Behind the Scenes of Network Marketing

A Case Study of Tahitian Noni International

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Abstract
More companies have become aware of the need to find new ways of marketing, and network marketing is an alternative that has had great success. The purpose of this thesis is to identify what measures are used within a network marketing company to encourage the product consultants (PCs) to expand their networks. This study was conducted by interviewing three PCs and the Swedish marketing manager of Tahitian Noni International (TNI). A model is presented to structure the empirical findings, which shows that it is mainly the bonus system that is the catalyst in the organization, but also the company’s educations are of importance.
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1. Introduction

Research has shown that the amount of marketing a person on average encounters every day has increased from a few thousand to around 20 000 encounters (Jedbratt & Lindgren: 2000). However, it is estimated that a person merely takes in and remembers a small fraction of this. Therefore, companies are becoming increasingly weary of investing large sums of money into traditional marketing. (Jedbratt & Lindgren: 2000) As a result, people in general are becoming more aware of what they can do in order to avoid advertising, which makes it harder for companies to reach customers in the intended way. This forces companies to use new methods of advertisement. (Jedbratt & Lindgren: 2000)

One type of company, the network marketing company, relies almost entirely on relations between product consultants (PC), and customers as well as the PCs’ personal networks. Network marketing companies have enjoyed great successes throughout the past decades and an estimated 33 million people are involved throughout the world (www.direkthandeln.org). In Sweden, although the numbers vary somewhat, it is estimated that there are between 75 000 to 100 000 people engaged in network companies (Direkthandelns Förening, 2007; Federation for Direct Selling in Europe: Data, 2007). A network marketing company relies nearly solely on their PCs’ networks. This makes it important for the company to focus on the relationship with their PCs and educate and encourage them to keep recruiting new PCs.

1.1 Problem statement

Considering that there are no educational prerequisites for becoming a PC (Direkthandelns Förening, 2007), the need for education from the company could thus be assumed to be high. Due to the fact that many network marketing companies have expanded greatly and have generated high revenues, there must be certain success factors that are not connected to education from the network marketing company to the PCs. How, then, does this crucial relationship make the network marketing companies help and motivate their distributors so that the network will grow and be more profitable? The company chosen for this study is the network marketing company Tahitian Noni International (TNI).

1.2 Purpose

The purpose of this thesis is to identify what measures are used within a network marketing company to encourage the product consultants (PCs) to expand their networks.
1.3 Definitions
The definitions of certain terms surrounding network marketing companies can be slightly confusing. Therefore, defining certain terms may be in order to make it clear to the reader what is being referred to. The customers of a network marketing company are, as in all companies those who purchase goods or services. However, in this case there are two kinds of customers; those that merely purchase the goods and those who purchase products and distribute them. In this thesis, customers are referred to as those who only purchase goods. Those that distribute the goods further are referred to as product consultants (PC). The term upline refers to the PCs above a PC in the network. The term downline means the opposite, namely the PCs below a PC. A sponsor is defined as the person that recruits a new PC to the network.
2. Theoretical framework

The theoretical framework will commence by introducing theories of product branding and why a company should emphasize this area. Further, network marketing companies, and what defines them, will be explored. The importance of employee education will be explained and thereafter what effect incentives may have on employees. Finally, theories of friendships in business relationships and how these can be affected will be displayed. In order to give the reader a holistic perspective of this section, two theoretical models will be presented, based on what is explained below. This will form the analytical framework.

2.1 Branding

For all companies, the concept of branding has become increasingly important. Companies aim to differentiate themselves and their products from their competitors and also create and maintain a good reputation among their customers. From Grönroos’ point of view, branding is the process of creating the image of a brand in the minds of customers. (Grönroos 2007) The marketers’ role is to create a framework for how to develop the brand in the customers’ minds. Since the customer is a central focal point for the brand, they are the ones that continuously develop and alter the brand image. It is important to remember that different customers will perceive the brand differently, since customers do not perceive all things in a homogenous way and there are often discrepancies in services. (Grönroos 2007)

Another important concept in marketing is that of brand relationships (Grönroos 2007). A brand relationship can evolve when giving the customer an active role in the branding process. Since customers build their perception of a brand through interaction with the company and its employees, a relationship between the customer and the company starts to grow (Grönroos 2007). According to Grönroos, “therefore [the perception of a brand], the brand, or brand image, is the consequence of how a given customer perceives his relationship with a brand, or brand relationship, over time.” (Grönroos 2007:331)
2.2 Networking

*Network marketing* is an alternative way of distributing goods, as opposed to traditional selling over the counter. In network marketing the network is usually organized in levels, with each level representing a certain distance to the original PC. (Direkhandelns Förening, 2007)

![Network structure](image)

*Figure 1: Network structure. Source: Authors’ construction.*

Network marketing is a way to organize direct selling of goods and services, without having to build a sales organization with full-time employees or extensive administration. Network marketing companies stimulate self-employed PCs to create their own selling networks and for this the PCs receive compensation corresponding to the total sales in each respective network. (Direkhandelns Förening, 2007) The PCs do not only receive compensation for what they personally sell, but also for what the PCs in their downline sells (Muncy 2004). In a network company it is common to be able to qualify for different statuses within the company, with each status corresponding to a different bonus level or the like (Direkhandelns Förening, 2007). Due to the absence of middle hands, the costs of marketing that are commonly associated with bringing a product out on the market are much lower than traditional sales methods, which enables network marketing companies to reimburse their PCs for marketing their product. (Direkhandelns Förening, 2007) The process where additional distributors are recruited is called “sponsoring” (Msweli & Sargeant 2001).

