



Reaching Customers through Direct Selling

Direct Selling

The concept of direct selling is based upon person-to-person relationships. The seller goes to the consumer rather than the consumer to a shop. In today's fast changing society, where more people work and shopping patterns have altered, this type of shopping not only provides consumers with accessibility to a wide range of products but is also convenient.

An organisation involved in direct selling cannot sell without a sales force! At the heart of Amway's approach to direct selling is the critical relationship between Amway and the seller or distributor. There are more than 2.5 million renewed independent Amway distributors world-wide, around 37,000 of whom are in the UK. Each of these distributors is self-employed. Anyone over 18 can establish their own business as an Amway distributor, either on a part-time or full-time basis. Amway offers individuals the chance to set up their own business with little or no experience or capital investment. Working hours and flexibility can be adjusted to suit each individual.

Individuals may have many different motives for starting their own businesses. Some individuals strive for achievement and may have tremendous energy and commitment to succeed. Others may want independence; to work their own hours and have the ability to make their own decisions. However, for many others the financial incentive is usually reward enough to engage in activities, where they may measure their success by income and standard of living.

The vast majority of new Amway distributors have no previous experience running a business of their own. Participating in the Amway business has helped them with their personal and professional development, acquiring skills in dealing with people and developing a wider business acumen.

Amway products are sold person-to-person, rather than door-to-door or via party plan. Distributors earn their income through retail profit on the goods they sell. In addition, they receive a commission from Amway based on the volume of sales they generate personally, as well as those by their own distributor network.



Amway Culture

Amway's co founders, Rich DeVos and Jay Van Andel, believe that people everywhere desire the opportunity to achieve and better their lives. Amway has developed a series of statements which outline its culture. As with many different types of statements of corporate purpose, these statements fall into a hierarchy:

MISSION
Broad over-riding statement of purpose.

VISION
Showing where the business wishes to be in the future.

VALUES
Precise statements listing objectives which provide guidelines for the business.

AMWAY MISSION

Through the partnering of Distributors, Employees, and the Founding Families, and the support of quality products and service, we offer all people the opportunity to achieve their goals through the Amway Sales and Marketing Plan.

AMWAY VISION

To be the best business opportunity in the world.



Amway VALUES

1. Partnership

Amway is built on the concept of partnership, beginning with the partnership between our founders. The partnership that exists among the founding families, distributors, and employees is our most prized possession. We always try to do what is, in the long-term, in the best interest of our partners, in a manner which increases trust and confidence. The success of Amway will reward all who have contributed to its success.

2. Integrity

Integrity is essential to our business success. We do what is right, not just whatever 'works'. Amway's success is measured not only in economic terms, but by the respect, trust and credibility we earn.

3. Personal Worth

We acknowledge the uniqueness created in each individual. Every person is worthy of respect, and deserves fair treatment and the opportunity to succeed to the fullest extent of his or her potential.

4. Achievement

We are builders and encouragers. We strive for excellence in all we do. Our focus is on continuous improvement, progress and achievement of individual and group goals. We anticipate change, respond swiftly to it, take action to get the job done and gain from our experiences. We encourage creativity and innovation.

5. Personal Responsibility

Each individual is responsible and accountable for achieving personal goals, as well as giving 100 per cent effort in helping achieve corporate or team goals. By helping people help themselves, we further the potential for individual and shared success. We also have a responsibility to be good citizens in the communities where we live and work.

6. Free Enterprise

We are proud advocates of freedom and free enterprise. Human economic advancement is clearly proven to be best achieved in a free market economy.



Amway

For the modern business organisation, developing goods or services is not enough. Goods must also be available in the right quantity and at the right location in order to reach the customer. For the organisations themselves, distribution strategies should never be underrated. Developing an effective way of reaching customers may be the cornerstone upon which their successes are founded. Take Reader's Digest and the unique way in which it sells products to its customers. What about Vision Express and the revolutionary reforms it has prompted in the sale of glasses? One reason for their success is that they reach their customers in a better and more appropriate way than their competitors.

