Social Cognitive Factors of Persuasion for Multi-Level Marketing Targets

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Abstract

Multi-level marketing (MLM) is the business practice of selling products or services through independent agents who are financially compensated for their sales and who may receive commissions from all sales made by the agents below them in the model. There is no empirical research regarding the social cognitive factors that affect the receptiveness of a multi-level marketing target to a persuasive message. The current study included manipulated components of a sales pitch for potential MLM recruits. There were several results. First, increased information about distributorship and testimonials changed target attitudes toward MLM. Second, key target attitudes towards MLM predicted signing up for an interview. Third, attitudes and familiarity with MLM predicted measures of perceived sales utility of MLM. Fourth, familiarity with MLM predicted attitude certainty and sales utility beliefs. Overall, sales utility moderated the relationship between MLM attitudes and the self-reported likelihood a participant would sign up for an interview.

Keywords: attitudes, persuasion, marketing, business, multi-level marketing

There are many opportunities for people in search of running their own business. One popular business model uses a salesperson's social network of friends, family, and acquaintances for direct selling. Long-established companies such as Tupperware, Amway, and Mary Kay paved the way for and refined the techniques of using social markets for direct selling of products to consumers. However, the success of more recent entrants into the realm of direct selling, such as Arbonne, Advocare, Plexus, and Jeunesse indicate that this method is still a viable way to sell products. Service domains have also had competitors who use social markets. Excel Telecommunications used social networking as a sales tactic to successfully compete with other companies as a long distance telephone service provider in the 1990s when the telecommunications industry was deregulated. A commonality of these companies is that each of them relies on their distributors to sell among personal social networks as a primary sales tactic within a specific business structure called multi-level marketing (MLM).

Multi-level marketing is the business practice of selling products or services through independent agents who are financially compensated for their sales. Additionally, these agents may recruit other participants to become agents included in the original agent's "downline," where the original agent receives commissions from all sales made by the agents below them in the model. The main source of revenue for such companies is often the sale of distributorships, rather than a product or service. These distributorships frequently come with the opportunity to purchase sales materials from the company, also a source of revenue for the "upline."

Multi-level marketing in various forms of retail direct selling (Albaum & Peterson, 2011; Peterson & Albaum, 2007; Sparks & Schenk, 2006) is sometimes called "network marketing" (Albaum & Peterson, 2011). Many times, individuals refer to MLM businesses as "pyramid schemes" (Emek, Karidi, Tennenholtz, & Zohar, 2011; Koehn, 2001) and are sometimes identified as related to Ponzi schemes (Koehn, 2001). As there are different definitions that place different companies in these specific categories, the term "multi-level marketing" is preferred here to more broadly capture the practice of independent direct selling with sales recruiting components.

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There are a variety of social factors at play in a multi-level marketing organization, and these factors are leveraged to best increase sales. Sparks and Schenk (2006) surveyed members of a medium-sized MLM corporate producer. They found that information conveyed in the socialization of new members increased cooperation, which affected sales. More socialization of recruits increased organizational citizen behaviors, thus increasing cooperation. Additionally, they found that increased member cooperation was inversely related to sales. That is, more member cooperation resulted in lower sales. This may be an example of process loss (Steiner, 1972), where too much group cohesion focuses efforts on the social network goals and not the sales. Sparks and Schenk (2001) examined transformational leadership behaviors in a survey of members of a MLM company who had fewer than five recruits and whose sponsors had more than five recruits. They found that, in that company, transformational leadership behaviors positively predicted job satisfaction, unit cohesion, and belief in a higher work purpose. They found that belief in a higher purpose predicted effort, job satisfaction, and performance. Thus, creating a belief in a higher work purpose had positive effects on performance by increasing effort.

Fundamental to the MLM business model are the social psychological processes of attitudes and persuasion. Gordon Allport (1935) described the concept of an attitude to be "the most distinctive and indispensable concept in contemporary American social psychology" (p. 798). An attitude is "a psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor" (Eagly & Chaiken, 1993, p. 1). Fishbein and Ajzen (1975) noted that an attitude is learned, related to behavior, and consistent. Ajzen (1987) noted that attitudes are important because they can predict behaviors under the right circumstances. Persuasion is the process of changing an attitude (Mather & Romo, 2007), and there are two classic models of persuasion in social psychology.

