Chapter 1

RESEARCH PLAN
Introduction

Direct selling is an interactive system of marketing, which uses one or more advertising media to affect a transaction or measurable response at any location, it is an activity which creates and exploits a direct relationship between marketer and the prospect or an individual as a customer. Customer can be contacted through any of the communication medium, like personally through sales force, by mail, by television, by internet etc.

The basic purpose of direct selling program is to approach the customer with an objective of getting a response that will produce an immediate or ultimate profit. Most companies preliminary rely on advertising, sales promotion and personal selling to push their products and services in the market, they advertise to create awareness and interest among customers, sales promotion to provide an incentive to buy and personal selling to close the sale.

Direct selling attempts to compress these elements leading to make direct sales without using an intermediary. Initially direct selling emerged in the form of direct mail order catalogs but in the present era it has taken various forms like telescopying, electronic shopping, direct radio response etc. Now direct selling is visualized as playing a broader role called as direct relationship marketing.

The success of direct selling in India is a recent phenomenon. Post liberalization economy environment has created lot of opportunities for direct selling in India. Continuous prosperity of 200 million middle class segments has further expanded the scope of direct selling. Eureka Forbes Limited is a pioneer company which has proved potential of direct selling in India. Their current turnover from direct sales of vacuum cleaners, air purifiers and water purifiers is around Rs. 300 cores.
Besides Eureka Forbes Ltd, other new entrants in this field are Oriflame, Modicare, and Asian Sky shop etc. Amway has also entered the direct selling industry in a big way capturing a major chunk of market shares in developed as well as developing countries of the world. Moreover these days the financial institutions, banks like ICICI Bank Ltd, HDFC Bank Ltd and Industrial Organizations dealing into business to business markets have deeply and widely accepted the direct selling as one of the most significant tool of doing the business.

With the changing time, the corporate world is witnessing major transformation in the pattern of business practices. Direct selling has already emerged as one of the successful method, this concept of reaching the customers directly has got lot of boost from the organizations as well as the customers, since it provides lot of ease of purchase and for the organizations also, it enables them to come closer to the customers and build a long term profitable and sustainable business relationships.

**Conceptual Framework**-

Direct selling is the latest buzzword in business world. In recent decades, direct selling has been remarkably successful in American and European countries. As new technologies have emerged to assist business firms in the distribution of information and goods. Historically, direct selling has been called by other names including direct mail order or direct response etc. Now days these areas are recognized as an aspect of direct selling industry.

In this the marketers learn about the prospects on the basis of database available with them, they try to build a continuing and enriching relationship with the customers in order to get a continuous response from them. Direct selling includes:-

a) **Telemarketing** – These days many marketers are supplementing in-store selling by telephone selling. Even computers can automatically dial the numbers of prospects and play the typed
message and then record the response this can be done by the person also, thus dieseling is becoming a popular device to pursue an order.

b) **Sale on Internet** – In this the sellers approach the prospects through internet, by way of giving the advertisement and also putting the informative, convincing mails for converting the prospects into potential customers, they take the order on internet and ensure the delivery of goods / services at customers door.

c) **Mail order sale** – In this the seller approaches the prospect through mail publicity including booklets, catalogs, pamphlets etc. Many marketers send the mailers to the customers on regular basis these mailers include the entire information about the products.

d) **Business to business marketing** – This is also one of the methods of direct selling, mostly used in industrial products, in this one marketer approaches another marketer directly either through mail, word of mouth etc and conveys the marketer to enter into the business relations.

e) **Direct response marketing** – In this sellers use the television, radio and newspaper etc to present the direct response offers to the customers, many of the advertisements include company’s toll free telephone numbers. Customers are requested to secure further information and place an order directly using the toll free number. Telephone is also a growing medium for direct response marketing.

In this manner it may be pointed out that direct selling is a very effective tool of marketing in the present era and it deeply involves customer oriented salesmanship in the advertising.

**Scope & Coverage**

Selling the product has become one of the most challenging tasks of the present time for the marketers as the customers are highly selective in terms of picking up the products from the
markets hence it is becoming very tough for the sellers to succeed. Attracting the customers without having the close contact with them and moreover having an in depth understanding of their demography in terms of age, lifestyle, income level etc is now almost next to impossible. Thus it is absolutely essential for the sellers to develop a very strong long term relationship with the customers.

Companies which were perceived to be monopolistic are now shifting their focus towards customization and personalization of the market offerings and striving to come in touch with the customers personally, thus said to be involved in direct selling. Companies which are the leaders in the market like Citicorp, Eureka Forbes Ltd, ICICI Bank Ltd, and Amway etc have used integrated direct selling to build profitable relations with the customers. Hence the direct selling becomes a very important tool in the hands of sellers, as the companies are well aware with the preference, taste, requirements of the customers. At the same time they get the regular feedbacks from the customers about the products, services etc. This helps the companies to modify the products and make them further more customized in order to generate the demand for them.

As in the competitive market the companies have to incur huge expenditure on the advertisement and business promotions. Thus to reduce this advertisement and market intermediary expenditure, the companies are now switching over to direct selling method. Direct selling helps to reduce the expenditures of the companies like

- Intermediaries cost
- Distribution cost
- Cost in terms of time and efforts
- Promotion cost.
In Indian context, we can see the example of Amway, Eureka Forbes Ltd, ICICI Bank Ltd etc using the direct selling tools in a big way and earning profits out of them. Now days the direct selling is entering into the areas of industry and most the organizations have started adopting the tools of direct selling in order to take a competitive advantage. If we look at the current business scenario of India, we will come to know that the companies like Eureka Forbes Ltd, Amway, Oriflame etc adopted the direct selling practices- face to face marketing, telemarketing, catalog marketing, direct mail marketing, etc.

