CHAPTER 4: COMPANY PROFILE

4.1 Introduction

4.1.1 Profile of the Amway India Enterprises

4.1.2 History of Amway

4.1.3 The Amway Today

4.2 Amway in India

4.2.1 National Presence

4.2.2 A Product Based Business

4.2.3 Corporate Social Responsibility

4.2.4 Amway and UNICEF Partnership

4.2.5 Code of Ethics for Amway Distributors

4.2.6 Largest Direct Selling Companies: By Revenue (2008 & 2011)

4.2.7 Amway Sales & Marketing Plan

Summary
CHAPTER 4: COMPANY PROFILE

4.1 Introduction:

In this chapter the brief idea of the Amway India Enterprises Pvt.Ltd. is given. How multilevel companies work and perform better with the help of uplinks and company support. Amway is a pioneer in direct marketing and working on the faith and dedication of the distributors by providing them free atmosphere and healthy incentive plans.

The model of direct selling of Amway is a role model for the direct selling industry. The company is engaged in selling product to the consumers directly with help of distributors which is known as Independent Business Owners (IBO). This method depends on multilevel marketing or network marketing model.

This Independent Business Owners develop a network of people by recruiting others under them and expand a huge network. The IBO earns commission on the products sold. Further, the ABO also gets commission for the sales done by other IBOs recruited by him. This business model categorized the distributors on the basis of sales performance of their entire team and therefore everybody’s commission will be differ accordingly.

4.1.1 Profile of Amway India Enterprises:

In 1959 Amway was established by Jay Van Andel and Richard De Vos in America. Amway means American Way an abbreviation used for Amway.

Amway is one of the world’s largest and most successful direct selling companies.
Profile of Amway

- Company Type – Private
- Industry – Direct Selling
- Founded – 1959
- Founders – Rich DeVos and Jay Van Andel
- Headquarter – Ada, Michigan, United States
- Key People – Steve Van Andel (Chairman)
  Dong DeVos (President)
- Products – Home care, Personal care, Nutrition and Wellness-
  Health care, Agriculture products, General category products.

In company’s portfolio there are number of products which tested in research and development department of the company regularly. All these products were sales by train salespeople of the company which is known as Independent Business Owners of the Amway. The product includes health care, beauty care, home care and personal care. The company’s existent in more than eighty countries with many products as per the requirement of the country.

Amway doing the business in different way with help of think global and act local from last forty years. The company also launched the attitude range of skincare products with extra benefits in moisturizers, face wash and sun screen lotions.

The company has signed brand ambassador of bollywood actress Diya Mirza for their products at first time.

The company has planned to hire some research scientist to set up research and development in the country for better production and to
maintain quality of the product. In India Company’s market share is remarkable in direct selling industry. Every year the growth of direct selling industry in India is around 20 percent which is good sign for the country’s development.

The report of Ernst and Young says that, the direct selling industry will estimated to touch Rs.7, 100 crore by the end of 2012-13. This will create the employment in the country like India.

**4.1.2 History of Amway:**

The founder of the company worked together in different small enterprises since their childhood and so they decided to share their experiences, knowledge and expertise in the business. They started in 1949 and introduced Nutrilite as a direct selling method. After that in 1959 they founded Amway with main idea of the earlier company’s sales plan. In this business and method there is low risk and open to everybody, no area limit and no income limit for the hard workers at initially very low investment to start the business. The only condition is that they have to spend time and effort in this business. In this period company started developing and selling their own products with good quality. The company’s first product is liquid organic cleaner which got the tremendous response from the market.

In 1960 they decided to expand their market in different part of world with more products including detergents, personal care products with women’s likely products to groom themselves. By the end of these decades the company in United States and Canada increases the network of people to sale their exclusive products. To meet the demand of the
product they have manufactured more than 200 products in Ada, where more than 650 people were employed.

In 1970s Amway think to overseas expansion to Australia, Europe and in Asia. For that Amway production facility has to continuously grow.

In 1980s it is observed that the company’s sales continuously rising. For that new plants for the production have to plan to meet the demand of the people. As far as environmental is concerned the company was recognized as a corporate leader in promoting education and environmental awareness and received United Nations award regarding environmental program.

In 1990s a new generation of leader’s i.e. son of founders started looking after the company and became a chairman and president of day to day affairs of the company. In this period company saw a great expansion, first half of the decade Amway sales got pacing. The new sales peoples were joined the company indifferent countries to start their business with Amway.

4.1.3 The Amway Today:

The company having worldwide sales forces around 3 million working with more than 100 countries with the support of around thirteen thousand employees. Worldwide company having one hundred and sixty distributor centre’s with help of offices in different countries.