This case study focuses on Amway and the success it has achieved using the oldest form of distribution - direct selling.

Founded in Ada, Michigan in 1959, Amway has become one of the world's largest 'Direct Selling' companies. The company's first product L.O.C. was one of the earliest biodegradable cleaners and is still marketed by Amway.

Today, the company has developed into a global corporation selling more than 400 products and employing in excess of 13,000 people, in over 70 countries and territories around the world. It manufactures and markets products, which range from household cleaners, laundry products, toiletries, cosmetics and housewares to vitamins and food supplements. Amway also markets products on behalf of other manufacturers, such as Talkland, Bosch, Black & Decker, Kenwood, Pierre Cardin, Aiwa and Philips.

Amway Sales and Marketing Plan

The activities of each Amway distributor are determined by the Amway Sales and Marketing Plan. Amway practices direct selling which is "A method of selling goods directly to the consumer by an independent Distributor. A Distributor can then introduce further Distributors and generate income from retail profits supplemented by bonus payments based upon the total sales of the group built by a Distributor".

Income is generated by a distributor through:

- the retailing of goods to consumers. Retail margins (mark-ups) on the basic wholesale price represent income to the selling distributor.
- additional performance and leadership bonuses, paid on the volume of personal business of the distributor and the business volume of the distributors he has introduced to the business.
- various levels of leadership bonuses, dependent upon the overall size and shape of the business, paid on achieving different levels of business performance.

This plan, therefore, rests upon the twin foundations of retailing and sponsoring.

- Retailing - the selling of goods to consumers on which retail margins are earned and performance bonuses gained.
- Sponsoring - the introduction of other individuals to establish and develop their own independent Amway distributorships.



Retailing enables distributors to provide immediate financial incentive rewards. Sponsoring enables distributors to replicate the base with other people, thus allowing the organisation to grow. Direct selling involves sales people showing and demonstrating products to obtain orders.

The objective involves matching consumer needs with the product. The better the match, the more lasting the potential for the relationship between the seller and the buyer. The selling process is aided by Amway's retail strategy to provide high quality, readily purchasable items with a good environmental positioning, offering consumers good value for money.

As with all direct selling activities, the process involves two-way communication and this can be time-consuming. Business success and the resulting financial results are a direct consequence of effort, commitment and personal group motivation. Personal contact between distributors at one-to-one or group meetings provides the opportunity for individuals to discuss strategies, difficulties, levels of involvement and plans for the future. The income objectives and individual targets may be determined by each distributor based upon what he or she wants to earn. Distributors who develop direct selling businesses may come from widely different backgrounds, with vastly different levels of experience and knowledge - the common factor to their success is the desire to achieve.

Responsibility to Employees and Customers

All organisations have a responsibility to serve their employees and customers, who are likely to be affected by the consequences of an organisation's activities. In today's business environment it is unacceptable for organisations to ignore the activities of consumers and individuals within the wider community. For Amway this means doing business ethically and taking a stance on key issues. (Ethics concern the moral principles or rules

of conduct generally accepted by members of society. They constitute a guide as to what should or should not be done, and involve what one believes to be right or believes to be wrong).

Over the years there has been much criticism of illegal pyramid selling and chain letter investment schemes. These proliferated in the 1970s. Hard sell tactics and techniques such as 'down loading' (where the person at the bottom of the illegal pyramid buys vast amounts of unwanted and over-priced stock which he/she cannot sell), gave the whole industry a bad name. Many people invested in such schemes and lost money in dubious schemes which collapsed.

Business Awareness Campaign

Amway is a member of the Direct Selling Association (DSA), the industry body representing forty direct selling companies. All member companies have to abide by its Code of Practice which is endorsed by the Office of Fair Trading.

In July 1992 Amway (UK) Ltd launched its Business Awareness Campaign to persuade the government to tighten up the current pyramid selling legislation.