Network marketing companies are often accused of being pyramid schemes, and there are some similarities between the two (Vander Nat & Keep 2002). Network marketing companies and pyramid schemes both offer PCs an opportunity to sell goods or services and often aim towards making customers make repeated purchases (Vander Nat & Keep 2002). Pyramid schemes, however, are illegal and aim to get a large number of people at the base of the pyramid to pay money to a selected few at the top. Every new participant pays for the
chance to advance to the top and make a profit out of others who have joined the scheme later. Pyramid schemes focus more on recruitment than selling and are built on a simple mathematical rule; “many losers and few winners”. (Direkthandelns Förening, 2007)

2.3 Education

"Without good and well-functioning internal relationships, external customer relationships will not develop successfully. Managing employees – on all levels – is a true test of managing an organization." (Grönroos 2007:383)

Grönroos argues that “internal marketing is a management strategy”. If the employees are insufficiently trained and have an unsatisfactory attitude regarding their job and customers, the business will not be successful. Top management must offer active and continuous support to their employees in order for internal marketing to be successful. (Grönroos 2007)

Further, Grönroos argues that training employees, evidently, is a key to success and should be seen as a basic component of an internal marketing programme. Often, there is a lack of understanding of the company’s strategies and the responsibilities of the employees (Grönroos 2007). Grönroos explains that a holistic view of customer management, both internal and external, should be developed. Moreover, the company should strive to achieve a positive attitude regarding customer focus, and also develop and enhance communication, sales and service skills of the employees. Formal training programs should also be offered to the employees on a continuous basis and should be implemented into everyday management actions. (Grönroos 2007)

Many researchers argue the importance for companies to view their employees as customers. According to Berry, it does not matter if you are managing customers or employees “the central purpose remains the same: the attraction of patronage through the satisfaction of needs and wants” (Berry 1981). Even though what is exchanged varies depending on whether it is a customer or an employee, the aim is still to satisfy the needs and wants of that person (Berry 1981).

Grönroos has similar arguments to those above mentioned and argues that a company must view their employees as the initial internal market in the organization and is adamant that
“internal marketing is a prerequisite for successful external and internal marketing.”
(Grönroos 2007:383) He goes on to describe three important aspects of internal marketing. First and foremost, it is important to remember that the employees perceive and evaluate the company’s offering before the customers do. Therefore, it is important to make sure that the employees understand and acknowledge the company’s intentions regarding their marketing and their offerings. If the employees are uncertain of the company’s trustworthiness or have doubts about the quality of the services they are selling, they will not be able to project it onto their customers, resulting in lower sales and less trust. Secondly, the company must ensure that actions taken internally should be focused on improving the external performance of the quality, that is, the perceived service quality. Third, internal customers, i.e. the employees, should be treated in the same way as ordinary, external customers. For example, an employee needing assistance or wanting to lodge a complaint should receive swift assistance with this. If the employees of a company are not receiving adequate assistance, it is highly likely that the service given to their customers will lack in quality too. (Grönroos 2007)

2.4 Incentives

“The surest way to destroy cooperation and, therefore, organizational excellence, is to force people to compete for rewards or recognition or to rank them against each other. For each person who wins, there are many others who carry with them the feeling of having lost” (Kohn 1993:5).

If a company performs well they may want to motivate their employees to continue in the same manner, often through financial rewards. Indeed, when a system rewards its “winners”, its “losers” may then work harder to perform (Kohn 1993). But people do not work purely for money and, according to research, money is not even in the top three of motivational factors, more on fifth or sixth place (Kohn 1993). Therefore, it is not the pay check at the end of the month that is the motivational factor for employees. The reason why employees work at a particular workplace is because they are satisfied with what they do. This may include having fulfilling assignments or being able to influence the work situation, as well as having pleasant and friendly co-workers. (Kohn 1993)
If an employee’s pay check is doubled, it is highly unlikely that their performance will double. If this were the case, obtaining a higher performance from employees would be a rather easy task (Kohn 1993). Although incentives are considered to heighten the performance of the employees, research shows that it is merely the quantitative assignments that improve (Kohn 1993). Thus, it is mostly production or sales aspects that are rewarded with incentives, due to these being easier to measure and therefore easier to reward (Kohn 1993). Unfortunately, instead of solving the actual problem, incentives are often seen as a pillar to lean on in order to give the organisation a boost (Kohn 1993).

Promising an employee a bonus, following the fulfilment of a certain factor, may be interpreted as getting a threat of what will happen if the factor fails to be fulfilled (Kohn 1993). Also, receiving a bonus is an individual motivational factor, which indirectly may hamper teamwork and boost egocentric acts through personal gain. In the long-run, this can hurt the organization and impede development, since the employees cease working for the greater good and may quit working towards improving the system for a collective gain and instead merely use it for personal gain (Kohn 1993).

Incentives do not encourage long term thinking; they rather encourage short term thinking and therefore short term profit. Due to this, it may not be productive to use incentives as motivation factor. (Kohn 1993)

2.5 Business friendships & relationships

Grayson states that “when friendships become influenced by business role expectations, the effects are stronger than when business relationships become influenced by friendship role expectations” (2007:121). Many empirical studies have found that there is a higher likelihood that friends become valuable exchange partners (Grayson 2007).

“Two people are in a relationship with one another if they have impact on each other, if they
are ‘interdependent’ in the sense that a change in one person causes a change in the other and vice versa” (Berscheid and Pelau 1983 in Price & Arnould 1999:39). Another way of describing a relationship is “a relationship has developed when a customer perceives that a mutual way of thinking exists between customer and supplier or service provider” (Grönroos 2007). A friendship, however, is seen as a voluntary and personal and often intimate, when two people like each other and seek each other’s company (Grayson 2007).

