphasized by

Schumpeter, include boldness, imaginativeness, and creativity. The Schumpeterian entrepreneur does not passively operate in a given world; he creates a world different from which he finds. He introduces hitherto undreamt of products, he pioneers hitherto unthought-of methods of production, he opens up a new market in hitherto undiscovered territory. In so doing the entrepreneur is, in the Schumpeterian view, pushing (what might otherwise have been) an equilibrium market, away from equilibrium. His creativity disrupts what would otherwise have been a serene market. Because neo-Schumpeterian theory recognizes how important entrepreneurship is for economic growth, theorists have come to focus on the roots of the Schumpeterian qualities of the boldness and creativity, in order, hopefully, to understand how to stimulate entrepreneur driven economic development – development that might jolt somnolent, poorly performing economies out of their present serene (but poverty stricken!) ruts. This explains the perceived need for a broad research program (mentioned at the outset of this paper) on the determinants of successful entrepreneurial decisions, in order to promote relevantly fruitful public policy.

Now in the real, multi-period, world, all this takes the form, of course, of entrepreneurially speculative activity. As Mises (whose ideas I was, explicitly, expounding and developing) put it (Mises 1952, p.190): “What makes profit emerge is the fact that the entrepreneur who judges the future prices of the products more correctly than other people do buys some or all of the factors of production at prices which, seen from the point of view of the future state of the market, are too low... This difference is entrepreneurial profit.” Notice that Mises makes no reference to Entrepreneurial innovation, creativity, or the like. He refers only to the entrepreneur’s ability to “see” future prices more correctly than others see them. My early work, seeking to distil this core insight of Mises’ entrepreneurial view of the market, presented this entrepreneurial alertness in the context of the simplest, pure arbitrage, model – in which, for this stated expository reason, no scope for creativity was needed at all.

2.3.3 Role of Perception

Perception is psychologically linked to the pattern of expectations and plays an important role in determining whether distributors decide to leave or stay in the MLM industry (Lovelock et al., 2002). The C-A-B paradigm explains the cognitive processes that affect the way consumers behave. Many consumer researchers have borrowed and extended this basic theory and added more factors Hanna and Wozniak, (2001). The C-A-B model expresses the interrelationship of these components. Cognition is defined as the mental process of interpretation and integration and the thoughts and meanings they produce Peter and Olson, (1996). Cognition is claimed to be the perceptual component of attitudes well Blythe, (1997). Affect is a basic mode of psychological response that involves a general positive or negative feeling Peter and Olson, (1996). In other words, affective component is the consumer's emotions or feelings about a particular product or brand Schiffman and Kanuk, (1999). This general inclination or liking may simply develop without cognitive information or it may also result after several evaluations on the particular product (Hawkins et al., 1998). Behavioral, known as conation (Blythe, 1997), is the consumer's tendency to respond in a certain manner towards an object or activity. Behavioral intention is an expression of the favorable or unfavorable feelings formed earlier (Hanna and Wozniak, (2001). Cognition is not necessarily the likelihood or tendency that the consumer will undertake a specification. It may include the actual behavior itself (Chiffman and Kanuk, (1999). The above three components are claimed to be interrelated. Both affective and cognitive systems respond independently to stimuli and each of the systems can respond to the output of the other system. Affective responses can be referred to as emotions, feelings, moods and evaluations. On the other hand, cognitive responses include knowledge, meanings and beliefs. Interpretation from both affective and cognitive systems will then determines the decision made (Eter and Olson, (1996). It is obvious that many join the MLM industry because of their positive perception towards MLM that influences their intention.

2.3.4 Role Theory

Role theory involves set of concepts and interrelated theories that are at the foundation of social science in general, and the study of the family in particular. This theory purports that human being has different roles at any given stage of life. These roles keep on changing and they can be easy or difficult depending on time and social context Rodgers and White (1993). Women in the past had the role of bringing up the family and taking care of the whole family, while male were supposed to go and search for food as well as other family needs. Migration and change in the economic situation has caused women to involve themselves in different works which previously they were not doing. They have become business entrepreneurs in the society and their business varies depending on someone's interest and other economic factors

Lloyd & Hammer (2006) define psychology as “the science that studies human behaviour and the physiological and mental processes that underlie it” (p11). Psychology is not a soft or loosely constructed science; it is based on evidence, theory and experimentation. Theory is integral in the study of psychology. The role of theory in psychology is to make sense of observations. A theory refers to a “comprehensive explanation of a natural phenomenon that predicts a lot of observations based on a few assumptions” (Romero & Kemp, 2007, p6). On the basis of observations, the psychologist begins to theorise the causes of behaviour to “ask why these events occur” (Middlebrook, 1980, p8). Romero & Kemp (2007) discuss three main goals of a scientific psychology; “to measure and describe the behaviour, understand and predict the behaviour, apply the knowledge and control the behaviour” (p5). The principles of science & scientific method apply to psychology in the same way that they apply to older, traditional hard sciences such as physics, biology or astronomy for example. Empiricism is “the premise that knowledge should be acquired through observation” (, Lloyd & Hammer, 2006, p12). Scientific psychology is empirical, in that conclusions are supported by systematic observation as opposed to common sense, traditional beliefs or speculation (Lloyd & Hammer, 2006). According to Pigliucci (2005), while empiricists view the notion that “all science begins with observations” (p28), “the hallmark of good science is hypothesis

testing” (p28). Careful observations lead to questions in the mind of the observer. Methods are developed to use in experiments designed to test theories (hypotheses), and the results are analyzed in order to prove or disprove the theory being tested. The role of theory is to propose possible answers to the central questions of the particular field of study and to direct research & experimentation, thus advancing knowledge. The term hypotheses refers to a “tentative statement about what happens in a given situation” (Romero & Kemp, 2007, p7), and predicts a relationship between two or more variables (Psychology Dictionary, 2004). According to Middlebrook (1980), many hypotheses have “been derived from what a scientist first noticed casually” (p8). These questions lead to a number of theories (hypotheses) that may account for the recorded observations.

2.4 Theory of Social Change

This theory propounded how a traditional society becomes one in which continuing technical progress takes place. The theory exhorts the feature that presumes the entrepreneur’s creativity as the key element of social transformation and economic growth. Presentation of general model of the society- the theory reveals a general model of the society which considers interrelationship among physical environment, social structure, personality and culture Weber (1930).

Change is such an evident feature of social reality that any social-scientific theory, whatever its conceptual starting point, must sooner or later address it. At the same time it is essential to note that the ways social change has been identified have varied greatly in the history of thought. Furthermore, conceptions of change appear to have mirrored the historical

Realities of different epochs in large degree. In his essay for this volume Giesen shows that even though ideas of time existed and evolved over thousands of years—ranging from the identification of time as a period of action and a period of living to the differentiation of time according to hierarchical position (the gods are eternal; empires rise, prosper, and fall; humans have a time lifespan), to the conception of time as progress—stability and order were the norm and changes were exceptional.

But in more recent centuries the dominant conceptions of change itself have changed. Social change as a concept for comprehending a continual dynamic in social units became salient during the French Revolution and the industrial revolution in England, both periods of extraordinary dynamism. Comprehensive change became normal, and, accordingly, social philosophers and later sociologists gradually replaced the older ideas of natural constants and the contractual constructions of natural and rational order with conceptions of social change, even though precise formulations were slow to appear. For these thinkers social change was "a property of social order, known as change" (Uhmann (1984, 471). Moreover, in the midst of change observers began to look in retrospect to the dramatic changes that had occurred in earlier epochs, for examples, in the development of the Egyptian Empire or the Western Roman Empire.

Factors in societal change may be summarised under three main headings: economic, political and cultural. Marx is perhaps the most famous proponent of the notion that societies/forms of social organisation are largely determined by economic factors, and in particular the impact of industrial capitalism. Among political influences the state – government – now plays a very large role in social life and change in industrial societies. Cultural influences clearly play an important part in social change. For example, secularization and the development of science have had major effects on the way in which we think, attitudes to legitimacy and authority, and have thus also influenced social structures, systems and values (Giddens and Duneier, 2000).

If these are the key factors in societal change, foundations wanting to effect change at this level need to focus on changing economic, political or cultural structures and processes. This macro approach to social change is adopted by some international foundations aiming to change economic and political conditions. These fundamental themes of resources, power/politics, and cultural factors reappear, in a sense, in theories of organizational change.

Necessarily, it has to be stressed that this change logic must be shared with the different actors, or at least it should honestly and intelligently consider what the other actors think or require. The reality is holographic³, multi-stakeholder. It is holographic since we start from the premise that we are social beings and, therefore, our identity and view of reality comprises and is made up by other visions, by a greater Whole to which our own fragmented view belongs. Multi stakeholder, because we want to live in a participatory and inclusive world where the different interests and needs are included and recognized. Therefore, and by democratic imperative, reality forces us to relate with each other in an inclusive and dialogic manner. That is, a holographic and democratic view of relations not only invites us to relate with others in a more harmonious way, but it also has implications regarding how we relate with our own inner self: the Whole lives in our (fragmented) self and vice versa. Therefore, we are compelled to consider this social, historical, political and economic inter-dependency between different factors and actors. When failing to do so, we cannot achieve profound transformational changes but sterile and hypocritical ones. Even today we are reluctant to practice what we preach. That is the fundamental challenge when facilitating and participating in social change processes embedded in conflictive and complex contexts.

Contemporary theories of social change have become more generalized in order to explain far-reaching processes of change in past and present. In a review of contemporary theories of change Strasser and Randall have identified the following attributes for these changes: "magnitude of change, time span, direction, rate of change, amount of violence involved" (1981, 16). In our view any theory of change must contain three main elements that must stand in definite relation to one another:

- (i) Structural determinants of social change, such as population changes, the dislocation occasioned by war, or strains and contradictions.
- (ii) Processes and mechanisms of social change, including precipitating mechanisms, social movements, political conflict and accommodation, and entrepreneurial activity.
- (iii) Directions of social change, including structural changes, effects, and consequences.

Even this rendition of the met framework for models of change is overly simple, for among the structural determinants of different processes of social change are the accumulated consequences of previous sequences of change.

Wiswede and Kutsch (1978, vii) argue that although "the analysis of social change represents the touchstone of sociology," it "obviously still appears to be underdeveloped today." The editors accept this judgment and advance two reasons for it. The first reason is that despite the evident fact that comprehensive social changes cannot be explained by menopausal theories, such theories still survive in one form or another: cultural emanationist theories, materialist theories, and more specific examples such as the explanation of social changes by the size and composition of the population of a society (Cipolla 1978) or by changes in key actors' attitudes (Opp 1976). Such theories generally break down when confronted with explaining unexpected changes or when they are used for predicting or forecasting. The second reason for the underdevelopment of the study of social changes is those who accept the necessity of multicourse explanations face a formidable task in arranging the great arsenal of determinants, mechanisms, processes, and consequences into sufficiently complex interactive and predictive models. Simple theories are easier to create but are more likely to be inadequate, whereas complex theories are more likely to be realistic but are more difficult to construct formally.

