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PERCEPTIONS THAT MOTIVATE PURCHASE

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Abstract: Direct selling (Multilevel marketing) as an alternate channel of distribution has grown in India over the past decade. Its usefulness as a viable channel of distribution however remains a matter of debate. Understanding the perceptions of consumers towards direct selling companies is the key to the growth of this industry. This study carried out in Pune city with a respondent size of 223 attempts to investigate the perceptions that are likely to impact and influence the buying behavior of consumers towards direct selling and more so towards multilevel marketing as a channel of distribution.

Factor analysis is used to identify the variables that are likely to drive consumer behavior and multiple regression to identify the predictors of purchase intention. Product and Brand, Network Credibility, Distribution, Communication and Performance Delivery, are the factors which influence the perceptions of consumers towards direct selling. Distributors with good knowledge and information on products, pricing at par with stores, and good products that help to associate brands with the company are likely predictors of intention to purchase from MLM companies.

Keywords: Multilevel marketing, perceptions, purchase intention, Factor analysis, regression,

I. Introduction

The concept of direct selling is here to stay in India and has caught the fancy of both the distributors and public alike. Direct selling began in India in the 1990s with only a few companies like Avon, Time Life Asia, Amway and Oriflame in the business. The idea has turned into a deluge with over 50 companies selling home and personal care products, cosmetics, nutrition, weight management products and premium books. (IDSA Report 2008-09). Retail customers nowadays can find every type of consumer product and service offered by MLM and direct selling companies in India. Even major corporations are rethinking their future marketing strategies in an effort to get closer to their customers and prospects using tactics that are very familiar to us in Multi-Level Marketing. Though the still nascent domestic market seems to be taking off, and direct selling companies posting a growth of 18%, (Ernest & Young 2010-11) MLM companies need to adapt and change to suit the India mind set. Despite the potential, issues like awareness among people and changing consumers' perceptions and attitude towards direct selling are required to be addressed for the industry to grow.

Perception is the method or way of thinking or point of view. Some people called it paradigm. Consumer perception and its role in purchase intention and decision making has always been an area of interest for researchers of consumer behavior decisions. However a literature review revealed that there was not much research investigating consumers' perceptions of multilevel marketing as a type of direct selling. Direct selling and more so multilevel marketing as a type of non store retailing continues to increase in popularity both internationally and on the domestic front. Yet it seems to have incurred a degree of consumer suspicion and negative perception. A study was developed in New South Wales and Victoria to investigate consumer perceptions and to determine its relationship to consumer purchase decision (Kustin, Richard A, Jones, Robert A, 1995). Results indicated that consumers had negative perceptions towards multilevel marketing while having a low positive view of direct selling and there was no influence on consumer purchase.

Two related research studies concerned with direct selling were carried out by Peterson et al. 1989 and Wotruba 1990. The first study by Peterson was an investigation of direct selling in USA to determine consumer perception of this form of non-store retail purchase behavior. They researched how consumers used direct selling to make purchases; they identified consumer characteristics, and consumers' perceptions of the advantages, disadvantages and risk in purchasing products from direct sellers. 988 consumers responded to this survey and they reported that convenience of shopping at home was an advantage, although sales pressure by the salesperson was seen as a disadvantage. Peterson et al. (1989) also found that risk of purchase was perceived to be greater through direct selling than at a conventional retail store.

The second study, by Wotruba (1990), researched the effect public image of the selling job has on the sales activity or inactivity of direct selling salespersons. He found a direct relationship between a salesperson's low self-image, activity on the job and job satisfaction. However, this varied between high and low performers. Overall, the salesperson's job image and job satisfaction and performance were positively related. Differences also occurred based on reaction to image, length of time on the job and general successful selling performance.