Many researchers have through marketing confirmed the fact that business relationships can become friendships and vice versa. Mainly, the outcome of this marketing research has shown that the effects of these relationship transitions are positive. However, several authors have indicated that there lies a potential for conflict when combining friendships and business relationships. (Grayson 2007) In a study by Grayson (2007), the empirical findings point to that friendships are not completely negative when conducting business and point to “how and why the effects of friendship on marketing can be both positive and negative” (Grayson 2007:121).
3. Methodological approach

In this chapter, certain issues that have emerged during the investigation and why certain choices were made are presented. First, the reasons for choosing TNI and the different interviewees will be displayed. Thereafter, qualitative interviews are discussed and why this method was chosen for this study. How the interviews were executed will also be shown. Next, a motivation for the model’s structure will be presented and, finally, ethical aspects will be discussed.

3.1 Selection

TNI was chosen as case company since it is a large network marketing company with a great number of PCs. This would increase the possibility to interview PCs of a higher network status. (Tahitian Noni International: Compensation Plan, 2007). Also, TNI’s Swedish head office is situated in Stockholm, which facilitated interviewing the marketing manager in person.

When selecting interviewees, there were certain preferences. First an interview with a marketing manager at the TNI’s head office in Stockholm was needed to provide background information. Thereafter, the aim was to interview at least two or three PCs that could contribute to a picture of what network marketing within the company looks like.

The preferred PCs to interview were those with long term experience, at least five to ten years. These people should have a broader perspective than newly recruited PCs. The three PCs interviewed have all been part of the TNI-network for around ten years, around the time it started in Sweden in 1997. All three have acquired high status titles in the network hierarchy.

This selection of interviewees could seem somewhat narrow since all have been rather successful and part of the network for roughly the same duration. However, since the records of the people involved in the network are not public knowledge and are considered a business secret it was not possible to obtain a wide selection. TNI’s marketing manager in Sweden, Per Lundell, recommended one interviewee and the remaining two were reached through personal connections within the TNI-network.
Some of the interviewed PCs have wished to remain anonymous; therefore all PC-interviews have been handled accordingly. When presenting the empirical findings they are therefore referred to as Interviewee 1, Interviewee 2 and Interviewee 3. Per Lundell is referred to by name.

3.2 Qualitative interviews
When studying this area, interviewing was considered a reliable method to gather qualitative data through, since it is possible to obtain open and elaborate answers. A quantitative method was not possible due to the fact that the PCs’ networks were not public information.

The empirical material was gathered through interviews with three PCs and one interview with the Swedish marketing manager of TNI. The interviews were done on four separate occasions during November and December 2007, three of them with PCs in Uppsala and one with Per Lundell at the TNI’s Swedish head office in Stockholm.

The questions posed to the PCs were of an open nature and were categorized into three themes. The first theme focused on the person in question and their part in the network. It also discussed when they joined, what education they had and so forth. The second theme focused on how to act in a network marketing company as a PC, e.g. what kind of training they have received, sales tactics and so on. The third and last theme focused on the company, e.g. how do they perceive the way the company handles matters and what are they not performing to a satisfactory level. Lundell was asked similar questions, but were more focused on the company’s point of view and background.

Both authors were present during the interviews; one functioned as interviewer, while the other took notes. The person that took notes functioned as an active audience, being able to ask questions and take part in the interview. All interviews were recorded in order to make sure that the data gathered matched the notes.

3.3 Why a model?
To investigate what actions a network marketing company can take to increase the profit from the PCs, two categories of major importance emerged: Resources and Perspectives. Resources points out what resources a network marketing company can use in order to be successful. Those resources have been divided into two different types of actions, Network related
actions and Product related actions. The Perspectives focus on the areas where the actions can be enforced, Externally or Internally. After studying the model it becomes apparent that the most interesting parts are located in the “internal-networking actions” area. Therefore, a second figure over that area was created. The different areas of network marketing can at times overlap and create confusion for the reader, therefore this model is an attempt to clarify the findings in this study for the reader and give more structure to the analysis.

3.4 Critical remarks
It is important to consider the probable biased opinions of the interviewees. The reasoning behind this statement is that they have been particularly successful within TNI. This is a matter of concern, which needs to be taken into consideration (Trost 2002). Also, some of the literature we received from TNI, is biased. These include handbooks in network marketing, sales brochures etc. However, we have primarily used this literature for information about network marketing.

3.5 Ethical aspects
When performing a study, it is imperative to be aware of the different ethical problems that can be encountered. Bryman (2004) identifies four ethical aspects that researchers should be aware of when conducting interviews. One of these is that the information-criteria must be fulfilled, which is done by informing the interviewees about the purpose of the study (Bryman 2004). In this study, this criterion has been fulfilled by clearly stating to the interviewees what the motives and purpose behind the study were. Another is the consent-criteria, where the interviewees are informed that their participation in the interview is voluntary. (Bryman 2004) During this study, the interviewees were all contacted via email and/or telephone prior to the interviews. Since these prior conversations were formulated as interview requests, it is highly unlikely that any interviewees believed the interviews to be other than voluntary. The third criterion when dealing with ethical aspects is the confidentiality-criteria, where the interviewees are informed of that their personal information and other details about them will be treated confidentially (Bryman 2004). Besides TNI’s marketing manager, all interviewees in this thesis are referred to anonymously and no personal information has been presented, which should render this criterion fulfilled as well. The final criterion is the use-criteria, which states that the information collected is to be used purely for research and may only be used by the researchers whom have collected it, e.g. interview recordings etc must not be
shared with others. (Bryman 2004) The transcripts and recordings from the interviews have not been shared with other persons and therefore this criterion should be considered fulfilled.
4. Empirical findings

This chapter starts with a background on the company and is then structured according to the model in 2.6. The different boxes in the model have corresponding titles in this chapter where our findings will be listed and also make an analysis more comprehensible.