Another point of tension in the scientific study of social change is that between the striving for general theories and the carrying out of specialized studies dealing with certain societies and periods of time. Certainly the more comprehensive theories of the sociological masters still survive and inform the research of many scholars, even though the focus of these scholars has become more limited. Examples of the more focused study of changes in economic structure and stratification are found in the contributions of, Haferkamp, and Münch to this volume; examinations of changes in political and social structures are found in the contributions of Touraine and Eyerman.

This volume strikes a kind of balance between comprehensiveness and specialization. Although the contributors and editors have kept in mind Wilbert E. Moore's cautionary words about "the myth of a singular theory of change" (Moore 1963, 23), we have nonetheless been able to organize the volume around some general themes in the contemporary study of social change. These themes are the persistence of evolutionary thought, structural differentiation and cultural change, theories of modernity, modernity and new forms of social movements, modernity and social inequality, and international and global themes. This introduction takes up these themes in the order listed.

2.4.1 Understanding Marketing

The term 'Marketing' is a broad concept in which two parties' involvement is a must – organization and customer/consumer. Marketing always mitigates needs, wants and demands of these parties. Kotler, (2009) opines that marketing deals with identifying and meeting human and social needs. Gaining business and profit, and consuming products and services for satisfaction are the target of the involving parties. ANM Khan and Talukder (1998, p.66) defines marketing as a state of mind marketing is the philosophy which guides the actions of an organization to satisfy the interest of both consumers and themselves. Marketing is a result from two parties' interactions.

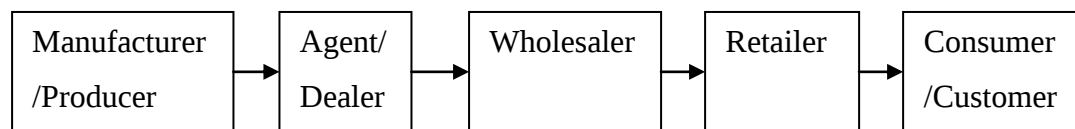
Based on the concept of exchange and applicable in an organization, Etzel, Walker and Stanton (2004 p. 6) define marketing as a total system of business activities designed to plan, price, promote, and distribute want-satisfying products to target markets in order to achieve organizational objectives. In 2007 American Marketing Association (AMA) revised its marketing definition of 2004.

Gundlach and Wilkie (2009, p. 262) writes that the subcommittee's revised 2007 version of its proposal definition read as follows:

Marketing is the activity, set of institutions, and processes for creating, Communicating, delivering, and exchanging offerings that have value for customers, clients, marketers, and society at large.

Traditional marketing is the process where different types of middlemen exist between manufacturer and final consumer, and such type of marketing concept is very old, and in the maximum cases businesses are walking on this traditional track. In traditional marketing process product price is high, because the cost of transferring goods and margin of middlemen are always being included in the price. Here, only sellers are benefited from the view point of earnings, but consumers have no chance to get any financial benefit, rather they are to loose their pocket for taking products or services.

Figure 2.1: Traditional Marketing Process: In TM more than one channel members such as agent, dealers, wholesalers, and retailer and so On deal with to market the product.



Source: Chandrasekharan (2008)

2.4.2 Concept of Network Marketing Business

The literature overview represents available theories and models that can be used to understand network marketing business. Different scholars on marketing Clegg, (2000); Xardel, (1996); Higgs & Smith, (2007); Kitching, (2001); Mendelsohn, (2004); Vander Nat & Keep, (2002) are famous who have the theoretical contributions on such type of marketing. Xardel, (1996) says that Network marketing Business (NM) is a marketing strategy in which the sales force is compensated not only for sales they personally generate, but also for the sales of others they recruit, creating a down-line of distributors and a hierarchy of multiple levels of compensation. According to Higgs and Smith Clegg, (2000); Higgs & Smith, (2007); Kitching, (2001); Mendelsohn, (2004); Vander Nat & Keep, (2002), other terms for NM include 'network marketing', and Carroll, defines NM as 'referral marketing' Carroll, (2011). Other terms that are sometimes used to describe network marketing business include "word-of-mouth marketing", "interactive distribution", and "relationship marketing." "Network Marketing Business" or

"Network Marketing" has been described by author Xardel (1993) as being synonymous, and as methods of direct selling Xardel, (1996). According to him "direct selling" and "network marketing" refer to the distribution system, while the term "network marketing business" describes the compensation plan.

One of the core elements of network marketing is the multiplying effect, which makes it very different from other types of direct selling. In types of direct selling such as insurance selling, the Sales force can be made up of waged salespersons. However, the salespersons (distributors) in network marketing are not employed, but recruited or sponsored. The sales generated from Network marketing are not developed solely from sales created by retailing, but are also developed through recruiting or sponsoring independent distributors. Simultaneously, distributors may earn compensation from the sales or purchases of other distributors being sponsored within the network of distributors Cheung, (1993). Thus, as distributors continue to recruit or sponsor new distributors to expand their network, the new distributors will contribute new sales to the network and gain commission in return (Coughlan & Grayson, (1998). The multiplying effect in network marketing will expand when these distributors continue their recruiting or sponsoring efforts. This multiplying effect, an important element in the recruiting or sponsoring function, makes network marketing quite different from types of direct selling involving paid salespersons

One core distinction between the multi-level payment system and the non-multi-level payment system is the depth of the network. As the multiplying effecting network marketing focuses on the duplication of distributors, more levels of payment will encourage distributors to recruit more widely from their network, resulting in the gaining of more commission Coughlan & Grayson, (1998). There are very limited references that actually define the number of levels. Some references come closer to a clear definition. For example, Moore (1998a) described multi-level as "the various levels tagged for pay-out on a sales organization created by an individual distributor." The expression "various levels" were used to imply more than two levels from common understanding but did not define the actual number of levels. According to Berry (1997), we understand that non-multi-level payment systems can

only be “one or just a few levels deep” – generally three levels – and so focus much less on the multiplying effect. Therefore, salespersons are unlikely to benefit much from developing their networks. Hence, the commission gained from the multi-level payment system can be higher than that gained from non-multi-level payment systems because of the many levels in the former. In the multi-level scheme, the number of levels on which the bonus is paid can vary but is generally more than three and less than seven Berry, (1997).

In 1998, according to the Direct Selling Association in the United States, 70% of the revenue from the direct selling industry was generated by network marketing companies Coughlan & Grayson, (1998) and most of this came from the better known companies, such as Amway, NuSkin, or Shaklee Coughlan & Grayson, (1998), that use multi-level instead of single-level compensation Recruitment and training in network marketing are daily activities, and as such, are particularly important to sales Berry, (1997). The sales support function of network marketing companies takes on the responsibility of such recruitment, training, and motivation. According to Scott (1992), the single most common activity in network marketing is the “business opportunity function (OPP/BOM),” which enables the recruitment of new distributors to the network to enable it to grow larger and faster Coughlan & Grayson,(1998).

The recruitment function is the processes during business presentations whereby prospective distributors are encouraged to join the business Moore, (1998b). New distributors joining the business will add to the original distributors to purchase goods and services provided by the network marketing organization, thus increasing sales and the potential to interest further prospective distributors. This process is regarded as the key to success in network marketing Moore, (1998b).

In network marketing, distributors are involved not only in selling, but also in recruiting and training other distributors, since they can also receive compensation through sales generated from their “downlines” (individuals that they recruit) Peterson & Wotruba, (1996). The focus is likely to be on recruiting or sponsoring

rather than on retailing Peterson & Wotruba, (1996), as recruiting or sponsoring will entail two types of benefits to network marketing organizations. Firstly, distributors may earn more commission from recruiting downlines who may contribute sales to their network. Secondly, newly recruited distributors will contribute to increase sales and enable the network of the whole company to grow at a faster rate Enis, (1992). Distributors who regard network marketing as their career are commonly motivated by commission, which can be many times higher than the salary from their regular job. Therefore, they are motivated to sponsor more people to join their network with the aim of expanding further Coughlan & Grayson, (1998) and achieving a higher sales volume. Different ethical concerns will be held by distributors from different backgrounds who are attracted to join the business due to “different work motivations” Wotruba & Tyagi, (1992). Some distributors might view the business as a means of building self-esteem, making friends, proving one’s entrepreneurial skills, or simply learning about the business world Wotruba & Tyagi, (1992), whilst other distributors could focus differently in terms of job effort, sales productivity, and ultimately achieving the goals and objectives of the business organization Wotruba & Tyagi, (1992). On the other hand, some unethical distributors may use the banner of network marketing to promote the concept of providing good business opportunities to earn override commissions or benefits on behalf of their friends’ friends Bloch, (1996). Doing business with friends.

A firm practicing network marketing offers a rewards program that encourages its salespersons to build their own sales teams and also be responsible for the promotion and sale of the company’s products. As an incentive for the salespersons/distributors, the organization pays a commission based on the sales of the distributor as well as those of the people below him Coughlan and Grayson, (1998); and Msweli and Sargaent, (2001). Individual salespersons of an NM company do not merely earn from their own sales but also enjoy an overriding commission from the sales of those recruited by him Bloch, (1996). Salespersons will be rewarded according to their performance and their contribution to the profitability of the company Biggart, (1990). The NM industry has been hailed as the new wave of the 21st century in marketing Poe, (1999). The people involved in this industry were called the new

professionals King & Robinson, (2000). There is no end to the amount of literature that is being generated almost daily in praise of the NM business, by the NM companies themselves, individual distributors and NM umbrella bodies with vested interests in the industry Dykema, (1999).

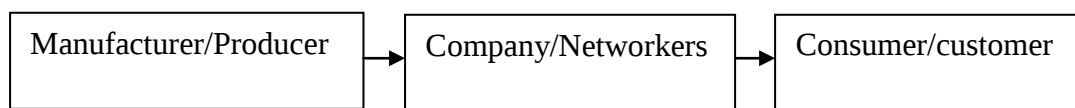
Although the NM industry involves millions of salespersons globally and is being looked at as the marketing system of the 21st century Richard Poe, (1999), there are many skeptics and detractors who are adamant about NM being flawed and even morally wrong Clements, (2001). There are many researchers who have come up strongly in support of NM or the more dignified label, network marketing, as the marketing system of the 21st century Poe, (1999); King and Robinson, 2000; Hedges, 2001; and Kiyosaki, (2004). NM is seen as the opportunity that provides passive or residual income that offers the possibility of a high level of income, which is not attainable by those who only enjoy linear income Kiyosaki, (2004); Hedges, (2001). It is a business that promises financial independence and personal freedom with the power of leveraging, by focusing on the ability to earn residual income or passive income rather than a linear income Kiyosaki, (2004).

