

DIRECT SELLING INDUSTRY TROUBLE IN INDIA: “A CASE STUDY OF AMWAY COMPANY”

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Abstract—This case study is made on Direct Selling industry which are one kind of Sale and Distribution strategy use by company to sale their product in to the market. This industry has wide history because its available in market approx. 60+ years and with change in time and environment this industry change their concept and now become one kind of large, profitable and life change system in world. To solve case problems various tools use like books related to Direct selling concepts, Literature review for understand the depth of problem, and also use personal work experience to solve the Problems/Issues. In this case study various assumptions available and few limitations related to case study. In this case study various concepts like E-commerce, Direct selling, Pyramid scheme which help to understand about case study and their problem like Competing with E-commerce, Having Enough “Real” Customers, explaining clearly why their income opportunity is the best alternative for part-time income, General problems within industry and Public not aware about the Difference of Direct selling, chit fund, ponzi schemes and Pyramid Selling. In this case study many alternatives given for all problems which help to direct selling industry for improve their weakness and develop more in future. Solutions for all problems are deferent because all companies not face same problem and to implement same solution might be possible hard for the companies in direct selling industry.

KeyWords— Direct Selling; Real Customer; E-commerce; Consumer; Pyramid Scheme

1. INTRODUCTION

This case study is made on Direct Selling industry which are one kind of Sale and Distribution strategy use by company to sale their product in to the market. This industry has wide history because its available in market approx. 60+ years and with change in time and environment this industry change their concept and now become one kind of large, profitable and life change system in world.

We all are customer who purchase goods from market in past after barter system in market one distribution channel available like from company to Customer there are many intermediates available like Wholesaler, Agents, Retailers and Advertisement etc. which known as retail chain. Eg. A pen which purchase by customer in 10/- RS produce in 3/- at company and then adding all intermediates profit its sale in MRP 10/-.

In retail chain there are many disadvantage and opportunities capture by big business man and they analyses that in whole process from company to customers to many intermediates available and each one generate profit so that they eliminate intermediates and gain more customers, profit, market share, sustainable long business etc. benefits so to grape the opportunity they make MALL system in market.

To attract customer's various facilities and sales offer given by company to attract their target. Now in market Big players purchase in bulk direct from company and add their profit and sale in discount which highly effect on Retail business.

After mall system in market technological evaluations come which create one more opportunity in market in distribution channel. Consumer spent their time on purchasing and they have limited choice of products, time also waste and they have limited boundary to purchase good so from this one more time visionary person got opportunity as E-commerce site or business.

In E-commerce business product choice increase, time save, no boundary, more sales offer by companies etc. with technology upgrade people accept more and more E-commerce and they accept this new business model. Here E-commerce have created big market for B2B, B2C, C2C etc. type of business and its give global market.

After that various concept like Joint venture, Merger, Licensing, Frenching etc. concept build. In this whole distribution work two things most important One is Company who make/ produce goods and Second one is consumer. This important thing understands by visionary people and with help of Technology and Market analysis one more time one new concept build known as Direct Selling/ Multilevel Marketing/ Network Marketing. In which Company direct sale their product and

services to customer. Direct selling is last or current trend in Sales & Distribution system which gives opportunities to customer for use the products and sale in market and gain commission from company.

In this industry there are various concept available and opportunities available which give best rearward to Economy to world. In this case study there are various problem solutions available. This industry will give lots of fruits to World economy because its create Women empower, Self-employment, Education and many opportunities for all.

2. JUSTIFICATION

Case title: -Direct selling industry trouble in India: A case study on direct selling industry.

There are various challenges face by the direct selling industry in India like in Government Support, Public Awareness/ Acceptance, Improper tools, etc. India is largest market after china for any industry. Direct selling concept use in FMCG industry as part of Distribution Channel and this industry grow in world. Through this industry various benefits got by nations like employment opportunity, Leadership, Woman empowerment, Global standers products, Educations, Economy growth etc. but this advantage and many more India not got now because few problems which discuss in this case study.

I chose this industry because I also attach with this industry from September 2015, for educational purpose and also present Research paper on Direct selling company so that I am aware their basic problem related with this industry.