Public perceptions and experiences on direct selling as a channel of distribution of goods and services and also as a business opportunity were studied by Stewart Brodie et al 2004. Non customers irrespective of gender, age based on indirect information, opinion and hearsay showed a slightly negative perception of direct sellers. Customers based on experience had a considerable higher positive perception associated with direct selling. Value for money and convenience were identified as positive indicators and pressure to buy was the strongest negative perception associated with direct selling. Alexrod Joel and Wybenga Hans 1985 studied what perceptions motivate or demotivate purchase behavior. Motivators / demotivators to purchase were uncovered by cross tabulating responses to level of purchase interest. The study revealed that sometimes positive attributes can also act as demotivators. Based on these studies an attempt is made to understand perceptions that could possibly give an understanding of the perceptions most associated with direct selling and multilevel marketing. India, with its large population and increasing per capita income, growing awareness and changes in the consumption basket, has attracted a large number of Indian and foreign direct selling companies. Despite the potential, the direct selling industry is not growing to its expected potential. Besides the need to address regulatory issues, understanding and adapting to consumer perceptions, is essential to drive growth in the direct selling industry. Changing the approach to suit the Indian mind-set is necessary for the sustained growth of this industry.

II. Research Objectives:

The objective of this study is to identify the predictor perceptions that significantly influence the intention to purchase from direct selling companies more specifically Multilevel marketing companies and to gain insight into the important perceptions associated with direct selling (multilevel marketing)

III. Methodology and Design of Study

A survey was carried out using a well structured questionnaire. The first part was designed to obtain demographic information related to the respondent's age, gender, educational qualification, income and purchase from a direct selling company. The second part consisted of a set of 24 statements reflecting various attributes of direct selling. The respondents were asked to rank the statements on a 5-point scale basis (1=completely agree; 5=completely disagree). The sample was chosen as per convenience from different areas in Pune city. The questionnaire was distributed to 250 consumers and 232 responded out of which some were discarded for incomplete or incorrect responses bringing the total sample size to 223.

The data collected was coded and tabulated keeping in view the objective of the study. It was further analyzed by calculating frequencies, percentages, means and Factor analysis (a data reduction method) was used to identify consumer's perceptions towards direct selling and MLM and multiple regression was used to show the association between perception variables and purchase intention. The data was analyzed using Statistical Package for Social Sciences (SPSS) version 11.0 . Reliability analysis of scale was performed using Cronbach's Alpha (Cronbach 1951)

IV. Brief Socio Economic Profile Of Respondents

The sample selected tended to be lean towards males(71%) rather than females.89 % of the respondents were between the age group of 16 to 35. 48.87 % were employed in government or private jobs and 23.28% were in the income group of Rs.20,000 to Rs. 30,000. More than 50% of the respondents were graduates

Table 1:Cronbach's Alpha Test of Reliability

RELIABILITY ANALYSIS - SCALE (ALPHA)				
Reliability Coefficients 19 items				
Alpha = .8986 Standardized item alpha = .8988				
N of Cases = 223.0				
Statistics for	Mean	Variance	Std Dev	Variables
Scale	97.7848	497.7102	22.3094	19

The Alpha value for nineteen variables is 0.8986 and scale reliability is .8988 indicating that the scale constructed is a reliable scale and can be used for further analysis. (Nunnally,1978).

The adequacy of the data is evaluated on the basis of the results of the Kaiser-Meyer-Olkin (KMO) measures of sampling adequacy and Bartlett's test of sphericity (homogeneity of variance).

Table 2: KMO and Bartlett's Test

Kaiser Meyer Olkin Measure of Sampling Adequacy			.898
Bartlett's Test of Sphericity	df	Approx. Chi-Square	1700.637
	Sig.		.276
			.000

The KMO measure of sampling adequacy is 0.898, indicating that the present data are suitable for Factor Analysis. Similarly Bartlett's test of sphericity is significant ($p < 0.001$) indicating sufficient correlation exists between the variables to proceed with the analysis. The Bartlett's test statistic is approximately distributed and it is accepted as it is significant.

V. Analysis

Factor analysis is a widely used technique for reducing data complexity by reducing the number of variables being studied. Factor Analysis is a good way of identifying latent factors from an array of seemingly important variables. (Nargundkar, 2005)

Factor analysis was carried out on 19 items to investigate factors influencing customers' perceptions towards direct selling. A factor loading and a cumulative proportion of variance were calculated with Varimax rotation to raise discrimination. Here the factor loading and the communality for each variable should be greater than 0.5. Factors having Eigen value > 1 were extracted.

A total of five factors were extracted accounting for 53.58% of the total variance which is fairly reasonable and establishes the validity of the study. Further in order to assess the appropriateness of data for factor analysis, the communalities derived from factor analysis were reviewed. These are all greater than 0.5, suggesting that the data is appropriate.