There is an intensive effort to give NM a credibility and dignity. The people involved in NM are depicted as a new and exciting breed of people Richard Poe, (1999). The NM industry sells an idea that appeal across the board to many, which one is in a business King & Robinson, (2000). The normal rhetoric includes “You have personal independence, benefit personally but have a down line that works for you and with you” or “You are indeed in business for you, but not by you.” Distributors believe that the down line that they build is their pipeline that will pump the money, 24 hours a day, 12 months a year, year after year whether they continue to work or not Hedges, (2001). NM distributors are hooked on the prospect of “working from home, wearing the most comfortable clothes in their (your) closet, taking a break whenever they want to and still earning a substantial income in a now respectable profession” King & Robinson, (2000).

Manufacturer >Distributor >Wholesaler >Retailer >Consumer

In Network Marketing and Direct Selling Independent Distributors market the product directly to the consumer and earn the profit that used to go to the middlemen. Consequentially the profit chain is shorter:

Figure 2.2: Network marketing process: Manufacturer uses only networker to sell the products under the process of MLM.



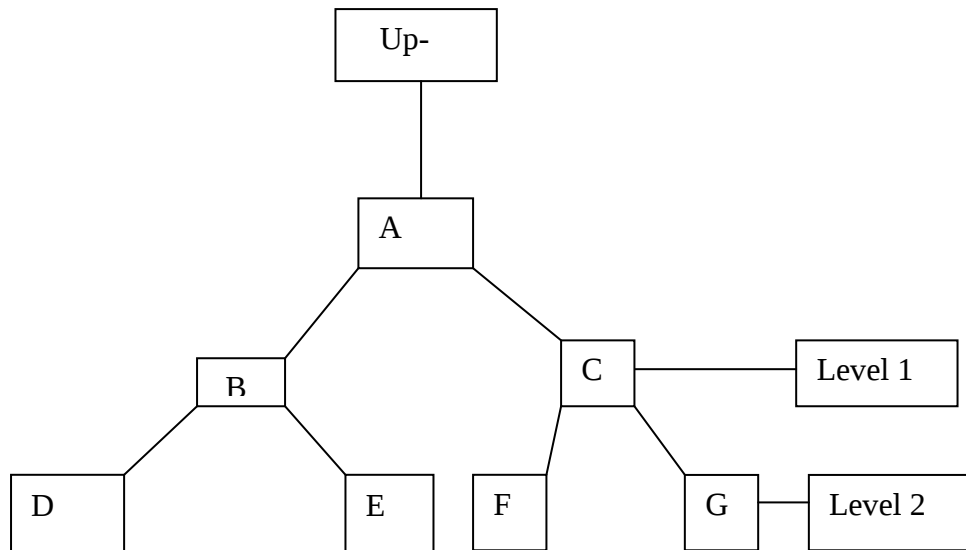
Source: Chandrasekharan (2008)

Compensation Plan in Network Marketing Business

In the Multi-level Marketing process middlemen are avoided to make the opportunity for customers' income. Products are sold here through only one middleman that may be manufacturer's own-houses, middleman or outsider. In such type of marketing, consumer is encouraged to make a sales-team. He/She is said to meet up an individual sales-target. Mitigating individual sales-target, he/she gains a standard commission from both individual and team sales.

A standard compensation/commission plan (figure 4) is set by the Manufacturer or Company to calculate the commission to consumer-seller. Various compensation plans are seen in MLM practices. Sample compensation

Figure 2.3: Compensation Model in Network marketing business



Source: Chandrasekharan (2008)

Mr. 'A' purchases a product from MLM Company and becomes a distributor. His duty is to sell two products to 'B' and 'C' subsequently to achieve the predetermined commission. By selling to 'B' and 'C', 'A' and all above in the up-line of 'A' will achieve and receive a commission. Now 'B' and 'C' are offered to same to sell and obtain.

Commission, Here 'A' is the up-line of 'B' and 'C' and they are the down-line of 'A' at the same time. For selling performance of down-line, up-line distributors will be benefited and obtain commission. Each distributor will follow the same system. Every distributor must reach the level to earn the predetermined commission. Level indicates target-sales for the specific distributor. For example, for 'A' to sell to 'B' and 'C' is the first level, for 'B' and 'C' selling to 'D', 'E' and 'F', 'G' will be the first level and this first level of 'B' and 'C' is the second level for 'A'. Thus each distributor will reach the different levels and their amount of commission will be increased day by day.

2.4.3 Social and Economic Benefits of Network Marketing Business

Kiyosaki, (2004), *Business in 21st Century*. PKC: New York, identify the following as the social and economic development of Network marketing Business:

There was a time when simply working hard meant that you had the opportunity to get ahead of the average person who perhaps had a more relaxed approach to work. Today that is simply not the case. Although a strong work ethic will always be important, it is no longer the only ingredient. Success is about being smarter and often doing things differently to the way we would have done them in the past. Network marketing allows you to do just that, while at the same time giving you the opportunity to associate with very successful people who understand this principle and who have made it work for them.

- (i) Through Tax payment
- (ii) Creation of employment
- (iii) Leverage and duplication

The concept of leverage is one of the most exciting aspects of this business. It allows you to generate income not only from your own efforts, but also through the efforts of others in your organization. Even if you can only work a few hours a week, you could receive a second paycheck without quitting your job. If you don't have a lot of time, you can still find people who do and still capitalize on the opportunity. If one works diligently in network marketing for 3-5 years, building an income based on honest movement of products or services, the dream of financial freedom can become a reality. Network Marketing is the ultimate in freedom—the freest of free enterprise. There is literally no ceiling, no limits on earnings. A lawyer can only bill so many hours in a day, and a doctor can only perform so many surgeries in a day. Some great people working in traditional business haven't had a raise in years. In network marketing, you have the option of creating a raise for you and your family everyday if you so choose

- (iv) Personal development
- (v) Financial freedom
- (vi) Making friends

- (vii) Profit share bonus
- (viii) Unique products
- (ix) Helping people
- (x) Income generating

Leverage and duplication are simply the ability to leverage your time and to duplicate your efforts. If you are working in a traditional business, your income is largely governed by the number of hours you can physically work in a week. In network marketing, as your network grows, the time collectively invested within the network is dramatically increased, and your efforts are greatly duplicated and multiplied. Simply put, you yourself, one person, can continue to work 40 or 60 hours per week, or you can build a network where collectively, for example, 1000 people are working only 10 hours each per week, meaning your earning hours now total 10000. You need to understand that this concept is not unique to network marketing, but is a key ingredient in most successful entrepreneurial enterprises. Most successful entrepreneurs use it to build their wealth. For example, those who have established large franchising businesses base their success on duplication and leverage of one successful store, repeating it nationally and, ideally, globally.

King & Robinson, (2000) argued that there are a lot of Network Marketing companies offering products that people want, and that can provide a genuine benefit to those who use them. But however good the product, without strong leadership and support from an enthusiastic team, it is unlikely that your business will flourish as it should. 'You are in business for yourself, but not by yourself' **a good Training and Support Structure should include: - Advantages;**

- (i) An easy to follow system for 'Getting Started' in the business
- (ii) Resources that enable you to find out all that you need about the company and products
- (iii) A straight forward and duplicable business presentation that you can use to build your business
- (iv) A structured series of trainings and meetings that you can 'plug 'into whenever you want

- (v) A library of tools for you to use in prospecting for your business
- (vi) Internet support and a website that you can use to promote your business
- (vii) An up line system that is approachable and available - right up to top

Another major benefit of having a support system in place is the opportunity it gives you to again further leverage your time—by directing people within your organization to the support system and letting it do most of the work for you, rather than you being solely responsible for the training and support of those in your team. Hedges, (2001).

Network Marketing companies distribute a wide range of products and services including; household cleaning equipment, cookware, health and wellness products cosmetics, , utilities and children's books. *Forever Living Product Company, Policy* (2011). All of these markets have broad appeal, so how can you decide which one may be right for you?

- (i) It should be of a very high quality. At least, and preferably better, than anything that is available for sale on the High Street.
- (ii) It should have a uniqueness which makes it stand out from similar products. The more excited that you are about the product, the more others are likely to be so too.
- (iii) It should be consumable. You must have a product that you don't get paid on just once, but continue to receive commissions on month, after month, after month
- (iv) It should be a product that fulfils a genuine need for you and people you know - something that you will be happy to use and to reorder again and again.
- (v) It should be aligned with predicted economic trends. All businesses that have targeted the influential Baby Boomers Generation have made fortunes throughout the years.
- (vi) It should be recession proof - something that people will continue to want during times of economic uncertainty.
- (vii) It should be a product that appeals to peoples WANTS rather than their NEEDS.

- (viii) There should be testimonials and true life stories from people who have experienced the product or succeeded in the business opportunity - preferably both.

For many of those who dream of owning their own business, a major hurdle to be overcome is the costs and risks associated with buying an existing business or setting one up in the first place, often representing hundreds of thousands of dollars and a lot of risk Kiyosaki, (2004). One of the attractive features of building a network marketing business is the low capital, or low entry cost, required get started. Poe, (2004) explained that the majority of network marketing companies require very little upfront money to start; what moneys are required cover start-up costs and some initial product purchase. If a person goes on to successfully develop their network marketing business, the return on such a low initial capital investment can be significant.

The ongoing operating costs required in the majority of network marketing businesses are generally very low when compared with a traditional business producing similar turnover. Costs often revolve around accessing educational and motivational material, acquiring business-building tools and attending seminars provided and organized as part of the support system. Further to this are incidental costs such as phone, fuel and other small home office operating costs. Kiyosaki, (2004), *Business in 21st Century*. PKC: NewYork

He continue to argue that as the volume produced throughout the network is built on the principle of leverage and duplication of a number of independent business owners collectively establishing their own businesses and subsequent volume, the costs in achieving that volume are greatly reduced by spreading them across each independent business owner. Therefore each business has low operating costs, minimizing the need for staff, infrastructure and other normally high overheads.