4.1 The company Tahitian Noni International

“Do you know five people who want to earn 50 000 SEK a month? In that case, you yourself can earn 50 000 SEK in one month” (Interviewee 3)

Since the company’s founding in 1996, TNI has expanded rapidly throughout the world (Lundell). In 2007, the sales added up to US$ 530 million (Per Lundell).

In 1997, there were around 200 PCs in Sweden and around 500 in 1999. Today, there is an estimated 2500 PCs in Sweden (Interviewee 3), however, the exact number is a company secret (Lundell). TNI currently has 250 000 PCs in the world and 1000 employees that work at the different national head offices. The Swedish office opened in 1998 and currently has 15 employees. (Lundell)

The main product for Tahitian Noni International (TNI) is their noni juice. The noni fruit, which is endemic to Tahiti, has been used by the local population for centuries for its health beneficial properties (Tahitian Noni International: Historik, 2008). In 1996, TNI’s only product was the nutritional supplement drink noni juice. Throughout the company’s existence they have expanded their product assortment and at present they produce and sell a wide range of products that contains noni juice; soaps, lotions, nutritional products, skin treatments, teas, energy drinks etc. (Tahitian Noni International: Produkter, 2007).

TNI has also opened cafés and restaurants in several countries, so-called lifestyle centers, where customers can buy healthy food and try noni juice. This gives the customers a good introduction to the company and product, since it is easier to show a person. (Lundell) The lifestyle centres are started by the head offices and are not sold as franchises to the PCs. (Lundell) The main goal for the lifestyle centres is to strengthen TNI’s brand name, not to make a profit. Should the lifestyle centres display a profit; these will be put in another bonus pool from which the PCs can receive yet another bonus (Lundell).
The reason for becoming a network marketing company was mainly that the company’s founders believed they had a product that could market itself. It was largely TNI’s marketing director Kelly Olsen, who is one of the founders of the company, with a background with network marketing, who understood and promoted the benefits of it (Lundell).

The network grows when a PC finds and “recruits” a person to become a new PC under them. In this procedure, the old PC will then become the “sponsor” of the new PC and will get a slightly larger percentage turnover from thereon. TNI is currently paying 53 percent of the company’s monthly turnover to their PCs.

Although the bonuses distributed add up to quite large sums, TNI has a PC turnover rate at 40 percent. TNI seems to be trying to improve this, since they are placing more emphasis on a “long-term” relationship with the PCs. (Interviewee 1, 2, 3 and Lundell)

4.2 External product promotion
TNI uses the services of a PR-bureau in order to reach out to more people. They aim for more people to know about TNI as a company and interest them in becoming a PC. The normal procedure is that TNI chooses one or a few products to send to beauty and health journalists at different magazines. They let the journalists try these products and then have a dialogue about the products. According to Lundell, this often generates an article in a magazine which reaches a wider span of consumers (Lundell; Tahitian Noni International: Press, 2008). This way of marketing is quite cost efficient, it mainly costs the sample products and the time it takes TNI to meet the journalists.

According to Lundell, TNI helps their PCs in different countries so they can continue to grow their business. When TNI enters a country they invest in a long-term perspective which aims to give the PCs security. They have, for example, started TNI lifestyle centres, since sceptics may be more easily overturned if they experience the concept at, for example, a café.

TNI has very generous return policies, which entail a thirty days complete refund if a customer is dissatisfied with a product. To make this procedure swift for the customer and create less hassle, the product does not have to be returned. Lundell explains that TNI “has no interest in having dissatisfied customers”, which is the reason for their policy. Also, they are highly confident in their product and this is a way of showing it to their customers. In network
marketing companies the reward/bonus correlates to product sales, while in pyramid schemes you are required to pay large sums of money quickly and are rewarded financially according to how many new PCs you recruit. (Lundell)

Research shows that only 10 percent of the population is interested in network marketing (Lundell), which means the other 90 percent are not being reached by TNI. They therefore find it is important to take new paths and find new ways to reach these 90 percent. (Lundell) One way of trying to reach them is by e.g. articles and starting lifestyle centers. Lundell believes the main difference between them and other network companies is that no other company helps their PCs as TNI does, since only TNI, amongst other things, has cafés and restaurants, so-called lifestyle centres. (Lundell)

When asked why TNI is so successful, Lundell and the PCs interviewed reply it is due to the superior products. Lundell does not believe that the growth rate would be as high if it wasn’t for the personal network strategy. This type of product demands a personal contact, largely due to the initial side effects of the juice. Lundell explains that some customers may experience temporary side effects such as headaches and blemishes in the first weeks of use. These effects are caused by the detoxifying effects of the noni juice, which is best explained through a more personal contact with the customers. (Lundell)

Lundell explains the concept of “using satisfied customers to find new customers”. The reason for using a network marketing strategy instead of traditional “store marketing” is when you have a product that you know is excellent and you do not have a large marketing budget to spend, network marketing is the best way to go about this. (Lundell)

4.3 External network promotion

The Direct Selling Association of Sweden (Direkthandelns Förening) tries to promote network marketing companies and work actively with strengthening the reputation of network marketing companies. (Lundell) The Direct Selling Association of Sweden has many guidelines for a network marketing company to follow if they are to be a part of this organization and maintain a serious image. A very important guideline is that the company should not pay a bonus for recruiting, which is seen as being an unserious business. Product turnover should be premiered, which is something that serious network companies do. TNI is a member of the Direct Selling Association of Sweden and The International Direct Selling
Association (DSA). These two associations have rules regarding how network marketing companies can act and a membership in these helps contribute to a network marketing company’s serious image. Also, a considerate membership fee is required, which may eliminate network marketing companies of a less serious nature. (Lundell) Even though these actions are done to legitimize TNI as a network marketing company, the PCs may still need help to meet the critique of sceptics. It is therefore important they know what arguments to use to counter these critical claims.