The Elaboration Likelihood Model of Persuasion (ELM; Petty & Cacioppo, 1986; Petty & Wegener, 1999) suggests two routes to persuasion. In the central route to persuasion, people think carefully about a message and are best persuaded by strong, high quality arguments. In the peripheral route to persuasion, people think very little about a message and are best persuaded by superficial cues like the status of the messenger. One key index to whether or not a person is open to persuasion is attitude certainty. Measures of attitude certainty measure a person's confidence or conviction that they hold the correct attitude for the particular attitude in question. Attitude certainty increases when people resist arguments perceived to be strong (Tormala & Petty, 2002) and when minority/majority status of the messenger matches argument quality (Tormala & DeSensi, 2009). Attitude uncertainty can lead to increased processing of a message while attitude certainty can increase attitude strength and affect behavior (Tormala, 2016).

The Heuristic-Systematic Model (HSM; Chaiken & Maheswaran, 1994; Chen & Chaiken, 1999) suggests two modes of information processing. In the systematic mode of information processing, people think analytically about information. In the heuristic mode of information processing, people apply judgmental rules, such as "length equals strength" in evaluating an argument. With this particular heuristic, the more information (regardless of quality) that is present in the argument, the more persuasive the message is to the target. The HSM has motivations for processing information, which include three main motivations and allow for multiple motivations to occur simultaneously. Accuracy motivation is the desire to hold an accurate attitude. Defense motivation is the desire to hold an attitude that is consistent with the core self-concept. Impression motivation is the desire to hold an attitude that will fulfill a social goal.

The ethics (Albaum & Peterson, 2011; Koehn, 2001; Peterson & Albaum, 2007) and reward mechanisms (Emek et al., 2011) of multi-level marketing, networking marketing, and Ponzi schemes have been the topic of recent discussion, and the brand loyalty of MLM customers has been empirically established (Lahiri & Das, 2012). However, there is no empirical research regarding the social cognitive factors that affect the receptiveness of a multi-level marketing target to a persuasive message. The current study examines these factors, including manipulated components of the sales pitch. What brings an entrepreneur or independent business person to consider an MLM company for their business venture? This study is unique, as it examines the attitudes of potential recruits. There are three hypotheses. The first hypothesis is that presenting more information to potential recruits will result in more positive attitudes towards the company, recruiter, and MLM model. The second hypothesis is that as attitudes towards the company, recruiter, and MLM model become more positive, they will be associated with a greater willingness to sign up for the interview. The third hypothesis is that presenting more information to potential recruits will result in more certain attitudes towards the company, recruiter, and MLM model.

Method

Participants

Five-hundred eighty-nine undergraduate students who were enrolled in introductory psychology participated in exchange for course credit.

Procedure

All materials were presented online through Qualtrics software. After providing informed consent, participants read a scenario in which they were at a career fair and were solicited to arrange a meeting to discuss a multi-level marketing opportunity. Several aspects of the message were manipulated to test the impact of each portion of the message on attitudes measures (such as likelihood of accepting the meeting and attitude toward the recruiter; see Appendix C). The independent variable was the amount of information provided, with participants randomly assigned to receive basic information, basic information with additional information about the distributorship component of the opportunity, or basic information with distributorship information and a testimonial from the recruiter. The dependent variables were self-reported ratings of attitudes towards the company, the recruiter, the business model, and self-reported ratings of their own likelihood of signing up for an interview. Additional dependent variables included measures of attitude certainty for all attitude measures.