The scientist team is also developing good quality products which are the strength of the company and having granted patents.
**Awards & Recognition:**

The company received many types of awards from different organization and agencies. The awards given in the field of education, corporate social responsibility, environment, citizenship, outstanding services, community services, blood donation, visually impaired children,

**4.2 Amway in India:**

In India Company established in the year 1995, but started commercially in 1998. The company headquartered in New Delhi to control the business in India. The company generated employment with help of logistics, delivery peoples, office staff and others. The company appointed more than four Lakh sales representatives to sales their products in India with handsome commission.

Amway is also providing training to their salespeople or distributors to help them and do the business successfully.

**4.2.1 National Presence:**

From last ten to twelve years, company spread his network in India. In India company having more than hundred and twenty five offices and having different warehouses with central warehouses to take care the distribution process in time. For the distribution and home delivery purpose, the logistic partners were appointed for the smooth function of availability of the product.
Manufacturing:

The company is doing heavy investment in India to capture the Indian market. The company manufactured maximum product in the country with the help of third party manufactures.

Products:

The company offers more than eighty products in its portfolio in different category like personal care, home care, nutritional, cosmetics, insurance and agriculture. With some exceptional cases, all the products and bottles are manufactured in India with world class quality. At the same time company is also giving hundred percent money back guarantee to the consumers. In this case if, any consumer is not satisfied with product, company will return the money with used products to the customers. The product of Amway product is environmentally friendly and there is no harm to consume the products.

The product range of Amway

- Home care products
- Personal care products
- Nutrition and wellness-Health care products
- Agriculture
- General Category Products

The above range of the Amway products is available and around eighty products are there to sale in the market according to the need of the market.

This Amway business is based on direct selling format and multilevel marketing format which is the success mantra for the people and
distributors. Number of people joins the business because they trust on the quality of the products which Amway produced for the people’s betterment.

There is different type of information available in the market and also products are available on internet. So people can give the ordered online and deliver at home. It will definitely save their time and energy.

4.2.2 A Product-based Business:

Basically for every business there should be some product and services required. The Amway business is based on its world class products and services rendered by the company. The company’s number one brand is Nutrilite which is dietary supplement with multivitamin. After that beauty care and home care products are also demanded by the people at very much amount. In detergent liquid organic cleaner is trusted brand of the company.

The managing director of the company says that, company offering thirty three products in the different category namely personal care, home care, nutritional and well being and cosmetic products. After that oral care products like tooth brush, face powder. The company is also manufacturing the products in sachet for the every sector of the market that help to people to purchase the products.

In the days ahead, Amway India would expand its basket of product offerings by developing products specifically for the quality mass market in India.

India is the fastest developing country in direct selling market in the world. The revenue generated in this field is also remarkable and
continuously rising year by year. The growth of the direct selling in India is estimate to have about thirty percent.

The direct selling industry is globally spread and doing better in different countries. The sales of these companies are increasing day by day. In India all theses company’s products are sold with help of small scale industries within the India.

In India Amway manufactured its products with help of different third party contractors which is mainly based in Hyderabad and Daman. For that company has invested lot of funds including manufacturing cost, up gradation of the contractor’s manufacturing facility and logistics.

Amway planned to capture the India market and its presence in India and also focused on distribution network. For that company has to open different offices in different towns. They also planned to export to other countries to explore Amway business.

The fifteen percent growth Amway India is achieving in turnover which is the good sign for the distributors as well as consumers. Basically company is focusing on personal care, home care, nutritional and cosmetics products and its sales are also doubling time to time.

The Amway India is a subsidiary of Amway corporation and announced to launch the artistry brand of tonners, moisturizes, and cleaners in skin care segments.

It is observed that skin care product is more demanded in the market and therefore it will be one of the fasted category in the skin care, cosmetic and beauty care products.
It is also observed that market for skin care products is estimated to grow at eighteen to twenty percent annually. Therefore company has already invested huge amount in India for the success of the business for that company have extended more than four hundred locations with help of more than three Lakh distributors.

Amway is very much interested to manufacture in India after eight to nine years with promise to start a manufacturing. After having the long discussion with Government of India is finally ready to begin production in the country. The production which will take place in India will be in the category of personal care, home care and cosmetics.

There are different foreign companies which are the competitors for the Amway working in direct selling in India. All these companies are United State based namely Avon, Tupperware, Herbal Life, etc. The thing is that all these companies supposed to set up their manufacturing facilities in India as per the rules and regulation is concerned at entry level. But they failed to do so.

**4.2.3 Corporate Social Responsibility:**

The term corporate social responsibility means company has to do something for the society from where company earned profit from the society only. For managing all this activity the company formed Amway Opportunity Foundation and registered nonprofit organization. The distributors of Amway are also the members of this organization and they have enthusiastically participated in all the program of the Amway Opportunity Foundation.
Corporate Social Responsibility Strategy:

Business have to ethically behave for social responsible manner as far corporate social responsibility is concerned. The main aim of social corporate responsibility is building customer’s confidence, employee’s moral can be enhanced gain stake holders interest and finally it affects on profit.