4.4 Internal product enforcement
The product is the main resource and the reason for TNI being so successful, and by having a product that is so superior it is easier to make the PC do their part in marketing the product (Interviewees 1, 2, 3 and Lundell).

There is a constant flow of information about the products and the content. However, there has been a shift in the way the product has been enforced. The first five years, all internal and external product enforcement was focused on how great the products were and how much better you would feel after using it. Several stories on how people were healed and cured from their ailments circulated within the network and at PC-recruitment meetings. A story from Finland put it all to an end when someone claimed that Noni had cured cancer (Lundell). After government and EU reprimands, TNI issued heavy guidelines stating that its PCs are forbidden to share personal experiences of what the product has done for them as a sales argument. Therefore, the internal product enforcement has decreased and is now mostly focused on information about products in forms of samples and pamphlets. (Lundell)

4.5 Internal network enforcement
On average, one new network marketing company starts in Sweden every week (Lundell). Due to this, Lundell has to explain to the PCs in TNI that the company will be around for a long time and convince the PCs to take part in the development. The Swedish head office is responsible for the administration of PCs in Finland, Denmark and Sweden. This includes informing and updating PCs on products, rules and regulations, when meetings are held, the market plan and bonuses etc. They are also responsible for keeping PCs motivated and enthusiastic and that they know the value of TNI as the leading network marketing company. This is done almost entirely by communication through email. The head office also meets with the top sellers in Sweden and relies on these sellers to pass the information to their
downlines. TNI relies heavily on their PCs to communicate with each other and work together. The only real encouragement for this is their bonus system, which is rather generous. There is no other company that has paid as much money to their PCs under such a short period of time as TNI has. During the past nine years, TNI has paid US$ 2 billion to their PCs (Tahitian Noni International: Compensation Plan, 2008), which may be a significant fact for those who are interested in earning money. If this bonus system really creates teamwork is hard to tell, however, it does create results. (Lundell)

4.5.1 The company’s knowledge transfer

When TNI started a delivery centre in Stockholm in 1998, with merely a few employees, the company did not assist their PCs to any greater degree. Today, it is a completely different story. The product is now approved as a food product by the EU and this has helped TNI expand in Sweden (Lundell). As a result, there is an office in Stockholm where you can receive assistance in different matters and also buy goods “cash and carry”. Further, the company’s material can now be read in Swedish. Prior to this, the marketing director of TNI in the US, Kelly Olsen, wrote weekly letters to all the PCs in the world, now the local offices perform this task. Olsen now writes monthly newsletters to inform the PCs of what is going on in the company (Interviewee 2). He also travels to different countries to meet local PCs. (Lundell)

TNI has implemented a very detailed education plan called Success Path, with a corresponding work book. Success Path is partly educational and partly a motivation raiser through its incentives, trips and conferences. It is about being a marketer rather than being a salesman, since it contains no information about the product, merely information to improve the PCs network creating skills. (Interviewee 1, Lundell)

Previously, the education in TNI was primarily organized by the PCs and in order to develop the Success Path TNI asked the PCs that had been a part of the company for a long time what they felt was missing in the company’s approach towards the PCs and also how to develop the education plan in the best possible way. (Interviewee 1, Lundell) Nevertheless, this education plan is mostly a basic program that focuses on the general ideas of network marketing, which is too basic for anyone that already knows the field of marketing or are salesmen. “It [the education plan] holds an embarrassingly low level” (Interviewee 3).
TNI works increasingly with retaining their PCs so they do not tire and end their networking after two to three months. According to Lundell, this is a common occurrence. Often, people mistrust when they feel they are not making enough profit. However, it is important to maintain the view that “it is not a sprint, more of a marathon race” (Interviewee 1 and 2). In most cases, it takes at least a year before business starts to pick up, “it is like building a house, you have to have a solid foundation to build on- this is done under the first six months, thereafter everything above the foundation starts to show” (Interviewee 1).

The Success Path entails different steps to how you go about networking and selling. Within the Success Path, TNI teaches the PCs to be coaches and later on leaders for their network. A part of this is the annual conferences arranged by the company. This is done not only for educational purposes, but also as a motivational action. (Interviewee 1)

The first step, when a PC has recruited a few new PCs, is the “Fast Start Camp” which is a two hour session with an introduction of TNI. The PCs are told about the company and what network marketing companies are. They receive basic training and are taught how to write contact lists. The Fast Start Camp is seen as a formal welcome into the company. (Lundell) The second step “Coral Camp” is a four hour session. It focuses on the marketing plan and the PCs are educated in marketing strategies and on taxes. They also receive leadership training and more information about the products. (Lundell) The third step is called “Jade camp”. This camp is usually held with a group of 20 to 30 people and they are taught about coaching and leadership. (Lundell)

These first steps in the education plan take place close to the PCs home town, and then become more and more geographically spread as you move up on the ladder. For Swedish PCs it starts in Scandinavia, moves on to Europe and then the US. The higher up in the network you are, the more extensive the education becomes. The highest levels of education are run by Kelly Olsen in the US. (Lundell, Interviewee 1, 2, 3)

When asked if there is something that the company can do to help the PCs further, Lundell says they could have more meetings and introduce a step prior to the Fast Start Camp with education for the new PCs. “Perhaps we can combine Fast Start Camp with a lower step and have meetings together.” (Lundell)
4.5.2 The company’s motivation strategy

Network marketing companies do not engage in marketing *per se*. They pay their PCs to market the products for them. Instead of spending money on traditional marketing, they reimburse their PCs with a so-called marketing reimbursement, a bonus system. This may be considered a “thanks for marketing” after the purchase is done rather than the traditional “please purchase” strategy. (Lundell)

In TNI, you do not get a bonus for recruiting. Instead you get a certain part of the company’s income that month or of the PCs’ sold volume. If you recruit someone that month you receive a slightly higher bonus. (Lundell) TNI’s bonus system today is basically the same as it was when the company started, although certain small changes have been made. For instance, more bonuses are now given to those who work actively. The profit for those who have worked hard before, but are not currently active, has decreased slightly. (Lundell)

TNI’s bonus system can be divided into four parts, *Personal rebate*, *Fast start bonus*, *Status bonus* and *Bonus pool*. All of them are focused on volumes sold, but there are some differences that will be briefly stated here. QPV means Qualifying Personal Volume and refers to how many products you have bought. The mandatory monthly QPV is 120 and equals ~1600 SEK.

