CHAPTER 1: INTRODUCTION

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1.1 Introduction:

As competition increases immensely, the organization has to see some innovative ways to do their business and sustained in the market for long time. Traditional distribution system is more rigid and more costly so that the price of the final product goes on increasing, as organization has to pay some commissions to the intermediaries. This is main problem find out between traditional distribution and direct marketing system.

Traditional business is facing with the challenges of increasing competition, continually rising marketing costs, decreasing response rates and lack of direct relationship with its customers. As the market is highly competitive and products are overwhelming, in order to retain its customers try to move away from traditional aggregate-level mass marketing programs and use direct marketing as their strategy for interacting with its customers.

According to Braneryd C, T Friberg 2008- The Circle of Life in Network Marketing Relationships: A Case Study of Tahitian Noni International, the Network marketing is a business form originated in the United States during the 1950’s. From there on, network marketing companies have gained exceeding ground and have become widely spread and recognized, especially during the past ten years. Companies such as Tahitian Noni International, Herblelifé, Oriflamme, RCM, Mary Kay, Tupperware and Forever Living Products are all examples of well-known network marketing companies. Today, an estimated 58 million people are involved in network marketing throughout the world and in
2006, the worldwide sales accounted for an estimated USD 109 billion. Network marketing companies are in many aspects similar to any other type of company, they have customers, employees and sell goods or services and market their products. What makes network-marketing companies unique is that their main asset is their distributors Independent Business Owners (IBOs). The IBOs consumed the product, share this to their friends, relatives etc. and continuously recruit new persons to join the company and without this recruitment there can be no network, which in its turn would undermine the entire business form. Even though the business form has been around for quite some time and engages millions of people around the world, it has been look upon with great skepticism mostly due to the association with illegitimate pyramid schemes. Still today, this skeptical view to some extent lives on, but the business form continues to grow rapidly. Traditional Large-scale sales pattern is the most familiar sales pattern for companies. Based on this Pattern, companies usually sales their products, services, and give all the customers same sales promotion. However, this kind of sales promotions neglects the differences among customers. In most cases, these promotions cost a lot, but only get few real profits from customers. That means many promotions go in vague. A new and dynamic business culture is developing today. Nowadays the customer relationship is most important as it is focal point of every organization. After the industrial revolution it is very much important how the company treats their customers and how they convey the message in innovative ways so that customer base can be maintained. Actually direct marketing companies or organizations try to establish and maintain a direct relationship with their customers in order to target them individually for specific product offers. In the traditional process, the marketing goal is to reach more
customers and expand the customer base. However, given the high cost of acquiring new customers, it makes better sense to conduct business with current customers. Because of this, the marketing focus shifts away from the breadth of customer base to the depth of each customer’s needs. Businesses do not just deal with customers in order to make transactions; they turn the opportunity to sell products into a service experience and endeavor to establish a long-term relationship with each customer. Actually direct marketing companies or organizations try to establish and maintain a direct relationship with their customers in order to target them individually for specific product offers.

Now-a-days this type of marketing system used by growing number of companies, especially financial services, banks and insurance as their main strategy for interacting with their customers. However, the FMCG companies like Amway, Avon, Tupperware, Mary Kay is doing their business with help of direct marketing format, Multilevel marketing format or chain marketing format. Such type of format helps the independent business owners or distributors to hike their income, communication skills, social status and overall confidence. In this format, distributors not only consumed the product but also recommend the products to his friends, relatives or referrals. Therefore, he can increase the sales volume and ask the people to join the business for their betterment.
**Strength of Amway-Excellent Products**

The researcher also focused on the products of Amway because the strength of the company is its excellent products. Amway generates the revenue by selling its products and therefore IBOs feedback regarding the products is essential. Based on products feedback researcher compared the different products on the parameter quality, availability, reasonable price, offers and services.

The purpose of this study is to identify the potentiality of the common people which is in hidden within and try to explore them for their and society enhancement. The researcher is trying to show how Amway helps their Independent Business Owners to come out from their shyness, low confidence, afraid, utilize this system as challenge, and grow up you and your family with friends and relatives without having any bossism and stress.

Independent Business Owners (IBOs) establish and maintain relationships with new recruits and how they explore themselves and improve their standard of living, life style, communication skills, income level and personality development.

**1.2 Theoretical Framework**

**1.2.1 What is IDSA?**

The Indian Direct Selling Association (IDSA) is an autonomous, self-regulatory body for the direct selling industry in India. The Association acts as an interface between the industry and policy-making bodies of the Government facilitating the cause of Direct Selling Industry in India.
IDSA strives to create and further an environment conducive to the growth of direct selling industry in India, collaborating industry and government alike through advisory and consultative activities.

IDSA catalyses change by working closely with government on policy issues, enhancing efficiency and ushering in desired credibility, clarity & confidence in Direct Selling. Ref.-http://www.idsa.co.in/WhatIsIdsa.html.

**Member - IDSA (Indian Direct Selling Association)**

Amway India Enterprises is a member of the India Direct Selling Association. The Indian Direct Selling Association is an association of companies engaged in the business of direct selling in India. Its members are of high national and international repute having set standards in delivering quality goods and in following ethical business practices. Ref.-http://amwayind.blogspot.in/2009/12/member-idsa-indian-direct-selling.html.