Table 3: Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared loading			Rotation sums of squared loading		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1	7.25	30.21	30.21	7.25	30.21	30.21	3.30	13.78	13.78
2	2.06	8.61	2.06	2.06	8.61	38.82	3.03	12.65	26.43
3	1.32	5.50	1.32	1.32	5.50	44.33	2.74	11.41	37.85
4	1.16	4.86	1.16	1.16	4.86	49.19	2.11	8.80	46.65
5	1.05	4.38	1.05	1.05	4.38	53.58	1.66	6.92	53.58

Extraction Method: Principal Component Analysis

Rotation method: Varimax with Kaiser Normalization

a. Rotation converged in 10 iterations

Table 4: Rotated Component Matrix

Component		1	2	3	4	5
V1	Sufficient choice and variety of products	.579				
V2	No scope for comparison					.694
V3	Information provided by distributors useful	.653				
V4	Products exclusive and good quality	.720				
V5	Distributors aggressive and pushy			.564		
V6	Distributors have good knowledge and information on products					.535
V7	More genuine than non genuine MLM's			.624		
V8	Products from direct selling companies good value for money	.508				
V9	No retail presence, hence grievance handling and returns difficult			.523		
V10	Ads by direct selling companies' help associate brand with company			.632		
V11	Products not suited to Indian conditions				.589	
V12	MLM companies unfamiliar names				.633	
V13	MLM co's trustworthy though they do not advertise	.588				
V14	Brand image of direct selling companies good	.670				
V15	Products expensive compared to similar products of other companies		.660			
V16	Direct selling companies good only for fast moving consumer products not consumer durables		.540			
V17	Distributors interested only in increasing network not sales		.641			
V18	Products of some MLM companies good			.574		
V19	Direct selling companies that don't advertise lack credibility				.667	

The variables under each of the five derived factors are explained below:

1. The first factor termed as **"Product and Brand"** refers to all the features that help in association with a good brand and it is measured by items 1,3,4,8,13,14. Variable 4 (products exclusive and good quality) is the strongest and has a total factor load of 0.720. The other emerging elements are 'Sufficient choice and variety of products', 'Information provided by distributors useful', 'Products from direct selling companies, good value for money', 'MLM companies trustworthy though no advertisements', 'Brand image of direct selling companies good'.

2. The second factor **"Networking Credibility"** includes items 15,16,17. Variable 15 ('Products expensive compared to similar products of other companies') is the strongest and has a factor load of 0.660. 'Distributors more interested in increasing Network than sales', 'Direct selling companies good for fmcg products and not consumer durables', 'are the other elements that measure this factor.

3. The third factor extracted can be termed **"Distribution"**. This includes variables 5,7,9,10,18. The emerging elements are 'Distributors aggressive and pushy'. 'More genuine than non genuine MLM's', 'No retail presence,

hence grievance handling and returns difficult”. Variable 10(advertisements by direct selling companies help associate brand with company) is the strongest and has a factor load of 0.632..

4.Factor 4 refers to “**Communication**” and includes variables 11,12,19.Variable 19 is the strongest and has a factor load of 0.667.”, “MLM companies, unfamiliar names”, and “Direct selling companies that don’t advertise lack credibility” “Products non suitability to Indian conditions” are the other emerging elements.

5.The fifth factor is “**Performance delivery**” and has emerging elements 2,8.Variable 2 is the strongest, with a factor load of 0.694 .”No scope for comparison” and ”Distributors have good knowledge and information on products” are the emerging elements.

Relative Importance of Product and Brand Dimensions

The results of regression analysis are summarized below and it is observed that overall regression model is significant at 1% significance level with 18.7% of variance explained in purchase intention by the independent variables. F value is significant (0.000) which is less than $p(0.05)$, hence a linear relationship exists between dependant and independent variables .

Using the enter method ,a significant model emerged ($F_{2,220}$)=25.080, $P<0.05$

Adjusted R square=0.178, Significant variables are shown below:

Predictor variable	Beta	p
MLM companies are trustworthy though they don’t advertise	.335	$p<0.005$

For the dimension “Product and Brand”, Information provided by distributors useful, Products exclusive and good quality, Products from direct selling companies good value for money’, and “Brand image of direct selling companies good’ are **not significant predictors** of Purchase intention.

