CHAPTER – I

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1.1 Introduction

World over multi-level marketing (MLM) has become a successful concept which provide opportunities for the emergence of successful entrepreneurs. Multi-level marketing is the fastest growing sector of the direct selling industry in the world during the last six to nine years. Moreover it is becoming more popular day by day due to the minimum risk involved. The reason for the growth of multi-level marketing business is simple; there are more people looking for opportunities to earn additional income to supplement to their regular income. Multi-level marketing is one of the forms of direct selling method which is also known as Network Marketing. Multi-level marketing enables customers to receive goods directly from the manufacturer. Thus, the customers get the entire benefits of direct selling. Multi-level marketing method have been successfully implemented for the first time by Carl Rehnborg in 1920 and started a company to distribute unique range of food supplements called California Vitamin Company and later renamed as Nutrilite Products Inc in 1934 and also the first multi-level marketing plan was introduced in 1945 by the company. This business is in operation in United States in all 50 states and in more than 100 other countries. The most reputed companies in multi-level marketing in India and abroad are Amway, Modicare, Oriflame, Tupperware, Quantum, Rmp, Goodways, etc.

India, as an emerging economy, has registered a phenomenal growth in the multi-level marketing industry. India is one of the largest consumer markets and has attracted many multi-level marketing companies to operate. The country has experienced reasonably steady growth in the multi-level marketing sector. Amway India, Oriflame and Modicare are the companies that have really introduced the concept of direct selling and multi-level marketing in India. Amway is the third top of multi-level marketing company operating in India. It is known to be the king of multi-level marketing industry which promotes individual entrepreneurship through its innovative direct selling approach of world class products. Its business is based on the simple integrity of helping people to lead a better life by marketing their products and services through independent business owners worldwide.
1.2 Statement of the problem

Multi-level marketing through direct selling is reasonably increasing in the Indian consumer market. In today’s world, consumption of fast moving consumer goods (FMCG) is tremendously increasing. The multi-level marketing companies offer household utensils, homecare products, cosmetics, fitness equipments, healthcare products, food supplements, etc. According to the American Marketing Association, “A customer is the actual or prospective purchaser of product or services”. A marketer is in a position to study the customer perception, problems and satisfaction in order to sustain in the market with stiff and tough competition. Hence, the emphasis of this study is on the perceptions, problems and satisfaction of customers of Amway which is the direct selling FMCG Company using multi-level marketing. The study is restricted to Coimbatore district in Tamil Nadu. In this regard, the following questions have been framed by the researcher for her study and research:

1. How a customer is aware of Amway products?
2. What are the perceptions of a customer towards Amway products?
3. What is the level of satisfaction of a customer in various aspects of purchasing Amway products?

1.3 Objectives of the study

1. To understand the socio-economic profile of the customers.
2. To study the customers’ preference and awareness towards Amway products.
3. To identify perception among customers towards the products.
4. To identify the problems faced by the customers.
5. To know the satisfaction level of customers.
6. To offer suggestions based on the findings of the study.

1.4 Hypotheses

Based on the objectives, the following hypotheses have been framed to find out the relationship between socio-economic factors and preference, perception, problems and satisfaction.
1. Socio-economic factors are not associated with preference.
2. Socio-economic factors are not associated with perception.
3. Socio-economic factors are not associated with problems.
4. Socio-economic factors are not associated with satisfaction.

1.5 Significance of the study

The study conducted by the researcher would enable the company to know the customers’ level of perception and satisfaction. From the study the company may come to know the problems faced by their customers which may help to take suitable steps to solve them and increase their valuable customers with good level of satisfaction and delight. The study will also help the distributors of Amway products to know the preference, level of satisfaction of customers and then relationship with them.

1.6 Research methodology

The validity of any research depends on the systematic method of collection of data and analysis of the same in an appropriate manner.

1.6.1 Pilot study

A pilot study was made by the researcher with thirty customers of Amway products through a questionnaire meant for the respondents. After the study, necessary modifications were made in the questionnaire on getting the advice from subject experts and research supervisor to fit in the same track of the present study.

1.6.2 Sampling techniques

1.6.2.1 Sample design

By adopting convenient sampling method the data have been collected from three hundred and seventy customers of Coimbatore district.

1.6.2.2 Area of sample

Tamil Nadu possesses the second-largest economy among all the states in India. Coimbatore is one of the Top Ten towns with highest spending on FMCG Products in India and it is the second biggest metropolitan and a highly populated city in the state. The city has
a strong economy and a reputation as one of the greatest industrial cities in South India. Amway is the top third MLM Company in India and Tamil Nadu is among the top five states for Amway in India. The top two MLM companies in India which is also in operation at Coimbatore sell home and cosmetic products as where Amway is the global leader in health, cosmetics and home care products. Hence, the study was made on Amway products in this district which is the most suitable and potential market for fast moving consumer goods.