The growth rate in terms of revenue, market share is quite high in comparison to those companies who rely on traditional selling concepts. This gives an indication that with the help of direct selling strategies companies has brighter scope in future as they directly hit the customers.

In the world of cut throat competition, the companies are finding very difficult to survive. As the market is flooded with number of companies having numerous offers with limited number of buyers, the growth of sales is slow. Consumers are well aware of the concept of product quality, features, technology, services etc.

The scope of direct selling is in various fields like hotels, banking organizations, insurance companies, household etc. At the same time, the direct selling also has some limitations. The direct selling is not possible in the infrastructure companies, heavy industries like cement, iron & steel, defense industries etc. Direct selling can be helpful in the FMCG products, consumer durables and the service industry. In the course of study we will try to cover the direct selling activities of the following direct selling companies:

- Eureka Forbes Limited
- Amway
- Oriflame
Objective of the study

The present study attempts to evaluate the role of direct selling in terms of value addition and customer satisfaction with special reference to the leading players of direct selling in India like Eureka Forbes Ltd, Amway Ltd, Oriflame and also the financial players like ICICI Bank, HDFC Bank Ltd since they are also using some of the direct selling methods to gain a competitive advantage in the market. The study will cover the following objective –

1) The study will analyze the role of direct selling in India scenario where the concept of direct selling is quite new but is picking up fast with the time. In addition to this the study will also highlight the area of emphasis for the promotion of direct selling in order to increase the sales opportunities and revenue of the direct selling companies.

2) When most of the direct selling companies in India are the subsidiaries of multinational companies operating in America, Europe, who keep on modifying their strategies as per the needs of Indian consumers but the era of globalization and liberalization have brought new technologies and innovative products which have substantial place in Indian markets thus through this study the efforts will be putted in to find out whether direct selling
companies in India are following the same strategies and practices as followed in America and Europe or not.

3) The study will attempt to find out whether the direct selling companies have an edge over conventional selling companies and it will also try to find out the reasons for which the companies are getting attracted towards direct selling methods, as we see the shift in companies focus from conventional selling to direct selling.

4) Through this study, it will be possible to monitor and evaluate the service strategies of direct selling companies and compare them with strategies with strategies of conventional selling companies, it will also bring out the difference between the customer relationship for direct selling, conventional selling companies. Further the study will be helpful in improving the customer relationship.

5) The study will try to find out, whether the profitability of direct selling companies in India is higher than the profitability of conventional selling companies as there is a myth associated with direct selling companies that their product includes advertising, distributor cost and the conventional selling company’s products are cheaper than direct selling companies.

During the course of study we will include direct selling activities of Amway India Ltd, Eureka Forbes Ltd, Oriflame and financial institutions like ICICI Bank Ltd and try to conclude the result on the basis of their performance, customer satisfaction, profitability, quality and delivery of service etc.

**Research Methodology**

The study under consideration is of analytical nature mainly based on primary data which will be collected through direct interviews of the customers and the direct selling companies
representatives so as to evaluate the effectiveness of direct selling strategies on the basis of questionnaire containing the information regarding customers age group, purchase behavior, purchase frequency, satisfaction level, ease of shopping, after sales service, availability of products, time taken for the delivery of the products and value addition felt by the customers while dealing with direct selling companies. Besides the matter scattered in books, magazines, newspapers and information available on internet / website will be compiled in such a way so that the proper analysis of the effectiveness of direct selling can be measured.

**Research Design:**

This research is based on the hypothesis drawn to study the problem area of direct selling. This hypothesis covers the major problem areas and gives us a right direction to move forward for collecting the information on the problem subject and line of action may aid in testing the hypothesis by

1) Study of secondary sources of information.
2) Survey of consumers of direct selling companies.
3) Analysis of selected direct selling companies.

**Sampling Plan:**

**Nature of Universe:** The universe studied is urban and semi urban covering the areas of Kanpur and Delhi region.

**Sampling Units:** The sampling units will be direct selling customers of the different direct selling companies and also the company representatives.

**Sample Size:** The sample size considered to conduct a survey will be 200 customers of different direct selling companies.
Data Collection Method: For the collection of primary data questionnaires will be administered for direct selling consumers and another questionnaire for direct selling companies and secondary data will be collected from the secondary sources of information on direct selling available in books, journals, magazines, newspapers, periodicals, reports and information available on internet etc.

Hypothesis & Limitation

The proposed study will be based on the following hypothesis-

1) Direct selling has good potential to grow in Indian markets.
2) There are many problems and challenges in the field of direct selling
3) Direct sellers are following the marketing strategies being used by American and Europeans.
4) Buyers and customers of direct selling are satisfied with them.
5) Direct sellers are able to effectively communicate with the customers
6) Direct selling helps in reducing the distribution cost and increase profitability
7) The marketing strategies are able to ensure quality of service and it’s delivery in improving the value addition.

Limitations

The research study has the following limitations –

1) The concept of direct selling is quite new to Indian markets thus many customers even doing not have any idea about this.
2) Respondents usually do not share the correct information, either they hide or exaggerate the information.
3) Only limited number of consumers can be contacted, as direct selling concept is quite new in India.

4) There may be some error in data collection by the people collecting data and interviewing customers because only upper middle class and upper class enjoys and gets involved in the direct selling practices, and they are not easily accessible for the study.

5) Direct selling is mainly dominated by European and American companies therefore data on their past performance available for the study, may not reflect the true Indian market scenario.

In spite of all the problems and limitations, efforts will be made to identify problems and challenges and proper strategies will be formulated or redesigned in order to plug the loopholes and lacuna in direct selling activities in India.