**Personal rebate** is a 20 percent discount on products bought exceeding 120 QPV per month. This bonus a PC will receive after an accumulated purchase of more than 500 QPV (~6000 SEK). Also, to be able to receive the other three bonuses you first need to qualify for this one. (Interviewee 3)

**Fast start** is the personal sponsor’s share of the new PC’s purchased merchandises the first 60 days the new PC is part of the network. This bonus has effects on five levels. From one sale, the PC’s sponsor will receive 20 percent, thereafter that person’s sponsor will receive a 5 percent bonus. This 5 percent bonus continues for another two steps and ends with the fifth person in the upline receiving a 10 percent bonus. This bonus could be considered the motivation for recruiting new members to the network and since it is time limited it should be considered the salary for the PC (Interviewee 3).
**Status bonus** is a bonus that you receive for having a large network under you and having a high status (Coral, Jade, Pearl, Diamond Pearl) by selling a high volume of products each month. The bonus consists of a small share in every PC’s sales volume under you, up to eight levels. Since the volume sold in your network may change from month to month and also your status, the profit might change somewhat from month to month. The share is higher for those PCs that are far from you, up to 8 levels. This should be considered a pension plan since it will keep generating profit without your involvement, which makes it interesting to write it into your will, in order for your children to inherit your place and status in the network. (Interviewee 3)

**Bonus pool** is perhaps the largest bonus you can receive and also the hardest to qualify for. It will give the PC a share of the company’s global profit that month. Everyone that qualifies for this bonus will share a few percent between them, depending on their current sales volume. To qualify for this you need to increase your sales volume by 35 percent compared to your volume the previous month. Since this might be difficult to do when you already have a large sales volume, the bonus will increase depending on your status within the network. All Jades will share 2 percent of the global profit, Pearls share an additional 3 percent and Black Pearls and above share an additional 3 percent. Since it is highly difficult to continuously increase your volume with at least 35 percent per month, this bonus is not a steady bonus. (Interviewee 3)

All these bonuses are focused on sales volume and encourage PCs to get more volumes sold. Since it might be hard to sell everything by yourself it indirectly encourages PCs to sponsor more PCs. It also tells the PCs to have most of its people some levels away in the network and a few closer to them.

4.5.3 The uplines’ knowledge transfer

The extent to which knowledge is transferred from upline PCs to their downlines differs greatly between the different groupings. “*Some PCs are better than others - they have meetings together and discuss matters. Those who are most successful work closely together with their sponsor or someone in their upline.*” (Interviewee 1)

All of our interviewees joined the network around ten years ago, when the assistance from the company was close to non-existent. The PCs had to work together closely and assist each
other. Today, the company does more to help out with information, education and deliveries. Interviewee 2 received rather meagre assistance from her sponsor, but got help from another PC who was also interested in networking, not just the product. Together they expanded their networks (Interviewee 2). Interviewee 3 had similar experiences regarding his sponsor (Interviewee 3).

It is of interest to support and help PCs in the downline and preferably be able to help every recruited person according to their personal needs. This is important in order to maintain contact with your downline and build long-term relationships, which is done by offering help and support. “If you want to maintain a successful business you should have a front-line, consisting of only a few driven people” (Interviewee 2). Only a few are driven enough to be in a frontline, which leaves room for a larger circle of acquaintances, many of which are satisfied to have Noni merely as a hobby or exclusively for personal use. It is up to the leader to identify what skills people have and coach them in the appropriate way. Sometimes, people say they have a specific goal, but fail to work towards and fulfill it. In that case, you must contact the person and offer your assistance to get them on the right track. (Interviewee 2) Openness and information are highly necessary and it is important to always have an honest approach. If people perceive that you are there only to profit from their efforts, they would disappear quickly. Interviewee 2 also says that TNI encourages PCs to help their downline. Interviewee 2 does this by joining her downline’s education meetings and discussing how to be successful using the Success Path. (Interviewee 2)

Interviewee 1 says he received a great deal of help from his sponsor, but has received help from other people in the upline of his network as well. He says that he supports and helps his downline by always being available on phone, by mail or in person. Often, the information needed is very basic and perhaps the person knows the information but cannot retell it to their customers in a good way. (Interviewee 1)

Interviewee 3’s values have changed, for better and for worse. Before, he used to spend a lot of time talking to everyone that was interested in TNI. As his network grew he realized he could not possibly keep in touch with all of his PCs. “Many people sit around and wait for someone else to call, people are too comfortable” (Interviewee 3). Before, he used to meet 200-300 people each week. The problem, however, arose when people started asking “when
are you coming next time?” People did not take initiatives of their own and did not keep in touch with their sponsor. (Interviewee 3)

The company representative confirms that TNI encourages their PCs to exchange knowledge with each other and he believes this is very important. TNI tells the PCs that they think PCs will benefit greatly from speaking with each other, using the expression “1+1=3”, meaning that the exchange of knowledge between two people is greater than their individual knowledge separated. (Lundell)