Relative Importance of Network Credibility Dimensions

The regression model is significant at 1% significance level with 18.7% of variance explained in purchase intention by the independent variables. F value is significant (0.001) which is less than $p(0.05)$, hence a linear relationship exists between dependant and independent variables .

Using the enter method ,a significant model emerged ($F_{3,219}$)=6.139, $p<0.05$

Adjusted R square=0.65, Significant variables are shown below:

Predictor variable	Beta	p
Direct selling companies good only for fmcg products not consumer durables	.211	$p<0.05$
Products expensive as compared to similar products of other companies and Distributors interested only in networking not sales		

are **not significant predictors** in this model

Relative Importance of Distribution Dimensions

The regression model is significant at 1% significance level with 6.5% of variance explained in purchase intention by the independent variables. F value is significant (0.000) which is less than $p(0.05)$, hence a linear relationship exists between dependant and independent variables Using the enter method ,a significant model emerged ($F_{5,217}$)=6.110, $p<0.05$

Adjusted R square=10.3%, Significant variables are shown below:

Predictor variable	Beta	p
Products of some MLM’s are good	.213	$p=0.004$
Ads by direct selling companies help associate brand with company	.148	$p=0.049$

Distributors aggressive and pushy, More genuine than non genuine companies, No retail presence hence grievance handling and returns difficult are not significant predictors in Distribution dimensions.

Relative Importance of Communication Dimensions

The regression model is significant at 1% significance level with 6.5% of variance explained in purchase intention by the independent variables. F value is significant (0.001) which is less than $p(0.05)$, hence a linear relationship exists between dependant and independent variables Using the enter method ,a significant model emerged ($F_{4,218}$)=4.880, $p<0.05$

Adjusted R square=0.065, Significant variables are shown below:

Predictor variable	Beta	p
Prices reasonable and at par with stores	.220	$p=0.001$
MLM companies unfamiliar names and Direct selling companies that don’t advertise lack credibility		

are not significant to the Communications dimension.

Relative Importance of Performance Delivery Dimensions

The regression model is significant at 1% significance level with 6.9% of variance explained in purchase intention by the independent variables. F value is significant (0.000) which is less than $p(0.05)$, hence a linear

relationship exists between dependant and independent variables Using the enter method ,a significant model emerged($F_{2,220}=9.266, p<0.05$)

Adjusted R square=0.069, Significant variables are shown below:

Predictor variable	Beta	p
Distributors have good	.232	p=0.001

Knowledge and information on products

No scope for comparison is not a significant predictor in this model

VI. Conclusion

The market in India is turning competitive due to large number of players and alternative channel options available to the consumer. Changing lifestyles are also making consumers' look for alternate and convenient shopping channels. The growth drivers of such channels is dependent on an understanding of the consumers' perceptions towards their products and also their service delivery .A focus on eliminating the negative perceptions and consolidating on the positive perceptions will ensure a steady growth pattern for direct selling mlm companies. Knowledgeable distributors, value for money on products, trustworthiness are all favorable perceptions and all contribute to developing a good brand image. Sufficient variety, useful information on products, reasonable pricing at par with other retail formats are positive motivators for purchase and they influence perceptions positively. Distributors more interested in Networking than sales, Time gap in delivery and lack of retail presence and a visible system for grievance handling are negative motivators impacting the perception of consumers unfavorably. Lack of advertising and Unfamiliarity with direct selling companies names is the shortfall in communication which negatively impacts perception towards direct selling companies. However " Suitability of products for Indian conditions" is a factor that seems to be important in influencing the consumers' perceptions adversely. The presence of several global companies who were the pioneers in the Indian markets for direct selling could have affected the perception of consumers making them think that the products are not suitable for Indian conditions.

Companies that use MLM should focus on selling Fast moving consumer goods as consumers feel that this channel is more suitable for consumables than durables. Consumers do not feel that companies that advertise are necessarily trustworthy. MLM's that have distributors with good knowledge and information on products, pricing at par with stores, and good products are more likely to create trustworthiness and favorably affect intention to purchase from MLM companies. Advertisements however do help in brand association. MLM companies need to eliminate the negative perceptions while consolidating on the positive in order to sustain growth of this channel of distribution.

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