It also positively affects on domestic, local communities towards business and brand can be built in minds of the society.

As far as Amway is concerned who is connected with UNICEF in respect to social responsibility to help poor children of the country. This benefits all the stake holders.

Every business has a responsibility to do their business in responsible way with ethics. Corporate have to take care of their boards, employees, customers to get the better result at the end of the day. For that every business has to develop corporate social responsibility strategy. In that a proper plan should be done, execution of the plan, follow up action and finally feedback.

Many organizations are doing great contribution to the society in respect to charity, providing other facilities like pure drinking water, electricity, road facility and so on. Such type of activities may focus to improve local people and their standard of living.

Basically charity does not come from the owner’s packet. Unless and until organization making profits, they will not sustained in the market. Therefore, corporate social responsibility must be backed by company’s
profit making policy. One by one campaign is the corporate social responsibility of Amway for children around the world.

**Stakeholders Expectations:**

Stakeholders are the different parties who connected with the organization for the different purpose. They do not want to deal with organizations which are not ethically doing their businesses, pollute the environment which may harm communities. There feeling towards business is making good impact on society and them also the part of such business. Therefore, corporate social responsibility is more valuable for the good practices of the business.

The following are the stakeholders of Amway and their expectations from the company.

**Employees:**

The expectations of the employees from the company are as usual like fair wages and having good working conditions. Apart from this they expect something different from company for the charity and support to the society as a whole. So that they will feel that they are associated with socially responsible organization and will lead to improve their moral and confidence.

**Consumers:**

The expectations of the consumers are very basic about satisfaction through good quality product and services and also value for money whatever they spend for the product. When consumer buys something, his buying decision depends upon many factors like price, quality,
availability, services, appearance and style. And the same time intangible factors also affects like taste, sound, smell, touch etc.

**Suppliers:**

The suppliers are those, on whom organization depends for the operations of the products. The expectations of the suppliers is very true like payment in time, terms and conditions should be fair and good relationship on sound business ethics.

**4.2.4 Amway and UNICEF Partnership:**

The United Nations Children’s Funds and Amway both are working for the world’s poorest children by raising funds for improving their life and education.

Theses program are completely depends on voluntary contributions and working especially for the communities and government in different countries. Basically this entire program conducted in the field of education, health and child protection.

The main objective of UNICEF is to make the water available and improve the sanitation facilities in schools and communities to promote hygiene. UNICEF works with different partners along with families, society, government and other NGOs.

**UNICEF - Water Issues:**

Water, sanitation and hygiene are the basic necessaries of the human beings. More than 2.6 billion people, 40% of the world’s population lack basic sanitation facilities and over one billion people still not using safe drinking water sources.
On daily basis, across the world, more than four thousand five hundred children dies from diarrhea and other related hygiene diseases because of unsafe drinking water.

In 2001, Amway decided to support UNICEF as a major part of One by One, its CSR Strategy. Since then, Amway, its staff and IBOs have been raising money for UNICEF across 25 European countries. Amway has pledged long term funding focus and commitment. In 2005, Amway raised more than €320,000 in response to the Asian tsunami disaster.

Amway helps financially to UNICEF by different ways like organization donations, employee’s donation, selling of greeting cards, some donations from Independent Business Owners and so on.

Amway’s global One by One Campaign for Children and its European partnership with UNICEF is an example of how a CSR Strategy works. Amway is associated with a well-respected organization while benefiting its stakeholders and communities around the world. It shows how organizations can make a real difference in promoting self employment. For that Amway has conducted several programs on different topics like direct selling and business development with the help of CII and AIMA.

4.2.5 Code of Ethics for Amway Distributors:

The following ethical guidelines have been issued for the Amway distributors while doing Amway business.

Every distributor will make an effort, that they will treat others as other treats them. Everybody has to respect and follow the code of ethics and rules of conduct. Everybody will present company’s product and company’s marketing plan to all potential distributors in an ethical
manner. Everybody has to courteous for the handling of any issues and will follow the company’s prescribed procedure. Everybody has to accept and carry out the responsibility as an Amway distributor. For selling Amway products everybody will use Amway authorized publications.

The following table shows the comparative statement of direct selling companies’ revenue year wise.