One of the major advantages of being involved in network marketing is the opportunity to establish it part-time alongside your current occupation or business. Clements, (2001) *Careers in Psychology: Opportunities in a Changing World*, explained that for those whose dream has been to own a business but who have feared taking the plunge due to the risk involved in giving up a secure job and income to delve into the unknown, this part-time aspect reduces that risk. For those already running a traditional business that feel trapped and can't risk simply walking away from it, the opportunity to develop something on the side with a view that someday it will replace their current income stream is also very attractive. Dykema, (1999) argued that after building the network marketing business part-time to a point that the income derived from it can safely replace that from the job or traditional business, one can then comfortably move into working the network marketing business full-time.

2.4.4 Challenges in Conducting Network Marketing Business

In any business there must be a challenge that people conducting business are facing. Some of the common challenges that most of writers pointed out are:

Vatke (2013) identify the following challenges that are common faced by Network marketing in his book of *Learn the Trust* about Network marketing success; the challenge are:

- (i) Poor communication skill to most of distributors communicates in a way so that prospects get excited about their product or opportunity. As a result they can't get them to join or spend money on products.
- (ii) Budgets are tight and spending a lot of money on marketing isn't an option. Most have tried free marketing channels only to end up spending a lot of time to get nowhere.
- (iii) Lack of confidence
- (iv) Lack of money
- (v) Shortage of the products
- (vi) It's hard to stay motivated and consistent from day to day. Most won't admit it to their up line because they are being told to "just be positive."

- (vii) They are frustrated with success systems. Automated websites, e-book affiliate programs, “plug and play” feeder programs, all tend to let people down.
- (viii) It’s too easy to make mistakes when getting started. While some courses provide great business building info, it’s hard to implement ideas without someone there to help.
- (ix) Finding legitimate prospects is a lot harder than anyone will admit. Turns out they don’t grow on trees or fall in your lap.
- (x) Once you do start to build a business, getting your downline to duplicate your effort is a whole new can of worms.
- (xi) Lack of commitment

Munuo (2009) urged that starting part-time makes it hard to budget both time and money in a way that will deliver a commission check at the end of the month. Have many clients who have no problems when it comes to money because they want quality products, and this is what they get from my products. This problem hinders the efficiency and the profit level of the business. Network marketing the greatest challenge is how to disseminate information about the products in such a way that one’s potential clients easily understand it. Hedges, (2001).

There are many people who can afford the products but the challenge is how to make them understand the value of the products Munuo (2009). This challenge can be eliminated by attending trainings that are offered at the most of the Network Marketing companies’ offices.

However, studies carried out by Peterson *et al* (1989), *Raymond and Tanner (1994)*, and *Kustin and Jones (1995)*, suggest that consumers often have negative perceptions of direct selling organizations and network marketing organization in particular. The aggressive selling techniques, exaggeration of facts in recruiting and pyramiding scams; Kustin & Jones, (1995), *Network Marketing Exploitation of Relationship*. Then there are others like Koehn (2001), who have dubbed MLM schemes as un-ethical, and guilty of ‘instrumentalising’ relations rooted in love and

affection and as such is socially and psychologically unacceptable to most people in our society.

2.4.4.1. Some challenges of networker in developing countries from Kiyosaki (2004)

- (a) Import duties: Depending on what developing country you are in and the products you are thinking about selling, various import duties may have to be applied to the
- (b) **Unstable exchange rate:** If the country you are in has a declining exchange rate, this could make the cost of your products be constantly rising, which is bad for business, especially if your depending on repeat sales to build your network
- (c) **Undeveloped credit card culture:** Unlike developed nations where credit card payments are common and generally accepted by most citizens, the majority of developing nations' citizens doesn't have credit cards. Transactions are not simple procedures, as sometimes huge distances have to be traveled to receive payments in cash for one sale. This is extremely time consuming and may not be ideal based on the commission being received.
- (d) The previous point is also tied into the fact that roads and transportation highways are not developed to allow for efficient postal service of products. A person in a developed country can go online, make an order and it arrives at their door within days. This is simply not possible in developing countries. Success here is heavily dependent on personal an interaction which is not always ideal for high volume.
- (e) **Disparity in the cost/ standard of living** – A bottle of multivitamins offered by an MLM company at \$50 maybe the average price in the USA or another developed country. For the average third world country, this price may just be too much. The average person simply can't afford to purchase this product at this price, making the life of the seller extremely difficult.

2.5 Empirical Literature

So far, there are hardly or little studies conducted on the role that Network marketing plays in social – economic implications. Related studies that have been done worldwide in the aspect of Network marketing are reviewed below:

Ongong'a & Abeka, (2011) conducted a study on the Network marketing in the Kenyan informal sector: An attempt to manage the market failures. The purpose of the study has been to analyze the role and impact of network marketing on small business performance and sustainability in Kenya. The study found that small entrepreneurs who maintain regular relationships with external actors are more likely to be successful in their respective businesses because such relationships provide a constant and reliable source of resources and effective influence on firms. These external relationships are identified as entrepreneurial Network marketing in this study. This study is different from the other studies in the field of small business networking in four ways. First, current studies largely focus on formal business networks such as alliance. In contrast, the focus of this study is on the entrepreneurial informal network relationships in a less developed country.

The findings of a secondary research conducted by a team of ILO (2005) revealed mixed views about women distributors of Network Marketing products use of business networks and associations such as associations of women entrepreneurs, as a source of business development support. Some women entrepreneurs make extensive use of these organizations as part of their overall business development strategies, but many are either unaware of the existence of such associations or feel that, they are not able to access them. Membership of these women's business associations seems to be relatively low, and this in turn results in the associations themselves struggling for sustainability and credibility Zewde & Associates, (2002). *The Challenges of Growing Small Businesses: Insights from Women Entrepreneurs in Africa*. Women's membership of more formal, traditional business associations such as employers' organizations or Chambers of Commerce is also very low UDEC, (2002).

Geevarghese Mathews, et al. Network Marketing: Exploitation of relationships conducted a study on network marketing: exploitation of relationship- myth or reality. The researchers in this study propose to explore whether such a phenomenal growth of network marketing in India is because of the exploitation of relationships with friends and relatives. The study found that there is exploitation of relationships in network marketing. People join the network marketing mainly because of persuasion by friends and relatives. Network members who were in the business for the last two years, contacted relatives more than friends and colleagues to join as channel members while those who had more than two years' experience contacted friends more than relatives and colleagues.

Hao,(2012). Research on Network Marketing of Small and Medium-Sized Enterprises. Coll. of Econ. & Manage., Heilongjiang Bayi Agric. Univ.: Daqing, China carried a study on the impact of network marketing of the performance of SMEs in China. The results explained that In recent years, Chinese small and medium-sized enterprises (SMEs) have developed rapidly, and SMEs have played a more and more important role in the development of the national economy and social progress. But nowadays, most SMEs are still adopting the traditional marketing methods, which have the weakness of laggard marketing concept, simple means and low efficiency. Although some SMEs have realized and tried to use network marketing or cyber-marketing as a new marketing tool , but a few of them have achieved very satisfying effects. Network marketing is to extend the traditional marketing to a wider application area-cyberspace. Network marketing is to develop and innovate on the basis of traditional marketing theory.

2.6 Research Gap

Based on the above reviewed empirical literature, it is evident that extensive research has not been done which are related to research topic in Tanzania. A lot of studies have been done in the aspects of benefits of Network Marketing Business but most of them looked at health benefits challenges, opportunities and future prospects of that Network Marketing Business. Very few studies have been studied the aspects of the role of network marketing business as a toll for economic development in these

Network Marketing Companies. This study sought to fill in the gap by analyzing the role of Network Marketing as a potential tool for social - economic development in Network Marketing Companies taking Forever Living Products Company as a case study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section presents the research methodology that was employed in the study. It spells out the techniques and methods of sampling, data collection, processing and analysis and presentation methods.

3.2 Research design

The best design depends on the research question as well as the orientation of the researcher Lawrence and Karen. (2008). *The Basics of Social Research: Qualitative and Quantitative Approaches. First Canadian Edition*. Pearson Education. According to the nature of the problem exploratory and descriptive research designs was selected by the researcher so that to answer questions on role of Network Marketing as a potential tool for social- economic development in Network Marketing Companies.

Qualitative research refers to the type of research that involves description. Although both data collection methods (qualitative and quantitative) were initially chosen because of their appropriateness to the topic of the study. However, the researcher used a quantitative questionnaire to collect baseline statistical information on age, sex, and other quantifiable information on the study.

3.3 Area of Study

Maxwell (2009) defines fields of research and scholarship pertaining to particular geographical/national/district. Dar es Salaam Region consists of three local government areas or administrative districts: northern Kinondoni, central Ilala, and southern Temeke. The Dar es Salaam Region had a population of 4,364,541 as of the official 2012 census. The study was conducted only in Temeke municipal according to 2012 census population is 3,688,881 where by female are 699,825 and men 669,056. The study carried out specific to Forever Living Products Company office located at Quality Plaza, Nyerere road. The reason for selecting this company

was due to the fact that, the company has showed good significance for both improved people income and also the forever living Products Company in the year 2011 was the second tax payer in Temeke. Furthermore in the year 2012 the company was the best among 100 SMEs on the country according to KPMG report.

3.3.1 Study Population

Polit and Hungler (1999:37) refer to the population as an aggregate or totality of all the distributors and staffs of age groups, educational status, socio-economic status, or according to Best and Khan (1998), population is any group of individuals who have one or more characteristics in common that are of interest to the researcher. Therefore, the population of the study was a group of distributors who conduct a business with forever living products company. The focused was distributors who are located in Dar es Salaam City. The aim was to get different views and opinions for the study. The focused of distributors were those who have conducted network marketing business for the period of between 0-5 years, that are believed to face more business challenges. According to the study conducted, there are exact figures of distributors conducting business in Tanzania .However, the recent records of August 2013, indicated that; female 18,000, and men 2,000, total is 20,000.

3.3.2 Sampling Procedure

LoBiondo-Wood and Haber (1998:249) defines is the process of selecting a portion of the population to represent the entire population is known as sampling. According to Moore, David S. and George P. McCabe (2006 "A simple random sample (SRS) of size n consists of n individuals from the population chosen in such a way that every set of n individuals has an equal chance to be the sample actually selected."1.) A convenient random. The subjects are selected just because they are easiest to recruit for the study and the researcher did not consider selecting subjects that are representative of the entire population. Sampling of was from 20,000 distributors who are all over the country It is estimated that 5000 distributors are based in Dar es Salaam. The sample was drawn from a group of 100 whom visiting the FLP center in Dar es salaam everyday to purchase the products. In this case, the population is all 20,000 distributors, and the sample is simple convenient because each distributor has

an equal chance of to chosen depend on his/her convenient. Simple convenient sampling was used to the analysis of NM as a potential tool for economic development might be different from the other. Therefore the population of the study was group of distributors who have been in this business for 0-5 years ‘from forever living company showed total distributors 20,000 for the whole Tanzania.