**Amway and the Direct Selling Associations (DSAs)**

Amway’s international reputation were reflected in the membership of its local companies in national DSAs around the world, including the Amway (UK) Ltd’s membership in the United Kingdom Direct Selling Association (UK DSA) and the Direct Selling Association Ireland (DSAI) which provides every ABO with a further means of reassurance.

**1.2.2 What is Direct Selling?**

Now-a-days this form of selling is more popular in the market because marketer gets direct response from the consumer and there is no mediator
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in this form. So consumer gets product and services directly from manufacturer. According to Philip Kotler\textsuperscript{2}, 2008, in the article, Rethinking Marketing: Sustainable Marketing Enterprise in Asia by Pearson Education South Asia Ltd. Direct Selling is the marketing of products and services directly to consumers in a person-to-person manner, generally in their homes or the homes of others or other places away from permanent retail locations.

Direct sales typically occur through explanation or demonstration by salespersons normally referred to as Direct Sellers. Before introduction of internet, the direct selling companies making their presentation to the customer with the help of sales people who give the direct demonstration of the product to customer and make presentation face to face.

A benefit of direct selling is to get extra income and start own business and it also benefit to the consumers to get the product and services directly from manufactures at reasonable rate. To start this business requires very less investment. Initially one has to purchase the selling kit of the company which contains the product and instructions regarding how to sue the products and services. By this format consumer gains lot of things such as convenient to buy, product demonstration with explanation about product and services, delivery at doorstep which ensures satisfaction of the consumers. With the help of this direct selling format company can make products and services available in an innovative way which is not available in traditional retail outlets. It also ensures the reasonable price of the product. The main objective of direct selling organization is to increase their business and interact directly and
face to face to the consumers and develop the good relationship with them so that consumer base can develop properly.

1.2.3 What is Multilevel Marketing?

Hence, Coughlin & Grayson defines the network marketing organization as those organizations that depend heavily or exclusively on personal selling, and that reward sales agents for (a) buying products, (b) selling products, and (c) finding other agents to buy and sell products.

In this format the IBOs (Independent Business Owners) get commission on his person selling as well as the sales generated by his downline IBOs. The multilevel marketing is also known as network marketing, direct selling and also referral marketing.

In this type of marketing sales persons buy the products from direct from manufacturer at wholesale price and then it sells to the consumers at discounted price as a business. And finally he receives some commission on his sales generated on monthly basis as well as he get extra income on the sales person to whom he introduces in the business.

So in this process sales person introduces new people in the business and expand their chain of people and sales can be generated like this only. Therefore this type of selling method is really different from other traditional type of selling formats. In this type there are two types of sales people involved one is upline and other is downline. The upline sales people are the people who work before you and above you and downline sales people are the people who work your down side after you.
According to Braneryd C, T Friberg³-2008- in the article The Circle of Life in Network Marketing Relationships: A Case Study of Tahitian Noni International. A is the Sponsor of two recruits and has a down-line of four persons, while B has not sponsored any person and therefore has no recruits in his/her down-line. A, and B’s up-line are identical, consisting of their sponsor and all those above him/her.
Multi Level Marketing or MLM is a system for selling goods or services through a network of distributors. The typical Multi Level Marketing program works through recruitment. If you choose to become a distributor with the Multi Level Marketing Company, you will earn money both through the sales of the MLM's products and through recruiting other distributors, by receiving a portion of the income these distributors generate.
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1.3 Advantages of Direct Selling

1. Face to face interaction
2. Product testing, handling, realizing
3. Immediate feedback possible
4. Query, difficulty can be sort out on the spot
5. Reduction of intermediaries so cost minimization is possible
6. Improving communication and presentation skills
7. Meeting a lot of energetic, enthusiastic and ambitious people.
8. Developing a very positive mental attitude.
9. Overall personality development.

This is golden way to understand the product and services in a better way to realize the appearance, taste, smell and personal touch to the product. So the marketer as well as consumer both will benefit of this type of direct selling rather than traditional selling. And product will also delivered to the end consumer in time at reasonable rate.

This is format where direct selling people or sales person can establish their own network and develop; acquire some new skills, innovative ideas, knowledge and new way to convince the customers. This method dose not required any specific time or day to interact with people as this method is very flexible to do the business. The success of this business is
very much depending on your sincerity, time given for this business, effort you have taken and so on.

1.4 How Multilevel Marketing got started?

The origin of this type of company got started in United States in the late 1800s. After that by time to time different format come into existent in the market like travelling sales people, peddlers and hawkers. Then different companies like Amway, Tupperware, and Mary Kay started selling their products in this direct selling
Summary:

The researcher wants to bring it to the notice that the Independence Business Owners (IBOs) is most importance in any organization. IBOs play an important role in overall development of Organizations as well as individual development. Amway is successful in Indian market is already proved in the previous researches. The literature in support of that has been studied and included in the next chapter. The main intention is to arrive at the comparative study of various parameters of IBOs development with respect to Amway India Enterprises. The parameter which researcher has considered of this study is Personality Development, Assistant in Business Development, Life Style, Business Security and Income level of IBOs. This will help the organization to resolve many of the IBOs problems.
References:


2. Philip Kotler\(^2\), 2008, Rethinking Marketing: Sustainable Marketing Enterprise in Asia by Pearson Education South Asia Ltd.


Website:


4. www.ukessays.com