



**“FACTORS INFLUENCING STUDENTS TO JOIN MULTI-LEVEL MARKETING (MLM)  
BUSINESS: A STUDY AT UiTM KOTA SAMARAHAN, SARAWAK”**

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**JULY – DECEMBER 2012**

## ACKNOWLEDGEMENT

I would like to express my special thanks of gratitude to my supervisor, Dr Bidin Chee bin Kifli and not to forget my second advisor, Pn Siti Mardinah bin Abdul Hamid who gave me the golden opportunity to do this wonderful project on the topic "*Factors influencing students to join Multi-Level Marketing (MLM) Business: A study at UiTM Sarawak, Kota Samarahan*". They had helped me a lot in doing The Research and i came to know about so many new things. I am really thankful to them.

Secondly i would also like to thank my parents and friends who helped me a lot in finishing this project within the limited time. I am making this project not only for marks but to also increase my knowledge.

I have taken efforts in this project. However, it would not have been possible without the kind support and help of many individuals and organizations. I would like to extend my sincere thanks to all of them.

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## Chapter 1

### INTRODUCTION

#### 1.0 Introduction

This chapter is an introduction part which will give an overview on this study. It consist of the background of the study, problem statement, research objective, research question, significant of the study, definition of term, and limitation of study that used in this study.

#### 1.1 Background of the study

MLM is a genre of *personal selling* where products or services are distributed by the agent to the customer through personal contact without the need for a permanent business location (Direct Selling Association of Malaysia, 2010). The Malaysian Ministry of Domestic Trade, Cooperatives and Consumerism reported that as of 31 December 2009, direct selling licenses were granted to 491 companies, of which 350 companies have an MLM plan (MDTCC, 2010). The sales from the direct selling industry in Malaysia were valued at RM 3.7 billion in year 2008 (MDTCC, 2010).

However, MLM as a concept has been plagued with its negative association with "easy money" *pyramid* and *Ponzi* schemes which thrive on securing their revenue mainly from large initial fees upon recruitment. This has led to the violation of trust and raised many questions about legitimacy of MLM as a viable career option.

It is stated that people promoting multilevel marketing praise it as an opportunity of a lifetime with no catch. Claims that there is indeed a serious catch: the conventional process of promoting this so-called opportunity to friends and virtually everyone else in someone's circle of acquaintance is, for the most part, unacceptable in western society. Maintains that truly determined sellers may well make money, but most will not, capitulating rather in the face of rejection ranging from disinterest to serious disapproval and resentment of the matter having being raised at all. Shows the conventional defenses raised by proponents of multilevel marketing to be seriously flawed if not quite spurious.

## CHAPTER 2 LITERATURE REVIEW

### 2.1 Literature review

#### **MLM**

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 MLM 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 MLM 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 and Robinson, 2000). There is no end to the amount of literature that is being generated almost daily in praise of the MLM business, by the MLM companies themselves, individual distributors and MLM umbrella bodies with vested interests in the industry (Dykema, 1999). Although the MLM industry involves millions of salespersons globally and is being looked at as the marketing system of the 21st century (Poe, 1999), there are many skeptics and detractors who are adamant about MLM being flawed and even morally wrong (Clements, 2001).

There are many researchers who have come up strongly in support of MLM 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). MLM 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).