3.3.3 Sample Size

A sample is a small subset of the population that has been chosen to be studied. The sample should represent the population and have sufficient size so a given innovative or prosthesis can be subjected to a fair statistical analysis. Punch (2010). The study has a sample size of 82 respondents as shown in the table below (Table 3.1). According to Polit and Hugler (1999:225) it was economical to choose a sample of 44 women and 38 men from the entire population of women and men who doing this business in Forever living products company.

Table 3.1: Selected Sample

Sex	No of distributors	Sample
Women	18,000	44
Men	2000	38
Total	20,000	82

Source: Forever living company (URT)

3.4 Data Collection Methods

Polit and Hungler (1999:267) define as information obtained in a course of study. The study used a combination of methods (triangulation) to collect both secondary and primary data. Apart from enriching explanations of the research problem, triangulation also helps to reduce errors in data collection because each method has its own strength and weaknesses.

3.4.1 Secondary Data (Documentary Sources)

Secondary data for this study was obtained electronic from online website of the forever living company.

3.4.2 Primary Data

Kothari, (2009) defined primary data as “those data which are collected afresh and for the first time and thus happen to be original in character”. For this study the primary data was collected through the use of a structured standardized self-administered questionnaire to employee and distributors of Forever Living Products.

3.4.3 Research Instruments

According to Migendi (1999), research instrument refers to the technique or method used in data collection. In this study, questionnaires were used to elicit required information from the respondents. This instrument was designed in such a way that it possessed validity, reliability, consistency and accuracy of respondents’ responses so as to elicit valid information from them. Questionnaire all respondents have the same order, instruction and explanations are fixed and there is no opportunity for the respondents to seek further clarification.

3.4.4 Questionnaires

Kothari (2000), contends that, this instrument consists of a number of questions printed or typed in a definite order on a form or set of forms. This instrument was used to collect information in all objectives. The respondents questionnaires was printed in English, since from the pilot survey conducted by other researchers showed that most of distributors are undergraduate.

Questionnaires consisted of two major sections. The first section is to understand the characteristic of the respondent interviewed. This section included personal information i.e. Age, home background, education background, marital status. The second section included the activities that respondents is involved currently, length of time of the activities involved and benefits or challenges observed by the respondents when engaging in network marketing business. This section included closed questions. The style of English used in the questionnaire is very basic and simple, so that everybody could understand. Structured standard self-administered questionnaires consisting of section.....and where by questions were asked in a

systematic way. (See Appendix I) was used to collect data from various respondents. Where by questionnaire were handed out to the respondent to complete.

3.5 Ethical Issues

According to Sreubert and Carpenter (1999:33) a new set of ethical considerations is applicable when, however the same ethical principles must be observed by researchers when conducting research. Also Burns & Grove (1999:163) refer that the research subject has the right to remain anonymous and to assume that data collected will be kept confidential. In this study respondents were protected by keeping the information obtained from them confidentially, also consent was sought before the interviews and the information collected was strictly used for the purpose intended.

3.6 Data Presentation and Analysis

Quantitative data collected from self-administered questionnaires were organized and questionnaires were serially recorded and entered in the Epi data and analyzed using statistical software Stata version 12.0. Summary Tables, figures and graphs were drawn using MS Office Excel 2013.

CHAPTER FOUR

DATA PRESENTATIONS OF FINDINGS

4.1 Introduction

In this chapter, data is presented, analyzed and interpreted according to research questions.

Findings are presented in statistical tables and percentages. Responses from the respondents were analyzed and the results are presented in this chapter. The data discussed in this chapter are the data obtained from the three research questions respective corresponding to the three objectives.

4.2 Respondents' Background

Respondents' Background was among the aspects of researcher's investigation. The researcher aimed at identifying whether distributors are performing in their business or not before investigating the challenges networker facing. This aspect was treated in five categories: Personal information; Education background, occupation and profession; Business background; benefits from network marketing business, challenges and accessibility of loan and finance. The data for this objective were collected through one research instrument: Questionnaires

4.2 .1 Demographic characteristics of the respondents:

A total of 82 individuals responded by completing a self-administered questionnaire, with demographic information, who introduced them into the business and how they started network marketing business, their customers and benefits and challenges they are facing in network marketing business as a potential tool for socio-economic development

4.2.1.2 Age and Sex Distribution

Table 4.1 shows that 37.8% of distributors are at age between 30 – 39 years, 26.8% are at age between 20 – 29 years and 23.2% are at age between 40-49, while 12.2%

are at age more than 50 year. The majority of the respondents were female 53.7%, while male respondents were 46.3%.

Thus, the analysis of data shows that most distributors who doing network marketing business are female 53.7%. Analysis shows most of age between 30-39 years, (37.8%)

Table 4.1: Descriptive Characteristics of the Respondents

Variable		Frequency	Percentages	Cumulative percentage
Gender	Male	38	46.3	46.3
	Female	44	53.7	100.0
	Total	82	100.0	
Age groups	20 - 29 years	22	26.8	26.8
	30 - 39 years	31	37.8	64.6
	40 - 49 years	19	23.2	87.8
	> 50 years	10	12.2	100.0
	Total	82	100.0	
Marital status	Single	29	35.4	35.4
	Married	41	50.0	85.4
	Separated	9	11.0	96.3
	Divorced	3	3.7	100.0
	Total	82	100.0	
Education	Primary education	1	1.2	1.2
	Secondary education	14	17.1	18.3
	Diploma	24	29.3	47.6
	Undergraduate	25	30.5	78.0
	Postgraduate	18	22.0	100.0
	Total	82	100.0	
Occupation	Business man/woman	27	32.9	32.9
	Health care professionals	3	3.7	36.6
	Civil servants	13	15.9	52.4
	Private sector	17	20.7	73.2
	Self employed	22	26.8	100.0
	Total	82	100.0	

Source: Field data (2013)

4.2.1.3 Marital Status

Table 4.1 shows that, 35.4% of distributors are single, 50% are married and 11% are separated, 3.7% are divorced. Therefore, the analysis of data shows that, most distributors are married.

4.2.1.4 Educational, Occupation and profession background

Questions 4 and 5 of the questionnaire were used to obtain data for this category. The researcher considered this category for the purpose of identifying the major role of development which is accrued from education which empowers the business practices. And therefore, determining the education background, occupation and profession of the distributors could have implication on their business performance.

4.2.2. Educational background

Table 4.1 shows that, the educational background of the respondents varied from primary education to postgraduate level. The largest group is that of respondents with undergraduate education (about 30.5%) and the smallest group is the primary education with 1.2%. and 29.3% pursued Diploma, 22% pursued postgraduate, 17.1% pursued secondary education. The table therefore indicates that, most forever living products distributors pursued undergraduate education.

4.2.2.1 Occupation and Professional background

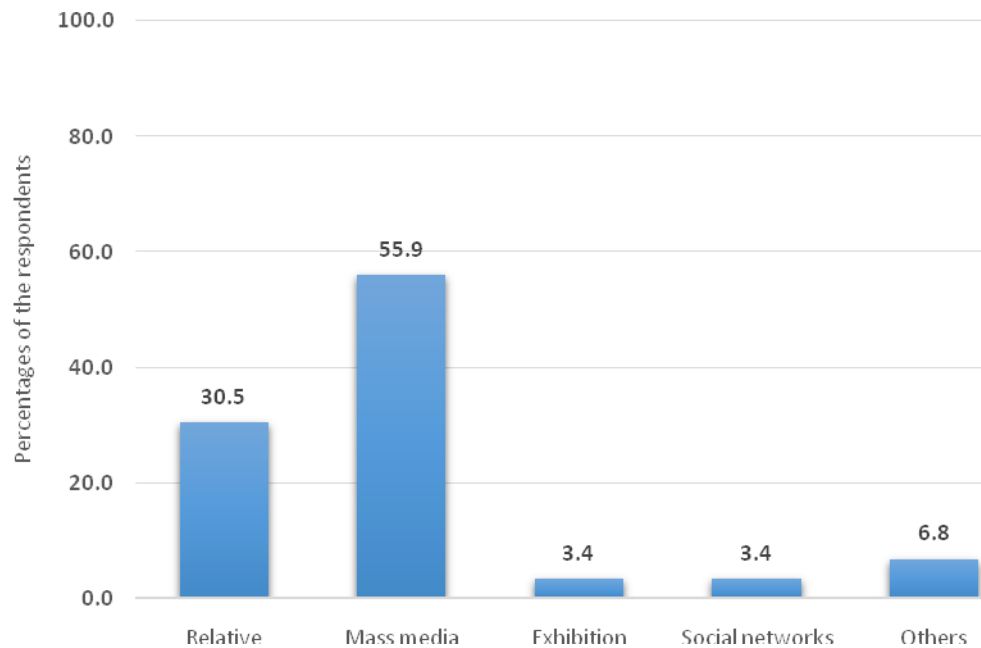
Table 4.1 shows the majority of the respondents were business men and women (32.9%) followed by those who are self-employed (26.8%) and those who are working in the private sector (20.7%). The least respondents were the civil servants and the health care professionals with 15.9% and 3.7% respectively.

4.2.2.2 Who introduce to network business?

Figure 4.1 shows that, the analysis shows who introduced the respondents into the network marketing business as demonstrated in figure 1. 55.9% of the respondents were introduced into the business through the advertisements in different mass media and 30.5% of them were introduced by their relatives. 3.4% of the respondents were introduced into the network marketing business through social networks (Facebook,

twitter and you tubes) and exhibitions while 6.8% were introduced through other eg. Friends.

Figure 4.1: Who Introduce the Respondents Into the Network Marketing Business?



Source: Field data (2013)

4.2.2.3 Summary on Respondents' Background

From Table 4.1, the analysis of data show that, most distributors of forever living business operators are of age between 30-39 years, and female are 53.7% and are majority are married 50%, followed by single 35.4%. Most distributors pursued undergraduate education 30.5% respectively.