Table 4.1

4.2.6 Largest Direct Selling Companies: By Revenue (2008 & 2011)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Year Founded</th>
<th>2008 Revenue (USD)</th>
<th>2011 Revenue (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avon Products, Inc.</td>
<td>1886</td>
<td>10.9 B</td>
<td>11.3 B</td>
</tr>
<tr>
<td><strong>Amway</strong></td>
<td>1959</td>
<td><strong>8.6 B</strong></td>
<td><strong>10.9 B</strong></td>
</tr>
<tr>
<td>Herblelife</td>
<td>1980</td>
<td>2.4 B</td>
<td>3.5 B</td>
</tr>
<tr>
<td>Natura Cosmetics</td>
<td>1969</td>
<td>1.52 B</td>
<td>3.01 B</td>
</tr>
<tr>
<td>Mary Kay Inc.</td>
<td>1963</td>
<td>2.4 B</td>
<td>2.9 B</td>
</tr>
<tr>
<td>Tupperware</td>
<td>1951</td>
<td>2.21 B</td>
<td>2.6 B</td>
</tr>
<tr>
<td>Oriflamme Cosmetics</td>
<td>1967</td>
<td>1.68 B</td>
<td>2.1 B</td>
</tr>
</tbody>
</table>

*Source*-http://en.wikipedia.org/wiki/Direct_selling#cite_note-7
Competitors of Amway:

Like other businesses and every field there is competition, so obliviously Amway also fight with some competitors in the direct marketing and multilevel marketing companies. May all these competitors are different in products, marketing plan, incentives till they are rivals of each other for getting the popularity and market share those are Mary Kay Cosmetics India Pvt/ Ltd, Oriflamme Cosmetics, Tupperware Plastics, Avon Beauty Products India Pvt Ltd and so on.

4.2.7 Amway Sales & Marketing Plan:

The marketing and sales plan of Amway goes accordingly your business development and sales generated by you and your team. The commission you will earn on the basis of following ways.

1. Retail Profit Margin: It is nothing but the difference between distributors’ acquisition price and retail price. It means distributor buy the products at discounted rate and sales to the consumers at maximum retail price.

2. Commission on Personal Purchases: When distributor purchase products from Amway he may get some commission on the total sales volume he generated. The distributors earn commission ranging from 6 percent to 21 percent on monthly basis.

3. Commission on Group Sales: A Distributor may recruit a sales people under him and based on the success and productivity of the sales group, a salesperson or distributor may earn some commission on that.
This Amway business is the opportunity to develop your own network, and at the same time it helps to grow the others people to build their business. Therefore, this network marketing method of selling products is more beneficial to both distributors a well as company.

The distributors will earn performance bonus and awards are purely based on selling of Amway products as shown under.

<table>
<thead>
<tr>
<th>Group Sale /Business Volume(BV)</th>
<th>Group Total Point Value (PV)</th>
<th>Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>19,800</td>
<td>300</td>
<td>6%</td>
</tr>
<tr>
<td>66,000</td>
<td>1000</td>
<td>9%</td>
</tr>
<tr>
<td>1,32,000</td>
<td>2000</td>
<td>12%</td>
</tr>
<tr>
<td>2,64,000</td>
<td>4000</td>
<td>15%</td>
</tr>
<tr>
<td>4,62,000</td>
<td>7000</td>
<td>18%</td>
</tr>
<tr>
<td>6,60,000</td>
<td>10000</td>
<td>21%</td>
</tr>
</tbody>
</table>

*Current PV: BV ratio is 1 PV = 66 BV and is subject to change.*

**Amway wholesale Sales Year wise:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Wholesale Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>0.99 mil</td>
</tr>
<tr>
<td>2000</td>
<td>2.48 mil</td>
</tr>
<tr>
<td>2001</td>
<td>5.53 mil</td>
</tr>
<tr>
<td>2002</td>
<td>6.26 mil</td>
</tr>
<tr>
<td>2003</td>
<td>5.79 mil</td>
</tr>
<tr>
<td>2004</td>
<td>6.36 mil</td>
</tr>
<tr>
<td>2005</td>
<td>6.33 mil</td>
</tr>
<tr>
<td>Year</td>
<td>Revenue (mil)</td>
</tr>
<tr>
<td>------</td>
<td>--------------</td>
</tr>
<tr>
<td>2006</td>
<td>7.68</td>
</tr>
<tr>
<td>2007</td>
<td>7.99</td>
</tr>
<tr>
<td>2008</td>
<td>11.28</td>
</tr>
<tr>
<td>2009</td>
<td>14.07</td>
</tr>
</tbody>
</table>
Summary:

Amway India Enterprises Pvt.Ltd. is direct selling company start officially working in 1998 in India with small range of products. Now company having more than 400 products and operating in 120 countries. Amway is operating in Multilevel Format where IBOs can appoint other IBOs and they train them how to do the Amway business. IBOs use their own contacts and increase the social network through friends, relatives and referral groups.

The profile of the company shows that Amway are well established in their area of direct marketing and doing well amongst the competitors. The company offers more than 450 quality products worldwide, most of them researched and developed in-house. A sales force of more than 3 Million people markets and sells health, beauty, homecare and personal care products to consumers in more than 80 countries and territories worldwide.
References:

1. www.amway.in