It is imperative that PCs try to recruit new PCs and in order to do this they have to market the network to potential PCs and make it seem attractive to them. (Interviewee 1) When asked how Interviewee 1 does this, he explains it is important to create contact and build a relation. Further, it is imperative not to proceed too quickly and give customers too much information at the same time. It is better to portion it out in smaller doses in order to create more interest. (Interviewee 1) Interviewee 1 goes on, “I have health in focus, so I focus on the product”. He continues “then you can take it one step further and explain how you can make money at the same time.” He concludes by explaining that it is about setting goals and offering a way of making money and having more spare time. (Interviewee 1)

Interviewee 2 has a slightly different approach to recruiting PCs. She uses her business card to get peoples’ attention, a card which states all the different reasons why you should join the network. Before, she only told people about the product, but she felt that people didn’t always believe what she told them. She finds it is important to ask people what they want to do and why it is important to them. Some only want to make money, while some people want to do more than that. She also tries to listen to every individual, and asks them “why is it important to you?” to see if a person is interested and for what reasons. To a large extent it is about helping people fulfil their lives. (Interviewee 2)

### 4.5.4 The uplines’ motivational actions

During the Success Path education, which can entail conferences around the world, it is allowed to bring a guest free of charge. The airplane ticket is mostly paid by the PCs, but TNI pays for accommodation and for the course/seminar for both PC and guest. Some bring their spouses and some invite a PC from their downline that has been a part of their success. “It is important to encourage and premiere those you have been successful with” (Interviewee 1).
The contact with your downline is more important than anything. You should keep in touch with them continuously and find out how they are doing and how they are feeling, in order to motivate them and maintain good relations; “This is relationship marketing!” (Interviewee 3). He has gained friends from all over the world through TNI and business contacts. Interviewee 3 has only met his sponsor once since he was recruited. He says it is better to wait and choose your sponsor with care. You have to like those you work with and, if you don’t, you should probably choose someone else to work with. (Interviewee 3)
5. Analysis

In this chapter, the results from our empirical findings will be put against the reasoning in the theory chapter. First, focus is placed on the two previous figures (figures 2 and 3). The above mentioned categories will be fitted into Figure 2 and Figure 3 and thus create Figure 4 and Figure 5. Following this, there will be a comparison between the theoretical aspects and the empirical findings to highlight differences. Figures 4 and 5 are finally combined to form figure 6, as a summary of the findings in this study.

5.1 The company’s actions

TNi’s actions to expand and gain more market shares can be divided into four different categories; External, Internal, Network oriented and Product oriented. The external actions focus on the public, while the internal actions focus on those who already are PCs. Network oriented actions is about strengthening the networking in the company, while the product oriented actions is about strengthening the product. Combining these, we aim to clarify the channels used to reach the target group.

5.1.1 External product promotion

External product promotion focuses on strengthening the brand name on the market. This is something that all businesses must do. The question, however, is how and at what price? TNI relies on more low scale and low-cost marketing, such as small advertisements in magazines, word-of-mouth and product sampling, that result in articles. They also strengthen their brand name by starting lifestyle centres in order to facilitate the sales for their PCs. The lifestyle centres give the PCs and TNi’s products a higher credibility and make it easier for potential customers to try their products. In order for network marketing companies to be able to pay the bonuses, something must be omitted from the budget. Since marketing is often very costly and hard to reach potential customers, network marketing companies have chosen to “outsource” their marketing to PCs.

5.1.2 External network promotion

External network promotion regards the unique aspect of TNi, which is to promote their network structure. The widespread scepticism and the common association to pyramid schemes is a delicate problem that network marketing companies have to deal with. This is mostly done by being a member of the Direct Selling Association. An approval from them decreases the risk of being regarded as a pyramid scheme, which gives certain credibility to
the company. It seems that TNI takes rather passive actions in order to increase the acceptance for network marketing companies.

5.1.3 Internal product enforcement

Internal product enforcement focuses on informing the PCs about the products and offer more information about each product, in order for the PCs to increase their sales volumes. This also allows them to sustain a high credibility and maintain a serious image towards customers.

After investigating TNI, it has become apparent that a great deal of focus has been placed in this category, especially during the first years of the company’s existence, when the information was mostly product and health oriented.

Due to government reprimands and EU regulations, caused by unauthorized claims of various healing effects, this became highly restricted. TNI has since then started realizing the importance of also informing their PCs about networking. This can be seen as a positive development, since it is networking that expands the company and what makes the company different to traditional companies. Nevertheless, the focus still remains on product information and since both PCs and the head office agree that the Noni-products are the key to success, naturally the head office will supply their PCs with a great deal of product information.

5.1.4 Internal network enforcement

Internal network enforcement aims to improve the PCs’ networking skills. That is, to make them better in expanding their network. Initially, the company did not place a great deal of focus on this, but instead focused on their product. This has now developed and the company is focusing increasingly on networking. This is done through education, coaching and by having a well worked out bonus system. In this category, apart from the bonus system, a surprisingly small amount of resources are spent. Instead, TNI relies on their PCs to take initiatives of their own when it comes to coaching and education.
5.2 Internal networking

This figure is divided into what the Company and the Upline respectively do to facilitate and improve a PC’s ability to expand their personal network. The next dimension, Knowledge and Motivation, emphasize the possible actions that can be used by the Company or the Upline.

