

# E-Learning in the Network Marketing Industry

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## INTRODUCTION

The network marketing industry with its need to train home-based workers is in a unique position to benefit from e-learning. The large numbers of people involved with this industry creates a significant demand from the viewpoint of creators of e-learning content and the providers of e-learning software and services. This article identifies the fit of e-learning within the network marketing industry and the consequent benefits to network marketers and to e-learning developers. It is an updated version of an earlier article, Hugli and Wright (2000). This article also does the following:

- Identifies the need for training at various stages of involvement with network marketing;
- Identifies the benefits of e-learning as a means of delivering that training, both to the trainees and to the industry as a whole;
- Estimates the size of the market for e-learning in network marketing; and
- Clarifies the challenges faced by the implementation of e-learning in the network marketing industry.

## BACKGROUND

Network marketing, referral marketing, direct marketing, or multi-level marketing, also referred to by Rod Nichols (1995) as conversational marketing, works by marketers/distributors selling to people within their own circle of acquaintances and then recruiting new marketers. Many people work together, either part-time or full-time, and distribute a consistent volume of products or services. Network marketing is based on the concept of exponential growth. As each new distributor (company representative) introduces his/her company's products or services to his/her own circle of influence, word-of-

mouth advertising expands to new circles and continues exponentially to expose increasing numbers of people to the products and the individual companies.

Products are normally ordered by the marketers with delivery being direct from the company to the end user. The marketers are rewarded for their word-of-mouth advertising through a company-specific compensation plan. Products that have been proven to be successfully distributed via network marketing include home/family care, personal care, health care, wellness, education, and telecommunications.

## E-LEARNING

E-learning refers to the delivery of training by electronic means including text, audio, motion video, still graphics, animation, live interaction with a facilitator and/or other students, exercises, and tests. E-learning extends the capability of classroom training and/or of conference calls by making extensive use of the Internet for learner access to training materials on Web sites and to interaction with a facilitator using instant messaging, e-mail, audio, and/or video.

From the student point of view, e-learning is interactive, ubiquitous, easily accessible, and inexpensive, allowing learning at one's own pace with full flexibility in terms of time availability and scheduling. From a course delivery point of view, e-learning allows a broad geographical reach, operation on a variety of end-user hardware and operating systems, flexibility to be used concurrently with other training systems such as visiting clients under the supervision of a trainer, and facilitates updating of the training materials.

For individual network marketing companies offering e-learning to their employees, additional benefits can be derived in terms of just-in-time (JIT) training, which can be used, for instance, to alert all marketers about new products or features.

Much of the early research on e-learning was conducted in an academic setting. Piccoli, Ahmad, and Ives (2001) provide a summary and use it to develop a framework for measuring the effectiveness of e-learning. They cite an example of undergraduate students who were unsatisfied with the e-learning environment but developed higher confidence in the skills they acquired than those students in conventional classrooms.

For employee training, other factors are important, including return on investment, support from the executive level of the organization, and measurability of impact on the organization. We now briefly summarize the literature in those areas.

Deeny (2003) discusses the financial benefits related to e-learning and shows how to evaluate benefits at 5 levels:

- Were participants satisfied with the training?
- What skills, knowledge, or attitudes changed?
- Was the training applied on the job?
- Did work performance improve?
- Did the financial benefit exceed the training costs?

Whalen and Wright (2000) address financial issues focusing on costs, and a return on investment analysis is given by Osiakwan and Wright (2001).

A three-stage learning model is described by Wang (2002) that can be used to design e-learning content for business situations.

IT issues related to e-learning are discussed by Young (2001), and Little (2003) describes methods of measuring the quality of e-learning software, including the Capability Maturity Model (CMM) developed by the Software Engineering Institute at Carnegie Mellon University and the Six Sigma approach developed by Motorola.

Young (2002) reports results of telephone interviews with 204 senior-level executives and found considerable business impact from e-learning programs, including improved employee efficiency, reduced training costs, higher quality and lower cost of business processes, improved employee retention, and increased sales. Respondents also projected further improvements in these measures in the future. The skill areas in which e-learning was most used included: customer service, quality management, gen-

eral management, finance, operations, and sales—all areas of great importance in network marketing. Early findings that e-learning isolates students from each other and trainers (Brown, 1996) do not apply significantly today, as they were reported by only 17% of respondents. Twelve percent found that some employees were not sufficiently self-motivated to benefit from e-learning. However, these potential problems are unlikely to affect network marketers who are accustomed to working by themselves and for themselves. Other disadvantages of e-learning were reported by <5% of respondents. In a separate survey, Berge (2002) found that concerns about lack of technical expertise constituted the biggest obstacle to e-learning, a factor of potential relevance to the network marketing industry; however, he also found that it could be overcome by experience in e-learning.

In summary, the literature on corporate e-learning indicates that it is financially profitable, can be subjected to rigorous quality measurements, can be modeled so as to assist with the design of training materials, is regarded highly by executives, and has only one major obstacle that can be surmounted by experience.

## **TRAINING ISSUES IN THE NETWORK MARKETING INDUSTRY**

### **Current Training Methods**

Many current forms of training are being used within the network marketing industry including audioconferences, one-on-one coaching, traditional classroom training, and printed reference materials. There are several key overall industry challenges that the existing forms of training are not currently addressing well. Some of the most critical challenges include:

- Credibility of the actual training, both from a content and from a delivery perspective;
- Consistency in the delivery of the training materials;
- Timeliness in the training and development of new marketers, and availability of ongoing training for more experienced marketers;

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