Results

Experimental Data Analysis

A one-way between-subjects multivariate analysis of variance (MANOVA) was conducted to control for inflated Type I error (Tabachnick & Fidell, 1996), with information condition as the independent variable (Information, Distributorship, and Testimonial) and the Multi-Level Marketing (MLM) questions as the dependent variable. Levene's indicated that the assumption of homogeneity of variance was met for eleven of the fourteen MLM questions. Box's M (566.314) indicated that the assumption of the covariance of the matrix was not met. To adjust for this violation, Pillai's trace (.149) was used and indicated a significant multivariate effect of information condition, $F(28, 1148) = 3.295$, $p = .000$, partial eta-squared = .074, observed power = 1.000.

There were significant effects of information on nine of the fourteen questions. There was an effect of information condition on attitude toward the company, $F(2, 586) = 3.009$, $p = .050$, partial eta-squared = .010, observed power = .583. Games-Howell post hoc tests indicated that participants in the information condition scored significantly lower ($M = 3.66$, $SD = 1.495$) than participants in the testimonial condition ($M = 4.04$, $SD = 1.619$), $p = .046$. There was an effect of information condition on certainty of opinion toward the company, $F(2, 586) = 7.597$, $p = .001$, partial eta-squared = .025, observed power = .946. Games-Howell post hoc tests indicated that participants in the information condition scored significantly lower ($M = 4.27$, $SD = 1.977$) than participants in the distributorship condition ($M = 4.99$, $SD = 1.857$), $p = .001$, and the testimonial condition ($M = 4.81$, $SD = 1.865$), $p = .016$. There was an effect of information condition on certainty of opinion toward the company recruiter, $F(2, 586) = 6.038$, $p = .003$, partial eta-squared .020, observed power = .884. Games-Howell post hoc tests indicated that participants in the information condition scored significantly lower ($M = 4.59$, $SD = 1.773$) than participants in the testimonial condition ($M = 5.20$, $SD = 1.750$), $p = .002$. Thus, increasing the amount of information presented to participants increased their attitudes toward the company and their certainty of their attitude towards the company and the company recruiter.

There was an effect of information condition on how effective participants believed a multilevel marketing strategy would be to promote a product, $F(2, 586) = 4.724$, $p = .009$, partial eta-squared = .016, observed power = .790. Games-Howell post hoc tests indicated that participants in the information condition scored significantly lower ($M = 3.70$, $SD = 1.711$) than participants in the distributorship condition ($M = 4.23$, $SD = 1.780$), $p = .007$. There was an effect of information on how desirable participants believed a multilevel marketing business model is for a consumer to use to purchase a product, $F(2, 586) = 3.787$, $p = .023$, partial eta-squared = .013, observed power = .690. Games-Howell post hoc tests indicated that participants in the information condition scored significantly lower ($M = 3.49$, $SD = 1.767$) than participants in the testimonial condition ($M = 3.95$, $SD = 1.652$), $p = .021$. There was an effect of information condition on familiarity with the MLM as a business model, $F(2, 586) = 8.537$, $p = .000$,

partial eta-squared = .028, observed power = .967. Games-Howell post hoc tests indicated that participants in the information condition scored significantly lower ($M = 2.56$, $SD = 1.804$) than participants in the distributorship condition ($M = 3.07$, $SD = 2.039$), $p = .021$, and the testimonial condition ($M = 3.37$, $SD = 2.009$), $p = .000$. Thus, increasing the amount of information presented to participants increased their attitudes towards the effectiveness of the MLM model, the desirability of the MLM model for consumers to use, and their familiarity with the MLM model.

There was an effect of information condition on attitudes towards the network marketing business model, $F(2, 586) = 3.007$, $p = .050$, partial eta-squared = .010, observed power = .583. Games-Howell post hoc tests indicated no significant differences. There was an effect of information condition on familiarity with the network marketing business model, $F(2, 586) = 12.710$, $p = .000$, partial eta-squared = .042, observed power = .997. Games-Howell post hoc tests indicated that participants in the information condition scored significantly lower ($M = 2.39$, $SD = 1.783$) than participants in the distributorship condition ($M = 3.14$, $SD = 1.994$), $p = .000$, and the testimonial condition ($M = 3.32$, $SD = 2.021$), $p = .000$. There was an effect of information condition on familiarity with the Ponzi investment matrix, $F(2, 586) = 4.409$, $p = .013$, partial eta-squared = .015, observed power = .759. Games-Howell post hoc tests indicated that participants in the information condition scored significantly lower ($M = 2.25$, $SD = 1.839$) than participants in the distributorship condition ($M = 2.84$, $SD = 2.120$), $p = .009$. Thus, increasing the amount of information presented to participants increased their familiarity with the network marketing business model and the concept of a Ponzi investment matrix.