5.2.1 The company’s knowledge transfer

The company’s knowledge transfer aims to improve the PCs’ abilities through a central education program called Success Path, which entails a varying amount of lectures depending on what “status” you have in the network. TNI also holds annual global meetings, where they pay for all PCs’ accommodation and meals. Grönroos argues that employees should receive formal training and although the PCs perhaps cannot be seen as traditional employees, they are a vital part of the company and should therefore be educated. Grönroos also believes that it is important for the company to view their employees as customers, which becomes even more important in network companies since the PCs are both employees and customers. TNI seems to be improving in this area, but should perhaps be even more adaptive to their employees. Lundell especially calls for a step before “Fast Start Camp”, in order for newly recruited PCs to receive training early on in their TNI-careers.

An interesting note is although they have an education plan for the PCs, it consists mainly of basic knowledge within the area. At the same time, this education plan is only available for those who are qualified and not for those PCs that would benefit most from it. This paradox may very well be a reason for TNI’s PC turnover rate of 40 percent.
5.2.2 The company’s motivation strategy
The company’s motivation strategy forms the foundation for networking within TNI through their bonus system, in which they give back 53 percent of the revenue to the PCs, instead of spending large sums of money on traditional marketing. This bonus system is a clear motivational enhancer and inspires the PCs to increase their performance. According to Kohn (1993), incentives are only seen as a short term solution for increasing a quantitative output. In TNI, however, incentives seem to be effective. The reason for the system being so efficient could be that the PCs perform rather qualitative tasks. The theory in this area points to that incentives often have a demeaning effect on teamwork (Kohn 1993). Nevertheless, TNI does not seem to be affected by this. On the contrary, when the demand for quantitative short-term results is high, which it often is in TNI, teamwork seems to increase.

5.2.3 The uplines’ knowledge transfer
The uplines’ knowledge transfer displays what uplines do to educate and support their downline. Since TNI for a long time had low and sometimes lacking levels of education for their PCs regarding networking, a large number of PCs have dealt with this part on their own initiative. They have organized lectures on sales technique, customer relations and coaching etc, which has made the uplines’ education of their downlines highly important. This education can also be in the form of more informal conversations to give support and advice. It is up to each individual PC to set the standard of to what extent they want to coach their downline, which leads to great variation in the company. Due to this it is important to have a sponsor to cooperate with, who has similar goals.

The bonus system is also a highly important aspect in the uplines’ knowledge transfer, since PCs in an upline benefit from having well-educated and motivated downlines by receiving more bonuses. This may be the catalyst in why the upline has made such an effort to educate and motivate their downlines.

5.2.4 The uplines’ motivational actions
The uplines’ motivational actions are difficult to map, since they only entail informal conversations and therefore are complicated to measure. The motivational actions are often about the PCs supporting each other. Initially, it seems as though the PC’s are supported by their sponsors, thereafter they find other, more likeminded people that they cooperate better with. It seems important for the PCs to keep track of the people in their downline and contact
them continuously to see how they are doing and motivate and help them if things have been
going less well during a longer period of time. Yet another motivational action used is
inviting a successful person from your downline to accompany the PCs to one of TNI’s bonus
trips or education conferences.

<table>
<thead>
<tr>
<th>Resource</th>
<th>Perspective</th>
<th>Company</th>
<th>Upline</th>
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<tbody>
<tr>
<td>Education plan</td>
<td>Informal teaching</td>
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<tr>
<td>Incentives</td>
<td>Personal contact</td>
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Figure 5: Internal networking. Source: Authors’ construction.

5.3 Combining the figures

In the previous sections of our analysis, we have presented Figures 4 and 5 and the different
reasoning behind them. In Figure 6, as presented below, we have combined Figures 4 and 5 in
order to clearly show the different parts of our investigation. The lower right hand box
displays the magnified Education/Rewards box.

<table>
<thead>
<tr>
<th>Resource</th>
<th>Perspective</th>
<th>External</th>
<th>Internal</th>
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<tbody>
<tr>
<td>Branding</td>
<td>Product info</td>
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<tr>
<td>Network marketing</td>
<td>Education plan</td>
<td>Informal teaching</td>
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<td></td>
<td>Incentives</td>
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Figure 6: Company actions and internal networking combined.
Source: Authors’ construction.

Network marketing is unique in the sense that they have a bonus system to create incentives
for their PCs to market the company’s product, instead of using large marketing budgets. This
type of system spurs the PCs to work harder, since they will benefit financially from doing so.
6. Conclusions

As stated earlier, the purpose of this thesis is to identify what measures are used within a network marketing company to encourage the PCs to expand their networks. This study has shown that the main measure used to encourage the PCs to expand their network seems to be TNI’s elaborate bonus system, which seems to be the catalyst in the organization. Even though the bonus is personal, it encourages cooperation and teamwork among the PCs.

Another important measure is the different types of educations within the company. TNI seems to be aware that education is an important element in the company; but it was not until recently they compiled a more thorough education plan. This education plan seems to hold a rather basic level, entailing information about more general aspects of network marketing. The paradox with this education plan, however, is that its target group is not newly recruited PCs, but instead those that have become somewhat successful within the network and who most likely already are familiar with network marketing. This may be a reason why TNI suffers from a 40 percent PC turnover. To counteract this, it may be wise to provide an early education for the newly recruited PCs, as Lundell suggests. On the other hand, it would also be of interest to offer education of a higher level that can meet the demands of the more experienced PCs.

The lacking education from the company earlier on, has in reality meant that the PCs have shouldered the role of teachers, which results in the quality varying greatly. This may be a contributing factor to the significant PC turnover rate. Even though the PCs are not technically reimbursed for teaching, they have strong reasons for maintaining able and motivated downlines, since the bonus system promotes network growth, and education can contribute to growth.

Earlier, TNI promoted solely their Noni-products and health aspects. Today, they seem to be more oriented towards acknowledging the network aspect; however, they should aim at improving in this area. It is important to understand that TNI has two products; the Noni-products and the network. Network marketing is such a different way to distribute and market products, which could therefore motivate seeing network marketing as a product of its own.
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