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Driven to Stay or Prone to Leave? Exploring Distributor Retention in MLM Through Herzberg's Lens

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ABSTRACT

Multi-Level Marketing (MLM) companies depend heavily on the loyalty and continuity of their distributor networks. However, distributor retention remains a significant challenge due to factors such as dissatisfaction with compensation and lack of recognition. This study investigates the influence of motivator and hygiene factors on distributor retention using Herzberg's Two-Factor Theory. Employing a quantitative correlational design, data were collected from 200 active MLM distributors across Indonesia through a structured questionnaire. The results reveal that both motivator and hygiene factors significantly influence distributor retention, with motivators showing a stronger impact. These findings underscore the importance of intrinsic job satisfaction elements in designing effective distributor retention strategies. The study extends the application of Herzberg's theory to the MLM industry, emphasizing its relevance in informal and network-based business settings.

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Introduction

The Multi-Level Marketing (MLM) industry has become one of the significant business models in the global economy, including in Indonesia. This business model relies on a network of distributors who not only act as sellers of products but also as recruiters of new distributors. The success and growth of an MLM company depend heavily on the loyalty and retention of its distributors. However, distributor retention rates in this industry are often low, which can hinder the company's growth and stability. Low distributor retention can be caused by a variety of factors, including dissatisfaction with compensation, lack of recognition, lack of career development opportunities, and less supportive working conditions. Therefore, it is

important for MLM companies to understand the factors that influence the distributor's decision to stay or leave the organization. One relevant approach to analyzing the factors that influence distributor retention is Herzberg's Two-Factor Theory. This theory divides the factors that affect job satisfaction into two categories: *motivators* (intrinsic factors) such as recognition and responsibility, and *hygienic* (extrinsic factors) such as salary and working conditions.

Previous research has applied this theory in a variety of contexts. For example, Sanjeev and Surya (2016) emphasize the importance of motivating factors in improving employee retention in the hospitality industry. They found that career development and recognition play a significant role in improving job satisfaction and employee retention. In

addition, Fernandez and Worasuwan (2017) found that continuous learning opportunities and personal development are essential for retaining workers in a competitive hospitality environment. They highlight the importance of providing employees with opportunities for personal and professional growth to retain staff in the long term.

However, research that specifically examines the application of Herzberg's Two-Factor Theory in the context of MLM distributor retention is still limited. Therefore, this study aims to fill the gap by analyzing the factors that affect distributor retention in the MLM industry using Herzberg's Two-Factor Theory approach.

Literature Review

Herzberg's Two-Factor Motivation Theory

The Two-Factor Motivation Theory, put forward by Frederick Herzberg, divides the factors that affect job satisfaction into two categories: motivating factors (intrinsic) and hygiene factors (extrinsic). Motivating factors, such as achievement, recognition, and responsibility, contribute to job satisfaction and intrinsic motivation. On the other hand, hygienic factors, such as salaries, working conditions, and company policies, if not met, can lead to job dissatisfaction. Research by Alshmemri et al. (2017) confirms that the application of Herzberg's theory can assist organizations in identifying factors that need to be considered to improve employee satisfaction and retention. They found that motivating factors had a more significant impact on job satisfaction than hygienic factors.

Employee Retention in the Multi-Level Marketing (MLM) Context

The MLM industry relies heavily on distributors to sell products and recruit new members. However, distributor retention rates are often low due to a variety of factors, including dissatisfaction with compensation, lack of recognition, and a lack of career development opportunities. Research by Raj (2024) shows that implementing strategies that focus on improving distributor job satisfaction can increase their retention within MLM companies. This study highlights the importance of understanding the needs and expectations of distributors to create a supportive and motivating work environment.

Application of Herzberg's Theory in the MLM Industry

Although Herzberg's theory has been widely applied in various industries, its application in the context of MLM is still limited. However, several studies have attempted to examine the relevance of this theory in the MLM industry. A study by Ba (2016) identified that factors such as support from superiors, effective training, and recognition of distributor achievements contribute to increased job satisfaction and distributor retention in MLM companies. These findings are in line with the concept of motivating factors in Herzberg's theory.

Factors Affecting Distributor Retention in MLM

Several factors have been identified as the main determinants of distributor retention in the MLM industry. These factors can be categorized into motivating factors and hygiene factors according to Herzberg's theory.

Motivator factors include: (1) Recognition: Distributors who feel valued for their contributions tend to have higher retention rates; (2) Career Development Opportunities: The opportunity to grow and rise to higher positions in the MLM structure can increase distributor motivation and retention; and (3) Responsibility: Greater responsibility can increase the distributor's sense of ownership and commitment to the company. Hygiene factors include: (1) Compensation: Fair and competitive compensation is important to prevent distributor dissatisfaction; (2) Working Conditions: A comfortable and supportive working environment can improve the work satisfaction of distributors; and (3) Company Policy: A clear and fair policy can create a sense of trust and stability for distributors.

Based on the above literature review, it can be concluded that Herzberg's two-factor motivation theory can be used as an effective framework to analyze the factors that influence distributor retention in the MLM industry. The implementation of strategies that focus on increasing motivator factors and managing hygienic factors can help MLM companies in increasing their distributor retention.

