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FACTORS INFLUENCING RETENTION IN NM BUSINESSES: A STRUCTURAL EQUATION MODEL APPROACH

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Keywords

Structural Equation Model,
Network Marketing.

Abstract

Network Marketing (NM), involves direct sales of products, often in a home or social setting, distinguishing it from traditional retail models. This model has shown a rapid growth, mostly worldwide. It fosters teamwork and community, as success depends on building a supportive network of distributors. Therefore, the goal of this study is to assess the variables affecting retention in NM companies. The data that was gathered was analysed using a structural equation model. The research found that there is a significant influence of "motivation and commitment, perceived financial rewards, and support and mentorship on retention in NM business.

1. INTRODUCTION

The contemporary period is characterised by networking and information. Information network technology has transformed the way people acquire and distribute information globally (Yin et al. 2019; Delima et al. 2019). The rapid expansion of the network economy brought about the advancement of information network technology, especially the internet, has had a profound influence on every aspect of human life. Network technology also gives companies a big method to boost their overall competitiveness. Businesses are using new network technologies to alter their organisational structure, business procedures, and company philosophy. As network technology advances and social norms shift in the network era, NM is a novel concept. It includes computer

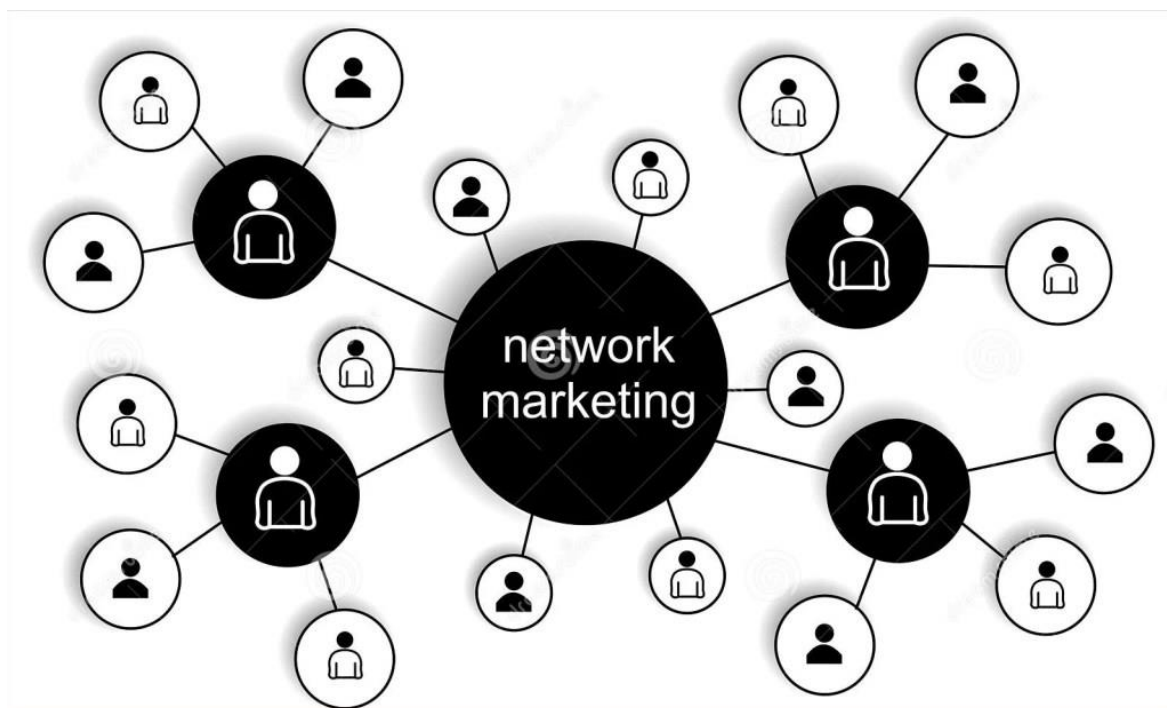


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communications, digital exchange media, and the Internet. It carries out product pricing and innovative marketing activities in the sales, promotion, distribution, and other processes, as well as putting the enterprise's creativity and aims into practice in novel ways, techniques, and concepts. Internet marketing is a cost-efficient and rapid sales technique for businesses using corporate marketing. Its purpose is to "make large enterprises smaller and small businesses bigger" (Beyca et al. 2019). Additionally, Internet marketing has grown to be a crucial component of business marketing strategy due to the widespread usage of the Internet nowadays. To compare online marketing performance evaluation with the unified evaluation criteria, a specific set of quantitative and qualitative indicators must be used. To produce an impartial and equitable assessment of the business's ongoing development capabilities and operational outcomes with precise, thorough examination and interpretation, it should adhere to certain protocols and employ scientific methodologies. Marketing decision-making requires the assessment of marketing performance (Zhand et al., 2016; Ducange et al., 2018). Organisations must be able to accurately assess their marketing efforts and determine that the current marketing era is an information and network era.

➤ Network Marketing



<https://amwaybusiness.in/news/network-marketing-unveiled-the-untold-benefits-and-opportunities/>

Network marketing, sometimes referred to as multi-level marketing, is a company strategy or model that uses commission-based or part-time employees to market and sell products and services to consumers. Numerous reasons have contributed to the recent rise in the number of businesses

