

# How Relationships are Influenced by Business Dealings

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**Abstract-** This paper presents the effects of multilevel marketing on relationships and friendships in India. The paper describes what multilevel marketing is, where did it originate from, the way people approach customers and how the customers feel about it. Multilevel marketing is used for product distribution through independent distributors. This paper will also look into the type of mediums these distributors use and how effective each one is in selling their products.

## I. INTRODUCTION

This paper looks at how relationships are influenced by business dealings. In this particular study, I happened to interview people who are into network marketing. I interviewed both buyers and sellers, and then looked at how relationships were getting affected between friends and relatives. I also looked at the relationship between sellers who were strangers and their relationship with the buyers. Then I compared our findings and found out that there is a difference between the relationship of a friend with the buyer and a stranger with the buyer.

## II. BACKGROUND:

Face-to-face selling of products started in the 20th century. First one of its kinds was the door-to-door selling which took place in places that were urbanized. Then a second type of face-to-face marketing came about which gave everyone joining the company a business opportunity via multilevel marketing (MLM). This type of marketing gave competition to the single-level commission-based traditional direct selling. MLM gives compensation to its distributors not only for selling the products, but also for recruiting other distributors which creates a down line of distributors and a hierarchy of multiple levels of compensation. Most of the times, salespeople are expected to sell the products directly to consumers by means of relationship referrals and word of mouth marketing.

## III. LITERATURE REVIEW:

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). Although combining friendship and business in the same relationship can be beneficial, it can also create conflict. True friends are expected to be unmotivated by benefits that can

be used beyond the relationship (e.g., money, status), whereas business partners are, by definition, at least partly motivated by these more “instrumental” concerns (Kent, 2007). Each social role encourages people to meet (and/or abstain from) a core set of critical role behaviors and leaves room for individual discretion on other behaviors (Levinson 1958). We all play different roles in society and these roles are not supposed to conflict with each other. Friends are expected to seek out each others company willingly rather than to interact only because of bureaucratic demands or practical convenience (Allan 1979, 1989) In friendship, we should not feel obligated by any means. An intrinsic relational orientation is the desire to maintain a relationship because of inherently enjoyable aspects of the relationship (Carrier 1999) and because “the relationship itself generates its own rewards” (Rempel, Holmes, and Zanna 1985, p. 98). For centuries, scholars have noted that friends are expected to have an intrinsic orientation. In Aristotle’s view, friendship exists on a sliding scale depending on how much the relationship is motivated by “wishing the other well for the other’s sake” (Mitchell 1997). To him, the best form of friendship is one in which “the partners love each other for themselves, cherishing each other for their characters” (Pangle 2003, p. 43).

There can be positive effects of combining friendships with business though. When we have someone who we can trust, money matters become easy and we know that our friend will not cheat us. Therefore, it is not surprising that much empirical work on friendship in marketing has found that friends are more likely to be valuable exchange partners; that is, they exhibit characteristics that are likely to influence the bottom line positively (Johnson and Selnes 2004). For example, friends are more loyal business partners because there is a sense of trust.

People can at times be concerned that their so-called friend is taking advantage of their friendly willingness to be useful. When this instrumental perspective combines with friendship, the result is role conflict. The best thing we can do when such a situation arises is that we need to terminate the development of such relationships. For example, in Halpern’s (1996, p. 1536) study of real-estate agents, some informants reported that they did not develop friendships in business because “you are representing your client and all that stuff can get in the way of your relationship.” As another example, some informants in Beatty and colleagues’ (1996, p. 232) study of retail customers indicated that they did not want to build a friendship with a retail sales associate because it “might cause them to feel pressured into buying something they did not want.” In the same spirit,

Heide and Wathne (2006) predict that people faced with role conflict often either switch roles or resist the new role rather than operate with conflicting demands.

Method:

For this research paper, five qualitative interviews were conducted which were thirty minutes each. There was a mix of close and open ended questions. Questions can be found at the end of the paper. Sellers and buyers in a multi-level marketing company called Herbal Life interviewed. The company has been running for over 25 years. These were structured interviews consisting of a series of predetermined questions that all interviewees answered in the same order. This helped me to compare and contrast different answers given to the same questions.

Friendship is the independent variable here. I am doing this research from a sociologist's perspective and hence focusing on relationships/ friendships. Therefore, these interviews focused on two types of network marketing relationships: relationships between respondents and their relatives/close friends and relationships between respondents and sellers who are strangers. The hypotheses for this study is that relationships are affected positively when business comes into the equation.

#### IV. RESULTS:

After conducting the interviews, I found that people who were selling the products loved their jobs because they were meeting new people everyday. Relationships did matter in this kind of marketing. There was a big difference between buying products from a friend or family member and a stranger. As one person said that, "I think that the relationship does matter because if it is a random person asking me to buy products, I either never open the door, or I send my child and he says that my mother is not home. That way they leave without me having to face them." On the other hand, when a friend or relative goes to someone's house, they are offered tea and then they have conversations about the products. It was a more relaxed conversation. These kinds of relationships were being exploited though. Buyers feel like they are being pressured to buy something they do not want or need. In one of the interviews, a lady said that she had to buy \$200 worth of beauty products from a distant relative because they told her that she will be making a lot of money once she joins the company. The relative showed her pictures of members of the company who had lavish cars and influenced her that way. Five years later, the lady had not used a single product and was not able to influence anyone to join the company. Hence she feels like she lost money. On top of everything, she never saw her relative again. They exploited their relationship. So here I can see that the relationship between the buyer and seller does matter. If it is a stranger, he is treated differently but relatives and friends are welcomed as no one wants to offend them. In return, these friends and relatives are taking advantage of their relationships by encouraging them to join their network market. They are making money off of their existing relationship but in the long run are losing their close relatives.