The campaign had three aims:

- To upgrade the legislation and introduce further safeguards to protect both distributor and consumer.
- To ensure that the legislation clearly defines the differences between illegal pyramid selling and direct selling and to change the name of the legislation, so that ethical companies no longer have the pernicious label 'legal pyramids'.
- To educate the general public, as well as opinion forming bodies such as Trading Standards Departments and Citizens' Advice Bureaux, about the differences between reputable direct selling companies and unethical ones.

The Results:

'With the full support of the Direct Selling Association (DSA), the industry body representing direct selling companies, Amway has lobbied both MPs and opinion formers and achieved extensive media exposure, highlighting the need for the legislation to be amended.'

As a result of these concerns, Sir Nicholas Scott MP introduced a Private Members Bill tightening legislation - The Trading Schemes Bill - which received Royal Assent on 4 July 1996.

This Act will come into force following consultation on the regulations required.'

There are many differences between illegal pyramid selling and direct selling companies. For example, illegal pyramid selling may have the following characteristics:

- Payment of a recruitment fee. Sellers receive a payment solely for the act of recruiting new participants.
- 'Down loading'. Participants sell stock on to the next person at a profit. The process continues until the final participants are left with stock which cannot be sold because of the inflated price of the product.
- Money matrix style structure. These are often described as investment pyramids, with an absence of a realistic saleable product and where regular monthly payments are made with the promise of an accumulated sum at the end.
- Unusable stock. People are encouraged to buy a large amount of stock which they cannot sell and cannot return to the company.

On the other hand ethical direct selling companies have the following features:

- There is no recruitment fee paid for the act of signing up another person.

- All distributors pay the same wholesale price for products and sell to their customers at a 'suggested retail price'.
- The product merchandise is of key importance, with emphasis on the regular sale of the product range. (The Amway Rules of Conduct recommend that every Amway distributor should have a minimum of 10 customers at any one time in order to receive a performance bonus).
- Customer return policy, Satisfaction Guarantee.
- Distributor return policy.
- The Prevention of stockpiling. Amway stipulates that 70% of any product purchased in any given month by a distributor, must be sold in order for the distributor to be eligible to receive bonuses.

The Personal Touch

The success of every organisation depends upon the satisfaction of its customers. The Amway product range covers many consumable items which most people have in their homes. The quality of its products is considered to be the organisation's driving force. Amway is committed to ongoing research and development.

The direct selling industry has grown rapidly over recent years. Changing lifestyles, demographics and economic recession have all been factors influencing this growth. Amway provides people with business opportunities across the globe. Direct selling is not about 'getting rich quick'; it is about creating rewards for effort and initiative. With low risk and low capital investment, Amway provides people with the opportunity to achieve and to improve their lives.

As a leading player in the world of direct selling, Amway is helping to 'clean up' the industry and provide a valuable and acceptable form of product distribution. In an impersonal fast-moving world driven by technology, Amway provides the personal touch.

TASKS & ACTIVITIES

- Survey your retailing habits over the period of a week or a fortnight and record the results. What do you buy? Where do you make your purchases? From what sort of organisation do you buy?
 - demographics
 - economic recession
 - customer satisfaction guarantee
 - pyramid selling
 - Direct Selling Association
 - retail strategy
 - suggested retail price distributor
 - mission statement values
- Explain what is meant by direct selling? In what ways do you engage in direct selling in everyday life.
- Make a list of the reasons why individuals may wish to set up their own businesses.
- Produce a frank and realistic comparison of direct selling with retail shopping. In doing so, list the advantages and disadvantages of each.
- Describe the differences between direct selling and illegal pyramid selling.
- What is meant by business ethics? Explain why businesses should try to be ethical.
- What is a pressure group? Why do they develop and what might they attempt to achieve? (In answer refer to specific types of pressure group).



DIRECT SELLING		RETAIL SHOPPING	
Advantages	Disadvantages	Advantages	Disadvantages



DIRECT SELLING ASSOCIATION



The Direct Selling Association of Ireland