3. OBJECTIVES

- To know the problems in direct selling industry.
- To learn about various distribution channel.
- To learn about Direct selling concept.
- Identify Problems in Direct Selling Industry/Company.
- To create awareness in front of reader about real image of Direct Selling Industry.

4. ASSUMPTIONS

- In India Direct selling industry have play important role for future.
- Indian Government might be focus on Direct Selling.
- Public are not fully aware about Direct selling concepts.
- As a marketing student learn new Distribution Concept.
- Direct selling build Entrepreneur’s in India.

5. PROBLEM IDENTIFIED

- Competing with E-commerce.
- Having Enough “Real” Customers.
- Explaining clearly why their income opportunity is the best alternative for part-time income.
- General problems within industry.
- Public not aware about the Difference of Direct selling, chit fund, ponzi schemes and Pyramid Selling.

6. ANALYZING THE CASE IN DETAIL

- Competing with E-commerce.

There is various ways to distribute the product in market. Now a day E-commerce and Direct Selling are favorable options for Selling and Distribute product from manufacture to consumer. Both distribution channel have own advantage as per their business model and both competing on few point like Brand name, Price, Quality, Time, Personal Touch, Loyalty Programs.

Direct selling and E-commerce both compete on following points.

Particulars	Direct Selling.	E-commerce.
Brand name	AMWAY, Avon, Modi care, etc.	Amazon, Flip cart, OLX.
Price	Company control on price.	As per seller and e-commerce mutual understand
Quality	Company control on quality.	E-commerce site have no control on quality.
Time	Not fast compare to E-commerce.	Time saving.
Personal Touch	More personal touch.	No personal touch.
Loyalty Programs	Both Personal and referral programs use.	More use personal programs.
Business models	Its sell their product to direct users.	It is one kind of intermediates between seller to buyers.

- Having Enough “Real” Customers

There was a time in the recent past where network marketing companies sold most of their products to their independent representatives for their personal use, and this was not a problem. Back then, they didn’t worry about having customers

who were not representatives. The U.S. Direct Selling Association had lobbied hard to include in their definition of “ultimate consumer purchases” the purchases by independent representatives for personal use in reasonable quantities.

- Explaining clearly why their income opportunity is the best alternative for part-time income

Now a day many students, House wife’s, Job persons etc. going for part time job with various reasons like for Earn more, meet daily expenses, generate opportunities, gain knowledge, Improve skills etc. For all direct selling company’s representative face same problem to convince about direct selling as part time opportunity.

Comparison of Direct selling business and other sources of income like Job, Investment, Professional work.

Points	Direct Selling	Other sources of income
Working hours	Flexible time	Spent more time compare to Direct selling business.
Money	Opportunity to Generate more money.	Receive fixed money.
Stress	No mental stress	Because of work stress come more.
Mentorship	Here companies give mentorship.	Here not available.
Training	Here companies provide more training related to work.	Here compare to direct selling Training Calculate as a cost.
Leadership program	It makes self-entrepreneur.	Here opportunity not remain same for all,

- General problems within industry

In Direct selling industry each and every company face various general challenges which are like Recruiting, Sales Productivity, Retention, Product Freshness, Product Availability, Fulfillment, Training, Leadership Development, Software and Measuring the Business.

- Public not aware about the Difference of Direct selling, chit fund, ponzi schemes and Pyramid Selling

➤ Pyramid Schemes

Pyramid schemes, prevalent in multiple forms, promise consumers/investors large profits based primarily on recruiting others to join their program, not based on profits from any real investment or real sale of goods. Three major signs that a product is being used to disguise pyramid schemes are:

- a. Large joining fee
- b. Compensation paid for recruiting without regard to end sales (‘headhunting fee’)
- c. No right of return, buy-back or cooling off period offered.

➤ Chit Fund schemes

With no underlying product and based on more or less the same lines as a Ponzi scheme, a chit fund is a kind of savings scheme under which a person enters into an agreement with a specified group of persons that every one of them shall subscribe a certain sum of money by way of periodical installments over a definite period, and that each subscriber shall, in his turn, as determined by lot or by auction or by tender or in such a manner as may be specified in a chit agreement, be entitled to the prize amount. Though often misused by promoters, chit fund schemes are not always fraudulent and may be conducted by organized financial institutions within the letter of law.