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implementing this business model. Business organisations engaged in NM frequently develop additional distributor tiers and motivate them to expand their workforce. A percentage on the sales made by their team members is also paid to the distributors who hire new employees under them. Similarly, these new distributors continue to recruit other distributors, and so on. Therefore, it is reasonable to state that the foundation of NM is the recruitment of distributors and the encouragement of distributors to recruit distributors to earn commissions from their sales. (Joshi, P. 2023).

2. REVIEW OF LITERATURE

1. Akindejia, E. & Madondo, E. (2024)

Highlighted that the research examines the factors contributing towards motivation among the distributors in engaging successfully in the NM business in KwaZulu-Natal. The results derived from the research indicates that the motivation of the distributor is influenced by innovativeness as well as by the quality of the products offered for sale. The compensation package also freaky influences the distributor's in retaining themselves within the business. The researchers suggests that the companies involved in NM business should remain intact in their innovativeness and in producing quality products which meets or exceeds the distributors expectations in driving their motivation.

2. Kleynhans, M. (2023)

Determined the impact of satisfaction of the distributor which drives them in retaining themselves in the NM business. The findings derived from the research shows that loyalty, trust, incentives earned on the basis of their performance are the major contributing factors in retention of the MLM distributors into the business for a longer period of time.

3. Lai, W. (2023)

Analysed in their research study about the factors which influences the students at the University in Malaysia considering adopting NM as a career prospect. The research identifies factors such as salesperson's perception, income, company's perception, and efficacy. The findings derived from the research states that the NM professionals are motivated in adopting as well as understanding the concept of NM business through this variables.

4. Makore, A., Moyo, T., et al. (2023)

Conveyed through their research study that it intends in examination of the factors which determine the influences the marketers and reasons for the success of the NM business in the economy of Zimbabwe. The results derived from the research recommends that the factors such as methods for team building, incentives, and strategies for support, are the main factors which influence the retention of the marketers in this NM business.

5. Gulabdin, S., Sung, T., et al. (2022)

Discussed the factors which influences the retention of the distributors in the NM business and also examining significant mediating impact on the relation among agreeableness, extraversion,



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emotional stability, conscientiousness, performance of the agent, and openness to experience. The findings derived from the research indicates that the agent's performance is highly affected by the achievement of their own goals such as income and incentives which greatly influence them in entering the MLM business. All the other factors also show a positive impact on the retention strategies for NM business.

6. **Liang, L. (2020)**

Examined in their research study about the factors which influence the retention of the marketers in NM business. It also studies the relation among entrepreneurial orientation, transformational leadership, performance of the channel, and relationship marketing in influencing the marketers. The findings derived from the research suggests that also the training programs for development of soft skills is found to be useful for the marketers in conducting their operational activities efficiently. Also the sales leaders play an important role in leading them to drive towards optimum performance.