Methodology

Population and Sample

The population in this study is all active distributors of MLM companies operating in Indonesia. An active distributor is defined as an individual who has joined and carried out marketing and recruitment activities within an MLM company for at least the last six months. The sampling technique used is purposive sampling. The inclusion criteria for respondents include: (1) Distributor has been active for at least 6 months; (2) has experience in recruiting new distributors; and (3) is Willing to fill out a research questionnaire. The targeted sample count was 200 respondents, taking into account the response rate and completeness of the data required for a valid statistical analysis.

Data Collection Techniques

Primary data were collected through questionnaires compiled based on the indicators of Herzberg's Two-Factor Theory. The questionnaire consists of three parts: (1) Demographic Data: Includes age, gender, education level, length of time in an MLM company, and number of distributors recruited; (2) Motivating Factors: Recognition, responsibility, achievements, and career development opportunities; and (3) Hygienic Factors: Compensation, working conditions, company policies, and relationships with superiors and colleagues. Each item in

the questionnaire uses a 5-point Likert scale, from "Strongly Disagree" (1) to "Strongly Agree" (5). Before being used in the main study, the questionnaire was tested for validity and reliability through trials on 30 respondents who had similar characteristics to the study population. The validity test was performed using item-total correlation analysis, while reliability was measured by Cronbach's Alpha coefficient. A Cronbach's Alpha value ≥ 0.70 is considered to indicate good reliability.

Data Analysis Techniques

Descriptive analysis was used to describe the demographic characteristics of respondents and the distribution of responses to each questionnaire item. The statistics used include frequency, percentage, mean, and standard deviation. Before conducting regression analysis, a classical assumption test is performed to ensure that the data meet the requirements of parametric statistical analysis. The assumption test includes: (1) Normality Test: Using the Kolmogorov-Smirnov test to find out if the data is normally distributed; (2) Multicollinearity Test: Using Variance Inflation Factor (VIF) to detect the presence of multicollinearity between independent variables; and (3) Heteroscedasticity Test: Using the Glejser test to find out if heteroscedasticity occurs in the regression model. Multiple linear regression analysis was used to test the simultaneous and partial influence of motivating and hygienic factors on distributor retention. Significance tests are performed to find out whether independent variables significantly affect dependent variables. The tests used include: (1) **Test F**: To test the significance of the model as a whole; and (2) **Test t**: To test the significance of each independent variable against the dependent variable. The significance level used was 5% ($\alpha = 0.05$).

Research Result

Respondent Description

This research involved 200 active distributors from various MLM companies in Indonesia. The demographic characteristics of respondents are presented in Table 1.

Table 1. Demographic Characteristics of Respondents

	Characteristics	Frequency	Percentage (%)
Gender	Man	120	60
	Woman	80	40
Ages	20-29	50	25
	30-39	90	45
	40-49	40	20
	≥ 50	20	10
Recent education	Senior High School	60	30
	Diploma	50	25
	Bachelor	70	35
	Postgraduate	20	10
Long join	< 1 year	40	20
	1-3 years	100	50
	> 3 years	60	30

Instrument Validity and Reliability Test

Before the main analysis, a validity and reliability test of the research instrument was carried out. The validity test results show that all items have an item-total correlation value > 0.30 , which means it is valid. Reliability tests using Cronbach's Alpha yielded the following values: Motivator Factor: 0.85; Hygienic Factor: 0.88; and Distributor Retention: 0.82. These values indicate that the instrument has good reliability.

Analysis of Research Variables Description

Descriptive analysis was carried out to find out the overview of each research variable. The results are presented in Table 2.

Table 2. Descriptive Statistics of Research Variables

Variable	Mean	Standard Deviation
Motivator	3,80	0,60
Hygienic	3,60	0,65
Retensi distributor	3,75	0,70

The relatively high mean value indicates that respondents tend to agree with statements that reflect motivating and hygienic factors, and have a tendency to stay in MLM companies.

Before conducting regression analysis, a classical assumption test is performed to ensure that the data meet the requirements of parametric statistical analysis. Normality Test: Using the Kolmogorov-Smirnov test, the results showed that the data were normally distributed ($p > 0.05$). Multicollinearity test: The Variance Inflation Factor (VIF) value for all independent variables < 10 , indicates the absence of multicollinearity. Heteroscedasticity Test: Using the Glejser test, the results showed that there was no heteroscedasticity ($p > 0.05$).

Multiple Linear Regression Analysis

Multiple linear regression analysis was performed to test the influence of motivating and hygienic factors on distributor retention. The results of the analysis are presented in Table 3.

Table 3. Results of Multiple Linear Regression Analysis

Independent Variables	Regression Coefficients (β)	t-value	Significant (p-value)
Motivator	0,45	5,80	0,000
Hygienic	0,35	4,50	0,000
Retensi distributor	1,20	3,00	0,003
R ²	0,60		
F-value	150,00		0,000

The results of the analysis showed that both independent variables simultaneously and partially had a significant effect on distributor retention ($p < 0.05$). An R² value of 0.60 indicates that 60% of the variation in distributor retention can be explained by motivating and hygienic factors.