➤ Ponzi schemes

Popularly known as ‘Peter-to-Paul’ schemes, a Ponzi scheme is centered around continuous recruiting and the promoter generally has no product to sell and pays no commission to investors who recruit new members. Instead, the promoter collects payments from a stream of people, promising all the same high rate of return on a short-term investment with no real investment opportunity.

7. PROBABLE SOLUTIONS

- Competing with E-commerce
 - Personalized care.
 - Round the Clock Availability
 - Knowing your Customers Better
 - Explain Credibility of companies.
 - More focus on loyalty program.
 - Use Integrated Marketing Communication Tools.
- Having Enough “Real” Customers
 - Make business models for customers.
 - Use sales promotion tools.
 - Use advertising.

- Don't encourage people to join your company as independent representatives just for product discounts.
 - Charge an enrollment fee high enough to be a representative that people don't become representatives just for product discounts, but be sure not to pay any compensation upon the required fee.
 - Charge customers a fair price for your products or services.
 - Have a fully developed pricing strategy that addresses how to price for representatives and customers.
- Explaining clearly why their income opportunity is the best alternative for part-time income
- Identify Personal dreams.
 - Compare with other sources of income.
 - Explain Past, present and future of Direct selling
 - Explain Cost of starting business.
 - Explain Personal growth in direct selling industry.
 - Explain various advantages like Mentorship, Flexible work, Extra earn money, Own sales team etc.
- General problems within industry

<p>Type 1: Recruiting.</p> <p>(a) Train how to recruit. (b) Reward recruiting with sales-based compensation. (c) Encourage early recruiting with a Fast Start program. (d) Focus on recruiting with recognition.</p>	<p>Type 2: Sales Productivity.</p> <p>(a) Train how to sell. (b) Reward selling through your compensation plan. (c) Encourage early selling with a Fast Start program. (d) Focus on selling for recognition.</p>	<p>Type 3: Retention.</p> <p>(a) Start your retention campaign on day one. (b) Retain representatives through relationships. (c) Retain representatives with frequent and relevant communication.</p>
<p>Type 4: Product Freshness.</p> <p>(a) Stage new product introductions. (b) Reformulate and improve current products. (c) Pay close attention to product packaging. (d) Conduct product promotions.</p>	<p>Type 5: Product Availability.</p> <p>(a) Minimize backorders. (b) Communicate status of backorders. (c) Offer relevant product substitutions.</p>	<p>Type 6: Fulfillment.</p> <p>(a) Ship products quickly. (b) Measure and report fulfillment errors. (c) Use functional yet attractive packaging. (d) Insert "spotlights" that highlight individual representative achievements.</p>
<p>Type 7: Training.</p> <p>(a) Use multiple mediums to train your representatives. (b) Measure the effectiveness of each training program. (c) Invite representatives to view company presentations. (d) Provide scripts to be used by representatives to train others.</p>	<p>Type 8: Leadership Development.</p> <p>(a) Develop and implement leadership development programs. (b) Set percentage-based participation goals. (c) Measure participation, compare to goals. (d) Promote and recognize leadership achievements through your compensation plan and recognition programs.</p>	

- Public not aware about the Difference of Direct selling, chit fund, ponzi schemes and Pyramid Selling
- Create awareness programs related concepts.
 - Make a study part so that students aware.
 - Use Social media and other mode of promotion for communicating real concepts.
 - Use Compression Chart for explain about concepts in public.

8. MANAGEMENT LESSONS LEARNED

- Know about the future of direct selling.
- How to build one direct selling company.
- How to build a strong sales team?
- Ways to be distributor of direct selling company.
- How to overcome challenges.
- How to build case study on industry so that we discover potential of industry in front of public.

9. CONCLUSION

Direct selling industry booming in future compare to now because various big MNC come in India for business. Today government make various programs like Make In India, Skill India, etc. concepts for develop nation and Direct selling industries companies take also part in this program's like AMWAY in December 2015 invest 1000/- crore approx. in India for establishing manufacturing plant in India. Government should also make few rules and regulations for this industry so it's like that in future government might be fully support. In few state Direct selling consider as One chapter in Academic system so that students also aware more and more for this concept which impact we seen in future.

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