Correlational Data Analysis

Correlations were calculated among MLM questions. There were 143 significant correlations of the possible 210 examined. To simplify analyses, these are grouped into the significant correlations of the attitude and behavioral commitment of signing up for an interview (Table 1), sales utility (Table 2), and familiarity with the models (Table 3). Key target attitudes towards MLM predicted whether or not they would sign up for an interview. Attitudes toward MLM and familiarity with MLM predicted measures of perceived sales utility of MLM. Familiarity with MLM predicted attitude certainty and sales utility beliefs. In the test of the hypothesis that more positive attitudes towards the company, recruiter, and MLM model would be associated with a greater willingness to sign up for the interview, results supported each of these predictions. Attitudes toward the company were positively correlated with likelihood of signing up for an interview, r = .743, p = .000. Attitudes toward the recruiter were positively correlated with likelihood of signing up for an interview, $r = .496$, $p = .000$. Attitudes toward the MLM business model were positively correlated with likelihood of signing up for an interview, $r = .329$, $p = .000$.

Table 1
Correlations of the Attitude and Behavioral Commitment

	Likely to sign up for interview	Attitude towards company
Attitude towards company	.743 ***	
Certainty of attitude towards company	.008	.084**
Attitude towards recruiter	.496 ***	.651 ***
Certainty of attitude towards recruiter	.093**	.178 ***
Trust in recruiter	.603 ***	.663 ***
Attitude towards product sales component	.640 ***	.627 ***
Attitude towards distributorship sales component	.727 ***	.664 ***

Attitude towards testimonial	.504 ***	.508 ***
Extent sales position help achieve desired level	.682 ***	.644 ***
MLM effective to promote product	.188 ***	.263 ***
MLM desirable for consumer purchasing	.252 ***	.314 ***
Attitude toward MLM business model	.329 ***	.340 ***
Attitude toward network Marketing business model	.215 ***	.239 ***
Attitude toward Ponzi investment matrix	.223 ***	.293 ***

Note. *p < .05, **p < .01, ***p < .001

Table 2
Correlations with Sales Utility

	Sales position desired level	Effective to promote product	MLM desirable for consumer purchasing
Likely to Sign up for Interview	.682 ***	.188 ***	.252 ***
Attitude toward company	.644 ***	.263 ***	.314 ***
Certainty of attitude toward company	.106**	.044	.031
Attitude towards recruiter	.492***	.257***	.291***
Certainty of attitude toward company recruiter	.175***	.112**	.109**
Trust in company recruiter	.668***	.234***	.279***
Attitude toward product sales component	.647***	.293***	.325***
Attitude toward distributorship component	.703***	.301***	.408***

Attitude towards testimonial	.501***	.206**	.223**
Certainty of attitude toward recruiter	.126	.187**	.142*
Sales position desired level		.160***	.261***
MLM effective for product promotion	.160***		.672***
Attitude toward MLM business model	.290***	.569***	.627***
Familiarity with MLM business model	-.030	.286***	.187***
Attitude towards network marketing business model	.218***	.489***	.566***
Familiarity with network marketing business model	.048	.238***	.226***
Attitude towards Ponzi investment matrix	.232***	.427***	.494***
Familiarity with Ponzi investment matrix	.010	.164***	.130***

*Note. *p < .05, **p < .01, ***p < .001*

Table 3
Correlations with Familiarity with the Business Models

	Familiarity with MLM	Familiarity with network model	Familiarity with Ponzi matrix
Certainty of attitude toward company	.277***	.218***	.284***
Certainty of attitude toward recruiter	.201***	.162***	.154***
Certainty of attitude Toward product sales component	.210***	.212***	.202 ***