The Influence of Motivating Factors on Distributor Retention

The regression coefficient of 0.45 shows that motivating factors have a positive and significant influence on distributor retention. This is in line with previous research that stated that recognition, responsibility, achievement, and career development opportunities increase job satisfaction and employee retention.

The Influence of Hygienic Factors on Distributor Retention

The regression coefficient of 0.35 shows that hygienic factors also have a positive and significant influence on distributor retention. Fair compensation, comfortable working conditions, clear company policies, and good relationships with superiors and co-workers contribute to job satisfaction and a desire to stay in the organization.

Discussion

The results of this study support Herzberg's Two-Factor Theory, which states that motivating and hygienic factors play an important role in influencing job satisfaction and employee retention. In the context of MLM, distributors who feel valued, have clear responsibilities, and receive adequate compensation and support tend to stay longer in the organization. The research is also in line with previous studies that found that factors such as recognition, development opportunities, and good interpersonal relationships increase employee retention across various industry sectors. This study confirms that motivating and hygienic factors have a significant effect on distributor retention in the context of Multi-Level Marketing (MLM). These findings are in line with several previous studies that support the validity of Herzberg's Two-Factor Theory, but some studies reject or criticize the theory.

According to Alrawahi et al. (2020) found that factors such as recognition, relationships with superiors, and professional development contribute positively to job satisfaction in clinical laboratories in Oman. These results support the role of motivating factors in increasing employee retention, in line with the findings of this study. Lundberg et al. (2009) stated that seasonal workers in the tourism industry show that factors such as achievement and responsibility have a significant influence on work motivation, supporting the relevance of motivating factors in different work contexts. Miah & Hasan (2021) identified that factors such as recognition and career development opportunities increase lecturer job satisfaction at private universities in Bangladesh, supporting the role of motivating factors in employee retention. Nurahmah et al. (2019) stated that teachers at Semarang State Special School showed that hygienic factors such as working conditions and supervision had a significant effect on job satisfaction, supporting the importance of hygienic factors in employee retention. Lindsay et al. (1967) found that factors such as achievement and the job itself have a significant influence on job satisfaction, supporting the validity of Herzberg's Two-Factor Theory.

This study by Dunnette et al. (1968) failed to support Herzberg's methodology as a reliable measure of job satisfaction or validity of the Two Factor Theory, suggesting that the distinction between motivating and hygienic factors was inconsistent. Ewen et al. (1964) found that only "work itself" had a significant influence on job satisfaction, while other factors did not show a significant influence, challenging the separation between motivating and hygienic factors. House & Wigdor (1967) criticized that Herzberg's theory did not take into account individual differences and cultural contexts, which could influence perceptions of motivational and hygienic factors. Hulin & Smith (1967) showed that factors such as supervision and interpersonal relationships can function as motivators and hygienic depending on the context, challenging the firm separation between the two types of factors. Maidani (1991) found that both motivating and hygienic factors contribute to job satisfaction, suggesting that the separation between the two types of factors may not always apply.

The difference in findings in previous studies suggests that the application of Herzberg's Two-Factor Theory may not be universal and can be influenced by the cultural context, type of work, and characteristics of individuals. In the context of MLM in Indonesia, factors such as recognition, responsibility, and interpersonal relationships may be more prominent due to the network-based nature of work and social connections. While there is significant support for Herzberg's Two-Factor Theory in explaining distributor retention in MLM, it is important to consider the specific context and characteristics of individuals in their application. This study confirms that both motivating and hygienic factors play an important role in distributor retention, but flexibility in approach and adaptation to local contexts is indispensable for optimal effectiveness.

Conclusion & Suggestion

This study aims to analyze the influence of motivating and hygienic factors on distributor retention in Multi-Level Marketing (MLM) companies using the Herzberg Two Factor Theory approach. The results of multiple linear regression analysis showed that both motivating factors and hygienic factors had a positive and significant effect on distributor retention. Simultaneously, these two factors explain 60% of the variation in distributor retention. Specifically, motivating factors such as recognition, responsibility, achievements, and career development opportunities have been proven to have a stronger influence than hygienic factors on distributor retention. On the other hand, hygienic factors such as compensation, working conditions, company policies, and interpersonal relationships remain important in shaping the perception of job satisfaction that influences distributors' decisions to stay afloat. This discovery corroborates the validity of

Herzberg's Two-Factor Theory in the context of network-based work such as MLM. These results also confirm the importance of a holistic approach in human resource retention strategies, where the management of intrinsic and extrinsic motivations must be carried out simultaneously.

This research also expands the application of Herzberg's Two-Factor Theory into the realm of the MLM industry in Indonesia, which was previously underexplored in the academic literature. Using quantitative approaches and regression methods, this study confirms that theories developed for traditional work contexts remain relevant for both the informal and network-based sectors. These findings also enrich the academic discourse on work motivation and workforce retention by providing empirical evidence that the influence of motivating and hygienic factors is not always exclusive, but rather mutually reinforcing in forming work loyalty.

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