



Maintaining the Competitiveness of a Global Brand

INTRODUCTION - THE AMWAY CORPORATION

Founded in Ada, Michigan in 1959, Amway has become one of the largest 'Direct Selling' companies in the world with nearly three million Independent Distributors. Direct selling involves dealing with customers 'face-to-face' so that personal attention can be given to each of their requirements. Direct selling differs from traditional retailing as it often involves selling to consumers on a one-to-one basis, usually in the comfort of their own homes. The industry has grown rapidly over recent years and is currently estimated to be worth £40 billion a year world wide. This case study examines this growth which has helped Amway to become one of the industry's market-leaders influenced by changing lifestyles, demographics and economic recession.

Direct selling for Amway is undertaken by its own independent distributors. Their own income is based on the goods they sell, bonuses paid by Amway and the volume of sales generated through their own distributor network. These distributors sell to people they know or meet. Amway distributors operate as their own independent businesses.

Amway is a long-standing member of the Direct Selling Association (DSA) in the UK and Republic of Ireland. The DSA regulates the industry by providing a Code of Conduct endorsed by the Office of Fair Trading (OFT).

Amway has developed into a global corporation manufacturing over 450 products and employing more than 12,000 people in over 80 countries and territories around the world. To supply a global base of customers, Amway manufactures products ranging from household cleaners to cosmetics, food supplements to housewares. It also markets products on behalf of other leading manufacturers, such as Kenwood, Aiwa and Philips.



The ARTISTRY* range of cosmetics

Over the last 31 years Amway has invested heavily in the development of the Artistry range of Skin Care and Cosmetics. The range comprises approximately 3,257 individual lines which are sold in over 30 countries throughout the world.

Based upon a recent Euromonitor study of global sales data:

- ◆ Artistry is among the world's ten largest brands of facial skin and colour cosmetics
- ◆ Artistry is the largest direct sales brand of facial skin care and colour cosmetics in the world.

Product development

Research and development play a vital commercial role creating better products through improving operational processes and helping the whole business focus upon its customers. Artistry products are the result of years of research, development and testing, supported by modern manufacturing principles. Amway's research is proactive, taking the lead in a market by researching the newest ingredients in the industry for continuing

development of new formulae using state-of-the-art manufacturing techniques. This case study focuses upon how Amway has recently injected life into the product life-cycle for its Artistry range to maintain this proactive position and keep ahead of its competitors.

Global marketing

Amway is a global organisation which markets products in international market places. Planning for global markets is a much more complex process than for domestic markets. It presents many more risks than operating in a domestic market where goods are sold in only one local area. Global marketing involves recognising that people from all over the world have different needs, i.e. values; customs; languages; rules and currencies.

Though it is said that consumer needs around the world are converging, there are commonly accepted needs and wants that go beyond national barriers. The marketing mix consists of a complex set of variables which an organisation combines together in order to ensure that both global and local corporate objectives are achieved.

Standardising elements of the marketing mix is key to operating successfully in the global marketplace. As a result, common needs and wants are identified across countries. At the same time, parts of the marketing mix requiring adaptation are identified so that it can be developed to cater for local differences. This requires a thorough understanding of every market in which Amway operates.

Many advantages arise from competing in a global marketplace, including:

- ◆ *economies of scale* - over a larger output, costs per unit are decreased to provide the supplier with a competitive advantage. Amway is able to spread its research, development, technology and distribution costs so that it can maximise its production efficiency
- ◆ *the development of new business opportunities* - in numerous countries, markets are growing faster than in Europe and America. Overseas markets offer the opportunity to compete in different marketplaces and extend the life-cycle of products
- ◆ *to meet the tastes of consumers from different nations* - over recent years there has been a convergence of tastes resulting in a more global marketplace.

The product life-cycle

Markets are in a constant state of change. Over a period of time, tastes and fashions alter and the technology used to produce goods and services moves on. As a result, there will always be a demand for new products as old ones become redundant.

According to the product life-cycle concept, all products move through four life-cycle phases. During the introductory phase growth is slow and volume is low because of limited awareness of the product's existence. Sales rise during the growth phase and profit per unit sold reaches a maximum. As products reach maturity, growth in sales starts to level off. Organisations have to invest heavily to extend the life-cycle while competition becomes stronger. When sales start to fall a product is said to be in decline.

In a global environment, managing and maintaining the market share for fashion products is particularly demanding. Cosmetic manufacturers are constantly challenged by different changes in the fashion industry. If these changes are not properly managed, products could quickly move into decline.

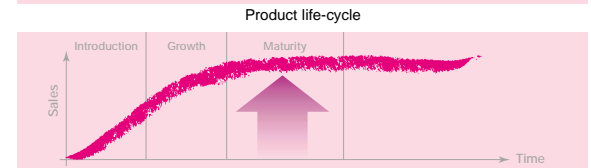
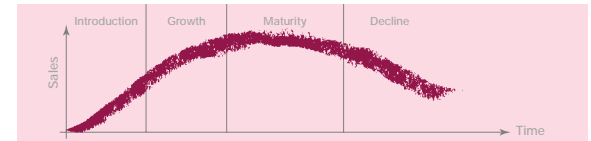
Injecting new life into the Artistry life-cycle

To prolong the life-cycle of a brand or product range, an organisation must inject new life into the growth period through readjusting the ingredients of the marketing mix. In 1996, to ensure the Artistry range would stay in line with evolving market trends and tastes, Amway set about upgrading its brand with the additional objective of increasing its global competitiveness.