Certainty of attitude toward distributorship sales component	.204***	.314***	.249***
Attitude toward testimonial	-.181**	-.184**	-.134
Certainty of attitude toward testimonial	.247***	.369***	.259***
Effectiveness of MLM to promote products	.286***	.238***	.164***
MLM desirable for consumer purchasing	.187***	.226***	.130***
Attitude toward MLM	.186***	.220***	.171***
Familiarity with MLM		.662***	.628***
Attitude toward network marketing business model	.231***	.250***	.190***
Familiarity with network marketing business model	.662***		.579***
Attitude toward Ponzi investment matrix	.159***	.125**	.137***
Familiarity with Ponzi investment matrix	.628***	.579***	

Note. **p < .01, ***p < .001

Discussion

The current study tested three hypotheses. The first hypothesis was that presenting more information to potential recruits would result in more positive attitudes towards the company, recruiter, and MLM model. This prediction was confirmed for their attitudes toward the company, familiarity with the MLM business model, and ratings of the effectiveness and desirability of the MLM strategy to promote a product. This hypothesis was also confirmed for their attitudes towards the network marketing business model and familiarity with both the network marketing business model and the Ponzi investment matrix.

The second hypothesis was that as attitudes towards the company, recruiter, and MLM model became more positive, they would be associated with a greater willingness to sign up for the interview. This prediction was confirmed for all three.

The third hypothesis was that presenting more information to potential recruits would result in more certain attitudes towards the company, recruiter, and MLM model. This prediction was confirmed for their certainty of their attitudes towards the company and the company recruiter.

More information (i.e., distributorship and or testimonial) beyond basic information improved attitudes towards the company, how effective the MLM strategy is believed to be to promote a product, how desirable MLM model is for consumers to purchase products, and familiarity with MLM, network marketing, and Ponzi models. Thus, having more information about distributorship and testimonials changed target attitudes towards MLM.

For the relationships of attitudes to the behavioral commitment of signing up for an interview, results showed that the self-reported likelihood of signing up was positively related to attitude toward the company, recruiter, product sales component, distributorship sales component, testimonial, desired level, effectiveness of

MLM for product promotion, desirable for consumer purchase, attitude toward MLM, network marketing, and Ponzi models. Thus, the key target attitudes towards MLM predict signing up for an interview.

For the sales utility relationships, results showed that sales position, desired level, effectiveness to promote product, and desirability of MLM for consumer purchase were positively related to attitude toward the company, recruiter, product sales component, distributorship, testimonial, attitude towards MLM, network marketing, and Ponzi models. Thus, attitudes and familiarity with MLM predict measures of perceived sales utility of MLM.

For the familiarity with the models, results showed that familiarity with MLM, network marketing model, and Ponzi all positively related to key certainty measures for company, recruiter, product sales component, distributorship component, testimonial, and effectiveness to promote products, consumer purchase, and attitude towards MLM. Thus, familiarity with MLM predicted attitude certainty and sales utility beliefs.

Limitations and Future Studies

One limitation is that the design of the study could not isolate the specific component of the message that leads to attitude change. Time of information is confounded with the type of information. However, this study examined the changes in receptiveness to the message on key attitude measures predicted from the Elaboration Likelihood Model and the Heuristic-Systematic Model. Future studies should isolate which components of the message are the most persuasive to potential targets and test the interaction between the message types and amount of information for the target attitudes.

Implications

Overall, the model of the relationship was that sales utility moderated the relationship between MLM attitudes and the self-reported likelihood they would sign up for an interview (Appendix B). To our knowledge, this is the first research of its kind to examine some of the components that can lead to attitude change regarding key MLM-related attitudes in a sample of potential MLM targets. These findings are useful, as they imply for MLM companies that, in addition to sales pitches that change the attitudes toward MLM models, they should also emphasize the sales utility of certain features of MLM to maximize the impact of the their information during a limited time with a potential recruit.

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