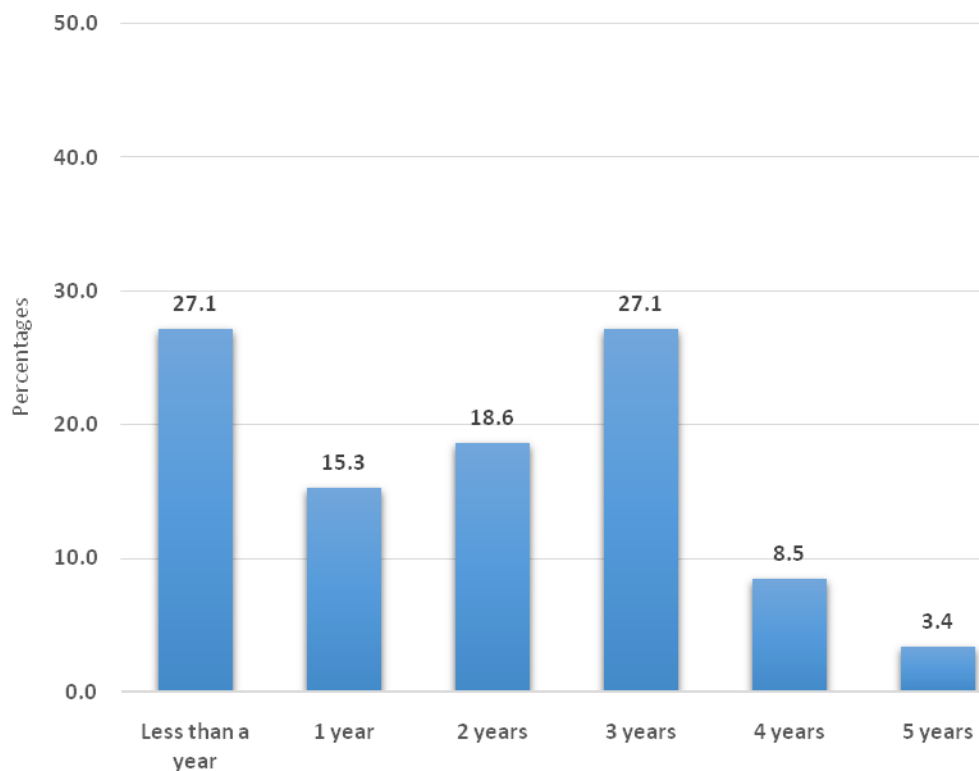
4.2.3 Business Background

Table 4.1, the analysis shows that 33.9% were business women/men, and 26.8% were self employed. The researcher included this category for the purpose of understanding the business experiences which plays a major role in business management and practices. This aspect has implication and facilitates the policy implementation for their development

4.2.3.1 Business Durations

Figure 4.2 shows for how long the respondents have been into the network marketing business. Equal proportion (27.1%) of the respondents has been into the business for less than a year and for about three years. They are followed by those who have been into the business for 2 years (18.6%), 15.3% and 8.5% have been into the business for 1 year and 4 years respectively. Fewer people respondents have been in the business for more than 5 years (3.4%).

Figure 4.2: How Long Have You Been in the Business?



Source: Field data (2013)

4.2.3.2 Socio-economic development in Tanzania

The study sought to establish how the networking business contributes to the socio-economic development in the country. Different questions were asked and responded to by different respondents in a bid to achieve the objective. The following are the findings.

Table 4.2: Response on How the FLP Company Contributes to Tanzania Economy?

Response	Frequency	Percent
Through tax payment	30	36.6
Creation of employment	41	50.0
Leverage and duplication	7	8.5
Work smarter not harder	4	4.9
Total	82	100.0

***NB: Cumulative number of the responses**

4.2.3.4 Contribution to the Tanzania economy

According to the table above (Table 4.2), 36.6% of the respondents indicated that the NM business contribute to Tanzania socio-development economy through paying tax and There are other ways of contributing to the economy; the findings revealed that 50% agreed that contribution to the economy is through creation of employment. Analysis data shows 8.5% agreed through technological innovation and 4.9% improvement of the quality of lives of the people in the business and their dependents.

4.2.4 Company registration and paying tax

Table 4.3 data obtained from forever living products company shows that since December 2007 to December 2011 total TSH 5 billion was paid to government as tax. The company registers 2007 in Tanzania. To be effective in contributing to the socio-economic development the company must be registered to the relevant authorities. The respondents were investigated based on whether they know if the company is registered or not. The data from the study shows (100%) of the respondents indicated that the company is registered and it pays tax.

4.3 Production, capacity and performance of the company since December 2007 to December 2011.

Table 4.3, data obtained from the company shows cash flow from December 2007 to December 2011. This is the performance of the company since register in Tanzania.

Revenue TSH.28 billion paid, TSH.5 billion paid to the government as tax, TSH 11 billion paid to distributors as bonus, TSH 600 million, paid out as incentives and travelling for distributors. Total of 44 billions and 600millions was paid from the forever living products company.

Table 4.3: Cash flow from December 2007 to December 2011

items	Tsh	in
Revenue	28	Billion
Paid to Government as TAX	5	Billion
Distributors bonus	11	Billion
Incentive and Travelling	600	Million
Total	44 billion and 600million	

Source: Forever living products company (URT)

Further data obtained from forever living company shows that, the company has approximately 20,000 distributors who are scattered in different areas in the country. 90% of these distributors are female and only 10% are male. The company has offices in five regions which is Dar es salaam, Dodoma, Arusha, Mbeya and Mwanza.

4.3.1 How distributors benefits from network marketing business

Table 4.4 shows that, 46.3% of distributors, benefits from personal development about business skills, products and services basics, and steps to build their business. This additional knowledge is important for people who want the network marketing business to be a major source of their income, 24.4% benefits from generating income, 19.5% from helping others, 6.1% unique products, and 3.7% profit share bonus.

Table 4.4: Response on How Do Distributors Benefits from Network Marketing Business

Response	Number	%
Personal development	38	46.3
Freedom	0	0.0
Making friends	0	0
Profit share bonus	3	3.7
Unique Products	5	6.1
Helping others	16	19.5
Income generating	20	24.4
Others	0	0.0
Total	82	100.0

Source: Field data (2013)

4.3.2 Distributors Income

Table 4.5 indicates that 35.4% of distributors generate income between 5,000,000/= and above per month, distributors 40.2% who generate between 500,000/= to 5,000,000/=, per month analysis shows that, 18.3% distributors generating between 100,000/= to 500,000/= per month, and 6.1% generating 100,000/= respectively per month.

Table 4.5: Response on How Much Bonus Distributors Getting per Month out of Their Sales

Income per month	Frequency	Percent
100,000	5	6.1
100,000-500,000	15	18.3
500,000-5,000,000	33	40.2
5,000,000 above	29	35.4
Total	82	100.0

Source: Field data (2013)

4.3.3 Number of People included in the team

Table 4.6 shows that, 28% of distributors have included more than 20 people on their team, and 25.6% have included 6 to 10 people in their team, 24.4% have included 16 to 20 people in their team, 12.2% included less than 5 people and 9.8% included 11

to 15 people in their team. Therefore, the analysis of data shows that, most of distributors have included more than 20 people in their team.

Table 4.6: Response on How Many People You So Far Included in Team Have

Size of team	Respondents	Percent
Less than 5 people	10	12.2
6-10 people	21	25.6
11-15 people	8	9.8
16-20 people	20	24.4
More than 20 people	23	28.0
Total	82	100.0

Source: Field data (2013)

4.3.4 Source of capital

Table 4.7 indicates that, 46.3% obtained capital for starting network marketing business from their personal savings, 24.4% obtained capital for starting network marketing business from their friends and 18.3% obtained capital from their relatives, 6.1% obtained starting capital from bank loan, followed by 4.9% obtained capital for starting network marketing business from micro finance institutions.

Therefore, the analysis of data shows that most of distributors did not have access to credit facilities from financial Institution and bank loan, but they started business from their personal savings and loan from relatives/ friends

Table 4.7: Response on What Was the Source of Capital to Establishment of Network Marketing Business.

Source of capital	respondents	Percentages
Micro finance Institution	4	4.9
Personal savings	38	46.3
Loan from relatives	15	18.3
Loan from friends	20	24.4
Bank Loan	5	6.1
Total	82	100.0

Source: Field data (2013)

4.3.5 Challenges of the network marketing business

Table 4.8 below indicates that 32.9% of distributors lack confidence, when it comes to promote the business and products to customers, while 24.4% lack commitment, which means they lack goals and dreams and easy to quit the business, Furthermore findings 14.6% have poor communication problem, means lack skills business, marketing and products skills, and 15.9% lack money either for starting or running the business, followed by 12.2% shortage of products from the warehouse. Therefore the analysis shows that most distributors lack confidence.

Table 4.8: Response on What Are Challenges as Networker Marketing Distributor You Are Facing Conducting Business

Challenges	Respondents	Percent
Poor communication	12	14.6
Lack of commitment	20	24.4
Lack of money	13	15.9
Lack of confidence	27	32.9
Shortage of products	10	12.2
Total	82	100.0

Source: Field data (2013)

There are a number of challenges members of the network business are facing. The larger the network the more the client is likely to benefit as he or she will have a wider scope of sharing or distributing his or her products. Other challenges mentioned include availability of products on time, small capital and lack of experience and knowledge on the business especially on starting networking. Registration of the company is important; some of the company may use the opportunity to evade tax.

CHAPTER FIVE

DISCUSSION

5.1 Discussion of Findings

The findings are discussed according to the research objectives, this chapter answers the questions on how and why the data relate to the objectives of the study.

The study revealed that most of the respondents have a positive perception on the network marketing business and with the FLP Company in particular. Through networking, members get to know and help each other informally. The company also pays tax, creates employment and because staff forms network even through internet then it provides technological innovation and eventually improves quality of life through income they are getting.

5.2 Findings from research question one

Research question one: What is the contribution of Network Marketing as a tool for economic development in Tanzania

According to the view made by (Ongong'a & Abeka, 2011) that network marketing business contributes to the economy informally and formally.

Furthermore, The important role that small businesses and entrepreneurship play in stimulating economic activity, creating employment, wealth creation ,alleviating poverty ,uplifting living standards and paying tax to the government , has been recognized internationally as well as in Africa. Vuuren & Groenewald, (2007:269)

The study was also supported by (Achrol & Kotler, 1999; Clegg, 2000; Piercy & Cravens, 1995) who asserted that network marketing business is the shifting paradigm on economy development.