1.7 Data collection

The primary data were collected from the respondents using a questionnaire. The questionnaire was constructed with questions relating to socio-economic profile, perception, preference, problems and satisfaction level of the respondents towards Amway products. The secondary data were collected from the journals, magazines, dailies, books and from the company’s kit issued to the distributors and from brochures, handouts and websites.

1.8 Period of study

The field work was conducted for the study during the period between March 2012 and May 2013.

1.9 Framework of analysis

The collected data have been analysed by making use of the following statistical tools: (i) Simple Percentage Analysis (ii) Chi-Square Test (iii) Analysis of Variance (ANNOVA) (iv) ‘t’ Test (v) Friedman Rank Test (vi) Correlation Analysis (vii) Multiple Regression Analysis and (viii) Step-wise Regression Analysis.

1.10 Scaling techniques

Scaling describes the procedures of assigning numbers to various degrees of opinion, attitude and other concepts. A scale is a continuum, consisting of the highest point and the lowest point along with the several intermediate points between these two extreme points. Even though there exists a large number of scaling techniques, summated scale i.e. Likert type scales have been used for the present study by adopting five degrees ranging from five to one. The highest score of five was given to the response indicating most favourable attitude and the lowest score one was given to the response indicating most unfavourable attitude.
1.11 Limitations of the study

The study is confined to Coimbatore district only. Hence utmost care has been taken while generalizing the results. The data required for the study is primary in nature and all sorts of limitations applicable to primary data are applicable to the present study also.

1.12 Concepts and definitions

1.12.1 Multi-level marketing

Multi-level marketing is a marketing strategy in which the sales force is compensated not only for sales they personally generate, but also for the sales of others they recruit, creating a downline of distributors and a hierarchy of multiple levels of compensation. Multi-level marketing is also known as network marketing, referral marketing and pyramid selling. The sales people are expected to sell products directly to consumers by means of relationship referrals and word of mouth marketing (Xardel, 1993).

1.12.2 Customer

According to American Marketing Association, “A customer is the actual or prospective purchaser of product or services.” He is the one who purchases or receives or consumes products or services of an individual or organization and has the ability to choose between different products and suppliers. The inevitable asset of any business organization is its customers. The success of every organization depends upon number of customers, frequency of purchase made by them and satisfaction level or delight of the customers.

1.12.3 Product

Product is a term used to describe all goods and services sold. A product is anything that can be offered to a market that satisfies a want or need. It is the bundle of benefits or satisfactions that buyers perceive they will obtain if they purchased the product. Product is the sum of all physical, psychological, symbolic and service attributes and qualities.

1.12.4 Customer perception

Customer perception is defined as the way that customers usually view or feel about certain services and products. It can also be related to customer satisfaction which is the expectation of the customer towards the products. Customer perception pertains to
how individuals form opinions about companies and the merchandise they offered to them through the purchases they make. Merchants apply consumer perception theory to determine how their customers perceive them. They also use consumer perception theory to develop marketing and advertising strategies intended to retain current customers and attract new ones. A marketing concept is one that encompasses a customer's impression, awareness and/or consciousness about a company or its offerings. Customer perception is typically affected by advertising, reviews, public relations, social media, personal experiences and other channels.

1.12.5 Customer satisfaction

Customer satisfaction is the individual’s perception of the performance of the product or service in relation to his or her expectations. Satisfaction of consumer’s needs and wants is the justification for an organization’s existence. Today customers are matured enough to expect higher level of satisfaction to be delighted by the offers of their marketers. Customer satisfaction is defined as post-purchase evaluation where the perception towards the performance of selected alternative goods or services fulfills or even exceeds the expectation before purchasing. If the perception towards performance cannot fulfill the expectation, then dissatisfaction will occur. Customer satisfaction and dissatisfaction with products will influence the subsequent consumer behavioural intentions (Kotler, 2006).

1.13 Chapter scheme

First chapter presents an introduction of multi-level marketing, statement of the problem, significance of the study, objectives, research methodology and limitations of the study.

Second chapter presents the reviews of various studies made previously in the relevant area.

Third chapter gives an overview of Amway.

Fourth chapter consists of the analysis and interpretation of the results.

Fifth chapter presents the summation of findings of the study and suggestions.