Amway engaged in world wide market research to gain a comprehensive understanding of the needs and wants of target markets.

Market research is the systematic gathering, recording and analysing of data about positives and negatives relating to the marketing of goods and services.

Through acquiring a substantial knowledge of each marketplace, the marketers could identify elements of the marketing mix which could be standardised, in addition to elements requiring change.



Injecting new life into the product life-cycle



* Trademark, Amway Corp. Ada, MI. USA

The needs of targeted markets

Market segmentation is the process of breaking a market into sections which match consumer needs. Where segments are identified as having requirements that can be met by an organisation, they can then be targeted.

Research of international markets commissioned by Amway aimed to gain a broader understanding of the Artistry user. It indicated that the overall profile of the Artistry user was consistent across all geographic regions. The Artistry woman:

- ◆ leads a busy lifestyle
- ◆ appreciates quality cosmetics
- ◆ rates skin care as highly important
- ◆ 'transforms' herself when wearing cosmetics
- ◆ values a natural appearance
- ◆ desires a variety of shades so she can create any look she wishes.

However, the Artistry woman is attracted to images which are regional or country specific. For example:

- ◆ in Thailand the Artistry woman is attracted to a classic or traditional image
- ◆ in Taiwan the image desired is classy and elegant
- ◆ in Germany the Artistry user is attracted to glamorous and luxurious images as well as scientific and clinical images

- ◆ in the USA Artistry users prefer scientific and clinical images

- ◆ in Australia a moderate image of pampering was found to be appealing.

Finding the right marketing mix would require finding the common ground between the geographic differences and preferences highlighted by the research. The solution came about through:

- (a) developing a product range suitable for all markets
- (b) developing universal packaging
- (c) undertaking a global promotional campaign that met with regional image requirements.

(a) A product range for all markets

The Artistry line comprised of a total of 3,257 shades, the maximum number that could be produced at any one time.

In order to introduce new Artistry shades reflecting current fashions, shades that were under-performing would have to be deleted. This was complicated by the nature of the marketplace, as shades that might be under-performing in one region, such as Asia Pacific, may be performing well in another region such as Europe.

Each region was assigned the task of carrying out research to identify under-performing shades which could then be deleted to make room for new shades and lines. As a result, 1,298 lines were

deleted making room for the introduction of 1,261 more fashionable shades. The new range of 3,257 top shades now acts as a database from which Amway Merchandising departments in each country can draw the mix of products and shades appropriate to the needs of its target market, thereby ensuring the product and shade requirements of all markets are met.

(b) Universal packaging

Packaging is particularly important as part of the 'product surround' in the cosmetics industry. The functions it serves include:

- ◆ protecting the product which it contains
- ◆ acting as a communication tool - conveying messages about the image and ingredients of the product and the manufacturer
- ◆ creating **brand identity** between the numerous components.

Packaging for Artistry products is one element of the marketing mix that is globally standardised. More than \$2.5 million was invested by Amway in high quality packaging communicating one theme, designed to position the cosmetics in the high quality premium sector. Different languages and product information ensure that the message is communicated to all target markets.

(c) Global promotional campaign with regional image requirements

One of the biggest challenges for global businesses is designing promotional and advertising materials that go beyond national and cultural boundaries. The revision of Artistry was backed up with a promotional campaign designed to:

- ◆ build brand awareness
- ◆ increase sales of the Artistry range
- ◆ maintain a consistent **global image** to meet specific market needs.

The challenge was how to advertise the brand with images that would be appealing and meaningful across a range of nationalities. A model was chosen as the face of Artistry worldwide. A portfolio of promotional

material was produced using this 'signature model' in six different styles communicating different moods and images. From this portfolio, Product Merchandisers of each region could choose the advert containing the best images for each marketplace.

Conclusion - increasing the competitiveness of the brand

The revision injected life into the Artistry brand to extend its life-cycle across its global markets. The manipulation of the marketing mix for Artistry products enabled the business to benefit from economies of scale in production, packaging and promotion of the Artistry range while at the same time fulfilling the specific needs of regional markets around the world.



EXERCISES

- 1 Using an example, explain what is meant by direct selling. Compare direct selling to one other form of distribution.
- 2 List four differences between global marketing and marketing domestically.
- 3 Describe what is meant by the following:
 - global marketing
 - product life-cycle
 - marketing mix
 - target market.
- 4 Identify two other products which are marketed in the global marketplace. Examine the various elements of the marketing mix for each then describe how these products are marketed to meet the requirements of the global market.
- 5 Using the product life-cycle concept, identify a product at the introduction, growth, maturity and decline phase. What sort of action might marketers take at each phase in the life-cycle to provide support for a product range? Use an example, to support your analysis.
- 6 Outline three difficulties of marketing a product range globally. How might an organisation attempt to overcome these disadvantages?
- 7 The benefits from marketing globally more than make up for the increasing number of business risks in overseas markets. Discuss why organisations decide to enter overseas markets.
- 8 This case study reflects the activities of a unique and differentiated organisation. From reading the case study, locate where Amway's competitive advantages lie. How is Amway better placed than many other organisations?



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