5.2.1 Respondents' Background

The data obtained revealed that, most distributors who doing network marketing business ages between 30-39 years. Majority are married

5.2.2 Personal Information

Findings represent from table 4.2 show that, distributors of forever living products are of age between 30-39 years and most of them are married. Most distributors have been in business for 3 to 4 and few 5 year and, most of distributors pursued undergraduate education, findings. High percentages of distributors are women. According to Heilman and Chen (2003:360) as well as Botha (2006:122) argued that various push-and-pull factors exist that can motivate women to start their own businesses. Maas and Herrington (2006:19) pull factors to entrepreneurship are relevant to women entrepreneurs, i.e. the need for independence, achievement and self-fulfillment; providing a challenge to the female entrepreneur; improving the financial position of women entrepreneurs and their families; the desire to be their own boss and to control their own life; it provides more flexibility for balancing work and family; they can develop and commercialize a hobby; entrepreneurship gives them the opportunity to make a contribution to the community and be reckoned for that; and the influence of role models such as their parents, family, friends or leading entrepreneurs in the community can make entrepreneurship an attractive prospect or career choice to them.

5.2.3 Business Background

The data obtained reveal that, among the distributors, most of them were in a business for duration of 0-5 years. Most of distributors obtained capital for starting from their personal savings or loan from relatives and friends. Findings presented in table 4.7. This indicates that, there are difficulties in accessing credit facilities or there is information gap between Micro entrepreneurs and financial institutions.

5.2.4 Contribution to the Tanzania economy

According to the view made by (Ongong'a & Abeka, 2011) that network marketing business contributes to the economy informally and formally.

The researcher aimed at identifying whether network marketing business contributes to economy development in Tanzania through tax payment, creation of employment, technological innovation and improvement of quality of life. Contribution to Tanzania economy as it is supported by findings presented in table 4.2, 4.3, 4.4, 4.5, 4.6 and 4.7.

As table 4.2 shows, most respondents indicated the contribution to Tanzania economy is through creation of employment, (41) respondents indicated, followed by tax payment to the government (30) respondents indicated and technological innovation (7) respondents indicated. This finding comply to Kiyosaki (2004) that network marketing business is the Business of the 21st Century, create more employment for people who want to be their own. The findings was also supported by (Achrol & Kotler, 1999; Clegg, 2000; Piercy & Cravens, 1995) who asserted that network marketing business is the shifting paradigm on economy development.

5.2.5 Production, capacity and performance of the company since December 2007 to December 2011

The data obtained from forever living company show that, period of December 2007 to December 2011, Tsh 5 billion had paid to the government as a tax. Forever living Products Company is growing revenue since started is Tsh 28 billion. In addition Tsh 11 billion had paid as distributors' bonus and Tsh 600 million paid as other incentive and travelling for distributors. Forever living products company since started had paid out Tsh 44 billion and 600 million for different activities; this is a good contribution to economy development. This data from table 4.3

5.2.6 Distributors Income

The income ranging between 500,000/= and 5,000,000/= they earn monthly as bonuses is mostly utilized in improving quality of their life and other development issues. The findings agree.

NM is seen as the opportunity that provides passive or residual income that offers the possibility of a high level of income, which is not attainable by those who only enjoy linear income Kiyosaki,R (2004); Hedges, (2001), as it is supported by findings presented in table 4.3.

5.2.7 Number of People included in the team

Table 4.6 shows that, most of distributors have included more than 20 people on their team, NM is a business which require distributors to have ability to build an organization of people who are doing three things; 1) Using the products, 2) Retailing the products and 3) Building a downline organization of people doing only these this indicates that most distributors fall in a category of Micro entrepreneurs. But Kiyosaki,R. (2004),argue that network marketing, it is a business that promises financial independence and personal freedom with the power of leveraging, by focusing on the ability to earn residual income or passive income rather than a linear income.

5.3 Findings from Research Question Two

Research question two: How do Network Marketing Distributors benefit from Network Marketing business at Forever Living Product Company?

The researcher included this aspect for the purpose of identifying how distributors benefits from network marketing business, researcher was interesting to know economy benefits and social benefits.

5.3.1 Economic benefits

Table 4.5 show that most distributors generate income of between 500,000= to 5,000,000/= and above on monthly basis. This finding comply with Kiyosaki, R (2004); NM is seen as the opportunity that provides passive or residual income that offers the possibility of a high level of income, which is not attainable by those who only enjoy linear income. Further more the finding shows that most distributors generate financial independence through leverage, Hedges, (2001). It is a business that promises financial independence and personal freedom with the power of

leveraging, by focusing on the ability to earn residual income or passive income rather than a linear income.

Table 4.3 the data obtained from the forever living products company have significant that, the government is getting tax , as shows Tsh 5 billion have paid as tax, as distributors bonuses Tsh 11 billion have paid to them. The revenue also is about Tsh 28 billion, this is a good benefit for economy developments.

5.3.2 Social benefits

(i) Personal Development

The findings indicate that, personal development is benefits to many respondents. According King and Robinson, (2000). What the literature says is the NM business offer personal development, this help respondent to see the success through team growing. As the finding indicates that distributors have managed to grow and change social life of their business skills and personal life skills.

(ii) Helping more people

According to King and Robinson, (2000) and Robert Kiyosaki (2004) helping more people to generate more income. The findings indicate that distributors like helping more people to generate income and change theirs lives too. While the principles of network marketing remain the same in nearly every business that follows this model, FLP, company offer a wide variety of products and services which fit to friends, family members, and business contacts. According to VanDruff (2005),findings indicate that distributors doing this the NM industry because of their positive attitude towards MLM, they are often reminded that they are indeed in the business for themselves, not by themselves. Study data shows distributors have positive altitude on business and products, and this helping them to help more people or find more people who interesting to buy or start the business. These findings also comply with Blythe, (1997).

Findings show that, network marketing business distributors choosing this kind of business because it is aligned with their objectives and find a product that they believe and have benefit to people around them. For example, some respondents have a passionate about skin care; they joined a company to offers products designed to help other members to enjoy healthier, more beautiful skin. Likewise, if you enjoy helping others enjoy increased energy and vibrant health, you can find a business opportunity that offers personal wellness products

(iii) Making Friends

The findings data indicate that, distributors making more friends, the people who interact daily on the business. According to Wilson & Sasse (1999), to start relationship need to have something for starting. Further more VanDruff (2005), positive attitude help distributors to find more friends. Finding shows that distributors have benefits to do network marketing business due to making new friends; most of network marketing company business opportunity have culture of supports and encourages positive distributors. Teams' members are friends for life and become like family

Personal Freedom

Findings shows that, network marketing business provide personal freedom for distributors who are doing this network marketing business. According NM companies' promise that is personal freedom and financial independence (Feinberg and Eastlick, 1997). There is a desire to be one's own boss, in NM business. Personal freedom is particularly important for network marketers who have young children. The rising costs of daycare can be difficult for traditional employees to manage. In addition, you may not want to trust your child's well-being to. Others mentioned the many incentives that draw the respondents

Network marketing business provide respondents the ability to set own schedule, allows to tailor work to life instead of having to manage personal obligations outside of a traditional work schedule. This means that distributors won't have to worry about a boss telling them what to do, and not to do.

5.4. Findings from Research Question Three

Research question three: What are the challenges that Network Marketing distributors are facing in conducting business at Forever Living Product Company Challenges in Network Marketing do exist as in any other business. Building a Network Marketing home based business is not easy, but it isn't as tough.

Table 4.8 findings shows that most of distributors lack confidence on performing this business 32.9%lack of commitment 24.4%network marketing is a social network business, need high interactions with people, good communication skills. This findings comply with (Jones, Suoranta, & Rowley, 2013; Rath, 2013) indicated that other important challenges are poor communication, Lack of confidence, lack of commitment, lack of money sustaining pricing, reassurance of the buyers and customers' education.

According to (Jones, Suoranta, & Rowley, 2013; Rath, 2013) indicated that other important challenges are poor communication, Lack of confidence, lack of commitment, lack of money sustaining pricing, reassurance of the buyers and customers' education.

This implies becoming a Network Marketer is not as easy no matter what network marketing company distributors joined and what product respondents promoting, don't fall victim to the hype and false beliefs.

(i) Lack of confidence

The findings of this study show 32.9% of distributors lack confidence, which means they fail to promoter or talk with other customers about the products or business benefits. They are clueless when it comes to promoting their business. They rarely have anyone to guide and help them on the right track. The first thing their upline tells them to do is make a list and tell everybody distributors know about the business. Well, they go out there and they don't know what the heck they are doing.

They just go out and hope something sticks, hoping to get that someone who is going to explode their business. Been there, done that. According to Munuo (2009),

this challenge can be eliminated by attending trainings that are offered at the most of the Network Marketing companies' offices.

(ii) Lack of commitment

In the findings shows 24.4% distributors lack commitment and quit the business. This means they don't have any goals and dreams, so they are confused and lost. According to Munuo (2009), this challenge can be eliminated by attending trainings that are offered at the most of the Network Marketing companies' offices. This is another challenges for network marketing business, some distributors don't give time to see the result.

(iii) Poor communication

Findings shows also is challenges contributed 20.7% , most distributors don't have communication skills about the marketing, business and products. Personal development and training is more important to build them. According to Munuo (2009), this challenge can be eliminated by attending trainings that are offered at the most of the Network Marketing companies' offices.

5.5. The impact of Network marketing business to Tanzania

A process that brings about changes in locations where people live, work, and share things in common, generally to bring about socioeconomic development, usually in terms of improvements, life expectancy, literacy, levels of employment, etc.

Although harder to measure, changes in less-tangible factors are also considered, such as personal dignity, freedom of association, personal safety and freedom from fear of physical harm, and the extent of participation in civil society

(i) Employment and Income

The total distributors all over the country is 20,000, this is a small slight change compare to our census data of 2011, but the growth is very high in terms of taxes paid to government from 2007-2011 is Tsh 5billion. (Data source FLP 2013)

Development directly influences changes in employment and income opportunities in communities. Such changes may be more or less temporary (e.g. distributors who

doing this business), where by some doing as a part time and other as a permanent ways of generating income. Although harder to measure, changes in less-tangible factors are also considered, such as personal dignity, freedom of association, personal and safety

In the findings show that there is a change in the employment and income profile of the distributors which bring long term business opportunities for distributors. Changes in income also influence the social environment in a number of ways such as raising or lowering the average standard of living for residents. From findings the network marketing business has raising ordinary people to extra ordinary.

(ii) Quality of life

Such attitudes are a reflection of the quality of life residents seek to enjoy and preserve, whether it be limiting growth in order to maintain the rural image of a small community; The Network marketing business has improve quality of life for those 20,000 distributors, who are all over the country, this quality of life includes, housing, foods, personal skills etc.

(iii) Demographic impacts

Demographic impacts include the number of new distributors increasing every year distribution in the composition of the population, (e.g., age, gender, ethnicity, wealth, income, occupational characteristics, educational level, and health status). From the study findings a total of 62 distributors also engaged on others activities means doing this business a part time.