7. **Keong, L. & Dastane, O. (2019)**

Investigated that the main aim of the study was in finding the factors which contributes towards the sustainable competitive advantage for the firms engaged into the business of NM in Malaysia. The results derived from the research indicates that the image of the company, distributor rewards system, leadership, as well as the training system for the distributors, are the major factors which impacts the sustainable competitive advantage and the retention policies within the NM organizations.

8. **Lee, KF., Lau, TC., et al. (2016)**

Identified the major factors which influences the distributor's satisfaction level related to the NM organizations in Malaysia. The research identifies five determinants which are methods for diffusing of opportunities in business, up-line support, perceived training program's quality, perception regarding goods or services, and perceived quality of the process of recruitment. The findings from the research indicates that from within the five factors, apart from perceived training program's quality either all have a positive influence over the level of satisfaction of the distributors.

3. **OBJECTIVES OF THE STUDY:**

1. To analyse the factors influencing retention in Network Marketing Business.
2. To give suggestions to improve distributor retention in the Network Marketing Business.

Hypothesis:

H1: Motivation and Commitment have a significant influence on Retention in the Network Marketing Business.

H2: Perceived Financial Rewards have a significant influence on Retention in the Network Marketing Business

H3: Support and Mentorship have a significant influence on Retention in the Network Marketing Business



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4. RESEARCH METHODOLOGY

In this study, the Structural Equation Model (SEM) is employed. A total of 200 network marketing users were selected as the sample size. 20 observable variables and 4 latent variables make up the research, which has a probability level of 0.05. The estimated effect size is 0.3, the statistical power level is 0.9, and the minimal sample size is 173 (see figure no. 1). The method of non-random purposive sampling has been chosen in order to effectively find relevant respondents. The use of primary and secondary sources in data collecting enables a comprehensive analysis. The study will be conducted using SMART PLS, a well-liked analytical tool for SEM.

Anticipated effect size: ?

Desired statistical power level: ?

Number of latent variables: ?

Number of observed variables: ?

Probability level: ?

Calculate!

Minimum sample size to detect effect: 173

Minimum sample size for model structure: 100

Recommended minimum sample size: 173

Figure No: 1 A priori Sample Size Calculator

Data Analysis and Interpretation:

Table No: 1 Reliability and validity

Construct	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
Motivation and Commitment	0.902	0.902	0.648
Perceived Financial Rewards	0.908	0.906	0.618
Retention in Network Marketing Business	0.787	0.789	0.557
Support and Mentorship	0.890	0.888	0.573



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All constructs show good internal consistency, according to the reliability and validity results, with Cronbach's Alpha and Composite Reliability values above the suggested cutoff of 0.7. Hair et al. (2013) state that good convergent validity is confirmed by the Average Variance Extracted (AVE) values above 0.5. The measurement model is therefore valid and dependable for more research.

Table No: 2 Discriminant validity

Construct	MV	PFR	RNMB	SM
Motivation and Commitment (MC)	0.805			
Perceived Financial Rewards (PFR)	0.771	0.786		
Retention in Network Marketing Business (RNMB)	0.792	0.746	0.746	
Support and Mentorship (SM)	0.765	0.761	0.729	0.757

The square root of AVE for each construct (diagonal values) is greater than its correlations with other constructs, according to the results of the Fornell-Larcker criteria. This demonstrates sufficient discriminant validity in the model by confirming that each concept is unique.