I also learned that people get competitive when they are in a network marketing company. In another interview, the owner of the Herbal products company said that he has hundreds of

people working for him and a lot of them are his friends or relatives. He said that a lot of his close ones have betrayed him in the business. People join his company, come close to him, get to know about all the knicks and knacks and after a couple of years start their own companies. Hence he is competing with his relatives who are running the same business in the same city. He also said that he has had relatives who were selling products but were not giving back his share. After a couple months, those relatives left the company without giving him any money.

All the experiences were not bad though. One lady said, "When people ask me to buy something, my answer is usually a big 'no', but when the seller of this product told me that he had tried it first and that he had a great experience, it persuaded me to buy this product. I decided that I would try this product for 1 month at least and then come to a conclusion, whether to use it or not. My main questions were that if I'd get allergies from this as I'm prone to skin allergies, if I will get great results in less time' and if it would make me feel more confident about myself and appearance. So, I gave it a shot, and my results were way more than my expectations. I did not get any issues with my skin. I decided that I would talk to the manufacturer of this product and join their company. I clicked the before & after pics of my hair so that I could show them that I had tested their product on my own and that was the reason that brought me to them." However, only one person out of five had a positive experience. The conclusion would be that when a stranger approaches a buyer, they are not ready to listen to him. People have a hard time trusting sellers they do not know and hence do not entertain them. On the other hand, buyers invite their relatives and close friends who are sellers but then feel obliged to buy those products. Once they buy the products, they never hear back from their relatives and friends because they just come to them with the motive of making money.

In another interview, a woman shared her experience with a seller who was a stranger. She said that one time, two men came to her doorstep and offered to clean her jewelry. They asked for very little money and she thought why not? She went ahead and gave a gold bracelet to the men. They started washing it and once they were done, her bracelet did not look the same. After a couple of second she realized that they had taken the gold off of the bracelet. Then she called the cops and they were able to get her gold back. It was a network marketing scandal where the gold was shared with the company and the dealers got to keep some of it. I am seeing exploitation even in this kind of business dealing where the seller is a stranger.

#### V. CONCLUSION:

My hypothesis was that relationships are affected positively when business comes into the equation. After studying all the interviews, I conclude that I reject the null hypothesis because relationships are getting affecting negatively in business dealings. This research found that there is exploitation of relationships in business dealings and I happen to look at network marketing in this particular project. Network marketing is negatively impacting friendships and relationships because the main motive of people is only to make money. They do not care about their relationships as much and money is more important to them. Secondly, buyers who are family or friends are feeling

pressured to buy the products they are being sold because of the close relationship they have with the seller. These buyers are being cheated on time and again by their closed ones and strangers as well. Markets need to understand that if they want to be successful in their venture of network marketing, then they need to focus on their foundation which is relationships. Relatives and friends are the ones who become the very first customers of these sellers and if they start exploiting them, then how will strangers trust them, their products and their company? Business dealings can take place even without harming friendships. Sellers need to be taught the way they should approach people and how they should not force anyone into buying a product that is of no use to them. The only motive of these sellers when they join these companies is to make money. Businesses should teach them about the importance of products and make them passionate about the things they are selling. Otherwise, if these sellers keep on ruining relationships, the foundation of network marketing will be affected and the businesses will fail. Sellers need to be taught that they should tell the truth to the buyers and not instill in them these dreams of having expensive cars and holidays.

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#### Interview Guide:

##### Questions:

##### For Sales person:

- [1] What has been your experience with network marketing? -- what product?
- [2] Who initiated the contact - you or the person you were buying from?
- [3] What motivated you to not only use the product but continue to sell it?
- [4] What has been your experience as a seller -- positive or negative?
- [5] How do you determine your clientele? Is it family, friends, relatives, referrals?
- [6] What is most successful way to contact clients? (person, phone, message, etc.)
- [7] What is the least successful?
- [8] How is your relationship different with people when they buy from you? When they reject you?
- [9] What sort of difficulties have you encountered as a seller? -- how do you deal with those?

##### For Customer:

- [1] What has been your experience with network marketing? -- what product? Positive or negative?
- [2] How do you feel when someone asks you to buy a product?
- [3] Why do you feel that way? (questions regarding that...)
- [4] Do you react/feel differently when it is a random salesperson vs a friend/relative or acquaintance? (Does the relationship with that person matter?)
- [5] When you know the person, does your relationship change after they try to sell to you? How so?
- [6] Does the medium matter? (in-person v. phone)
- [7] Would you say you have felt pressured by the salesperson?
- [8] What did they do to make you feel that way? (pressured or not)
- [9] Would you ever become a salesperson? Why, why not?

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