CHAPTER SIX

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter summarizes the findings of the study, presents conclusion and makes recommendations.

6.2 Summary

The study was about network marketing business as a potential tool for socio-economic development in Tanzania. It aimed at identifying and understanding roles of NM, benefits and challenges. For instance the study revealed that NM business contributes to the national economy through paying tax, employment and technology innovation. However, there are a number of challenges noted. From the findings, the researcher concluded that NM business is a potential tool for socio-economic development in Tanzania.

6.3 Conclusion

Basing on the objectives of the study and findings so obtained; the following conclusion and recommendations are drawn

6.4 Recommendations

FLP Company has to educate the clients and also listen to their suggestions. Availability of the quality products must be ensured through

From the literature review Kiyosaki (2004) 21st century business, recommendations based on the following:

a) The Government:

- (i.) It's time for government to teach students about network marketing business as a subject
- (ii.) Policy, decisions makers should understand the concept of network marketing and abide it

- (iii.) Society should be aware about this concept of network marketing business through magazine, television etc

b) Distributors

- (i.) Distributors should have knowledge , skills and techniques required in network marketing business
- (ii.) Distributors should concentrate on network marketing business for 3-4 years for results.
- (iii.) This business is recommend for those who want to retire early
- (iv.) Rather than using a push strategy where you are trying to sell products to people, also try to attract sales to your business. Use classified newspaper advertising, flyers or make a specific location known for the products for pick up. MAKE PEOPLE COME AGAIN. Research and strategy has to be involved network marketing because it sounds good.

6.5 Areas for further Research

- (i) Why companies still using tradition way of marketing despite of all benefits of network marketing business
- (ii) Network marketing business have many benefits to distributors, why people still skeptical to join or start doing it
- (iii) There is also need to get trained in an area that is relevant to the business carried. This findings has clearly shown most distributor lack confidence and have poor communication skills with relevant training run successful businesses

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APPENDICES

Appendix 1: QUESTIONNAIRE – Company Distributors

Questionnaire for Forever Living Products Company Distributors

Dear respondent,

The main purpose of this questionnaire is to get information that will assist me in my research on Network Marketing business as potential tool for social-economic development in Tanzania.

Your response will be totally anonymous and the highest degree of confidentiality will be maintained. I therefore request you to answer the following question as honestly and openly as you can.

Section (A) Background Information

Instructions: Please circle the most appropriate answer which relates to you and to your work.

1. Gender:
 - (i) Male
 - (ii) Female

2. What is your age? |_|_| (in years)

3. Marital Status:
 - (i) Single
 - (ii) Married
 - (iii) Separated
 - (iv) Divorced
 - (v) Widowed

4. What is the highest level of education you have attained or completed?
 - (i) Primary Education
 - (ii) Secondary Education
 - (iii) Diploma level
 - (iv) Undergraduate level
 - (v) Postgraduate level
 - (vi) Other (Please Specify).....

5. What is your other career/work?
 - (i) Business man/woman
 - (ii) Health care professionals (eg doctors, nurses, radiologists, pharmacists etc)
 - (iii) Civil servants (all government employees)
 - (iv) Private sector (NGOs, private institutions)
 - (v) Self employed
 - (vi) Other (Please Specify).....

GENERAL QUESTIONS

Section (B) Role of Network Marketing Business as a Tool for Economic Development in Tanzania

6. Who introduced you into this business?
 - (i) Relative
 - (ii) Friends
 - (iii) Through mass media (eg radio, newspapers, TV)
 - (iv) Through exhibitions
 - (v) Through social networks (eg. Facebook, twitter, Jamii forums etc)
 - (vi) Other (please specify)

7. For how long have you been in this business? [If you have been in the business for less than a year please indicate by circling the appropriate word?] |_|_| Years / Months |_|_|

8. What was the source of your capital for the establishment of your networking business?
- (i) Micro finance institution
 - (ii) Personal savings
 - (iii) Loan from relatives
 - (iv) Loan from friends
 - (v) Bank loan
 - (vi) Other (please mention).....
9. How does network marketing business contribute to Tanzania's economy?
Please circle the MOST appropriate answers!
- (i) Through tax
 - (ii) Creation of employment
 - (iii) Leverage and duplication
 - (iv) Work smarter, not harder
10. How many people have you so far included in your team?
- (i) Less than 5 people
 - (ii) 6 – 10 people
 - (iii) 11 – 15 people
 - (iv) 16 – 20 people
 - (v) More than 20 people
 - (vi) Non
11. How are doing this network marketing business?
- (i) Fulltime
 - (ii) Part time

Section (C): How Network Marketing distributors benefit from Forever Living Product Company

1. How much do you get per month out of your sales?
 - (i) 0 – 100,000/=
 - (ii) 100,001/= - 500,000/=
 - (iii) 500,001/= - 1,000,000/=
 - (iv) 1,000,001/= and above
 - (v) Non

2. Who are your customers?
 - (i) Women
 - (ii) Men
 - (iii) Both

3. What is the scope of distribution of your products? (circle all applied)
 - (i) Within the same vicinity
 - (ii) Within same district
 - (iii) Within same region
 - (iv) Within the whole country
 - (v) Outside the country

4. Do you benefit from the company apart from the profit obtaining from selling of the products?
 - (i) Yes
 - (ii) No

If YES please indicate how by circling all that applied the most to you

- (i) Personal development
- (ii) Car plan bonus
- (iii) Travelling bonus
- (iv) Profit share bonus
- (v) Making friends
- (vi) Helping others
- (vii) Freedom of time
- (viii) Other (explain)

5. What are the challenges as Networker Marketing distributor you're facing in conducting the business?

- (i) Poor communication skills
- (ii) Lack of commitment
- (iii) Lack of money
- (iv) Lack of confidence
- (v) Shortage of products
- (vi) Others (explain)

Thank You for Your Cooperation

Appendix 2: Questionnaire – Staff - FLP Company

Interview Guide for the Staff at Forever Living Products Company

Dear respondent,

The main purpose of this questionnaire is to get information that will assist me in my research on Network Marketing business as potential tool for social-economic development in Tanzania.

Your response will be totally anonymous and the highest degree of confidentiality will be maintained. I therefore request you to answer the following question as honestly and openly as you can.

Section (A) Background Information

Instructions: Please circle the most appropriate answer which relates to you and to your work.

1. Gender:
 - (i) Male
 - (ii) Female

2. What is your age? |_|_| (in years)

3. Marital Status:
 - (i) Single
 - (ii) Married
 - (iii) Separated
 - (iv) Divorced
 - (v) Widowed

4. What is the highest level of education you have attained or completed?
 - (i) Primary Education
 - (ii) Secondary Education
 - (iii) Diploma level
 - (iv) Undergraduate level
 - (v) Postgraduate level
 - (vi) Other (Please Specify).....

5. What is your other career/work?
 - (i) Business man/woman
 - (ii) Health care professionals (eg doctors, nurses, radiologists, pharmacists etc)
 - (iii) Civil servants (all government employees)
 - (iv) Private sector (NGOs, private institutions)
 - (v) Self employed
 - (vi) Other (Please Specify).....

Section (B) Role of Network Marketing Business as a Tool for Economic Development in Tanzania

6. Who introduced you into this business?
 - (i) Relative
 - (ii) Friends
 - (iii) Through mass media (eg radio, newspapers, TV)
 - (iv) Through exhibitions
 - (v) Through social networks (eg. Facebook, twitter, Jamii forums etc)
 - (vi) Other (please specify)

7. For how long have you been in this business? [If you have been in the business for less than a year please indicate by circling the appropriate word?] ___|___| Years / Months ___|___|

8. What was the source of your capital for the establishment of your networking business?
- (i) Micro finance institution
 - (ii) Own saving
 - (iii) Relatives
 - (iv) Friends
 - (v) Loan
 - (vi) Other (please mention).....
9. How does network marketing business contribute to Tanzania's economy?
Please circle the MOST appropriate answers!
- (i) Through tax
 - (ii) Creation of employment
 - (iii) Leverage and duplication
 - (iv) Work smarter, not harder
10. How many people have you so far included in your team?
- (i) Less than 5 people
 - (ii) 6 – 10 people
 - (iii) 11 – 15 people
 - (iv) 16 – 20 people
 - (v) More than 20 people
 - (vi) Non
11. How are doing this network marketing business?
- (i) Fulltime
 - (ii) Part time

Section (C) How Network Marketing distributors benefit from Forever Living Product Company

12. How much bonus do you get per month out of your sales?
- (i) 0 – 100,000/=
 - (ii) 100,001/= - 500,000/=
 - (iii) 500,001/= - 5,000,000/=
 - (iv) 5,000,000/= and above
 - (v) Non
13. Who are your customers?
- (i) Women
 - (ii) Men
 - (iii) Both
14. What is the scope of distribution of your products? (circle all applied)
- (i) Within the same vicinity
 - (ii) Within same district
 - (iii) Within same region
 - (iv) Within the whole country
 - (v) Outside the country
15. Do you benefit from the company apart from the profit obtaining from selling of the products?
- (i) Yes
 - (ii) No

If YES please indicate how by circling all that applied the most to you

- (i) Personal development
- (ii) Car plan bonus
- (iii) Travelling bonus
- (iv) Profit share bonus
- (v) Making friends
- (vi) Helping others
- (vii) Freedom of time
- (viii) Other (explain)

16. What are the challenges as Networker Marketing distributor you're facing in conducting the business?

- (i) Poor communication skills
- (ii) Lack of commitment
- (iii) Lack of money
- (iv) Lack of confidence
- (v) Shortage of products
- (vi) Others (explain)

17. How much distributors have been paid as bonus since company started in Tanzania?.....

18. Do the Forever living products company paying tax?

- (iii) Yes
- (iv) No

19. How much the FLP have paid as a taxes to the Government from 2007-2012

Thank You for Your Cooperation

Appendix 3: Work Plan and Time Schedule

ACTIVITY		SCHEDULE				
		Aug-Sep	Oct-Nov	Nov-Jan	Feb-Mar	Mar
2012/2013						
Proposal						
Literature Review						
Instrument Pretest						
Data Collection						
Data Analysis						
Dissertation write-up						
Report Submission						

Appendix 4: Budget

Activity	Estimated Cost
1. Production of research Proposal-	25,000/=
2. Interview Guide production -	9,600/=
3. Data Collection Cost -	550,000/=
4. Report writing –	165400/=
5. Data Analyst-	100,000/=
6. Dissertation production cost-	150,000/=
Total	1,000,000/=