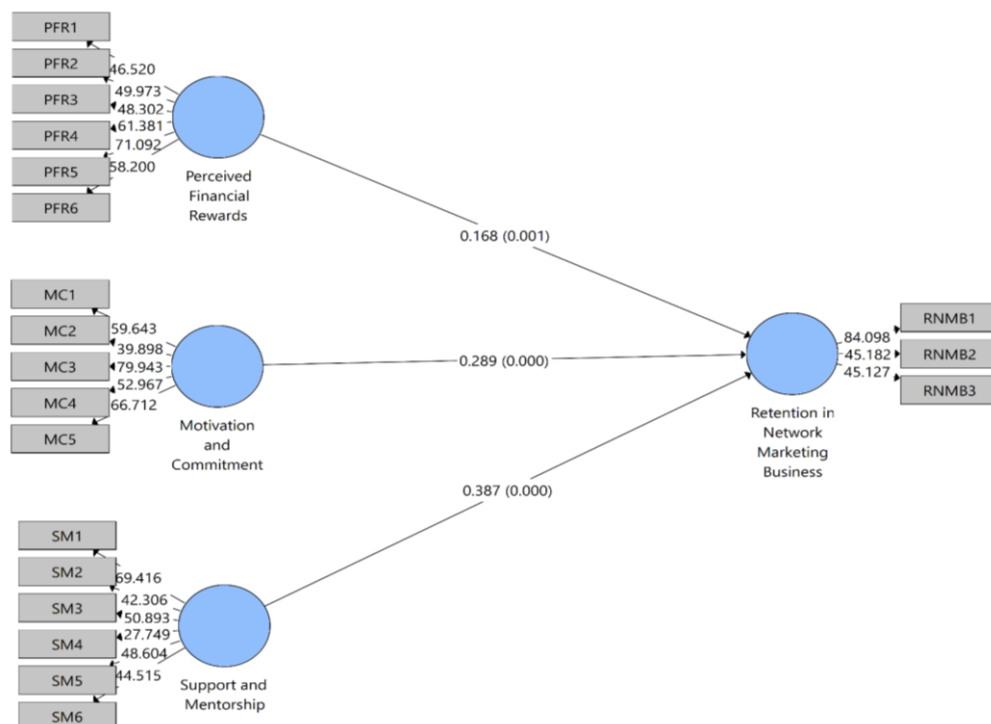


Figure No: 2 SEM model

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Table No: 3 Hypothesis testing

Construct	Beta Coefficient	T-statistics	P-Value
Motivation and Commitment → Retention in Network Marketing Business	0.289	5.203	0.000
Perceived Financial Rewards → Retention in Network Marketing Business	0.168	3.493	0.001
Support and Mentorship → Retention in Network Marketing Business	0.387	7379	0.000

P (value) < level of significance 5% thus H0 is rejected and H1 is accepted in all the cases indicating significant impact of motivation and commitment, perceived financial rewards, and support and mentorship on retention in network marketing business.

5. CONCLUSION

Retention in network marketing companies is significantly impacted by distributors' level of support and mentorship, perceived financial rewards, and motivation and commitment. Devoted and driven individuals are more likely to persevere in any endeavour, particularly if they feel they have an equal opportunity to gain financial success and get quality guidance. The presence of supportive leaders and a well-functioning support structure fosters a sense of belonging and trust, which further enhances retention. These findings demonstrate that real support, continuous reward, and emotional connection are just as important for network marketing retention as money. Businesses that make these expenditures have a better chance of developing a loyal and successful distributor base.

Suggestions:

- Network marketing firms should develop successful onboarding initiatives to increase new distributors' initial motivation and feeling of purpose.
- Over time, consistent praise and incentives, both monetary and non-monetary, can support the upkeep of dedication and spirits.
- Businesses should offer clear and attainable financial strategies to foster confidence in the earning possibilities.
- Effective mentorship systems that actively assist and coach their subordinates must be put in place.
- Distributors may maintain their confidence and engagement by attending regular skill development workshops and motivating lectures.



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- Clearly communicating objectives and advancements helps strengthen a network's sense of purpose and belonging.
- Companies may give career growth routes inside the framework to encourage sustained engagement.
- The happiness of distributors may be raised by offering digital tools and dashboards to monitor commissions and performance.
- Team-building and peer networking exercises may improve mutual support and emotional relationships.

6. AUTHOR(S) CONTRIBUTION

The writers affirm that they have no connections to, or engagement with, any group or body that provides financial or non-financial assistance for the topics or resources covered in this manuscript.

7. CONFLICTS OF INTEREST

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

8. PLAGIARISM POLICY

All authors declare that any kind of violation of plagiarism, copyright and ethical matters will take care by all authors. Journal and editors are not liable for aforesaid matters.

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