

A study of direct marketing with special reference to Amway

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Introduction

The use of consumer-direct channels to reach and deliver goods and services to customers without using marketing middlemen is termed as direct marketing. These channels include direct mail, catalogs, telemarketing, interactive TV, kiosks, Web sites, and mobile devices. Direct marketing is one of the fastest growing mediums for serving customers.

Customer order is a measurable response of direct marketing; therefore it is also called direct-order marketing. Today, many direct marketers use direct marketing to build a long-term relationship with the customer. They send birthday cards, information materials, or small premiums to select customer. Airlines, hotels, and other businesses build strong customer relationships through frequency award programs and club programs.

The growth of direct marketing

Sales produced through traditional direct marketing channels (i.e. catalogs, direct mail, and telemarketing) have been growing rapidly. Whereas U.S. retail sales grow around 3 percent annually, catalog and direct mail sales grow at about double the rate. Direct sales include sales to the consumer market (53%), B2B (27%), and fundraising by charitable institutions (20 %). Total media spending for all direct marketing in 2000 (including direct mail, telephone, broadcast, Internet, newspaper, magazine, etc.) was over \$421 billion.

The fast growth of direct marketing can be attributed to many factors. Higher costs of driving, traffic congestion, parking headaches, lack of time, a shortage of retail sales help, and lines at checkout counters, all encourage at home shopping. Consumers appreciate direct marketers' toll free phone numbers available 24 hours a day, 7 days a week, and their commitment to customer service.

Objectives of the Study:

1. To know the History and Development of the Direct Marketing.
2. To study the Marketing Practices of AMWAY Distributors for Marathwada region.
3. To study and gauge the problems faced by the AMWAY Distributors.

4. To analyze the factors influencing customers' attitude towards AMWAY products.

Hypotheses tested

- 1 There is no relationship between the age and income of the Amway distributors.
- 2 The age of distributors and purpose of his joining Amway business are independent.

Research Methodology:

The present study is based on the Primary Data collected from the Distributors of the Company spread over the Marathwada Region. In addition to the primary data the secondary data from the Books, Magazines, Journals, Periodicals and Websites have been collected. The study mainly focused on the primary data by administering the Questionnaires. The present research has considered the convenient sampling Technique having a size of 100 Distributors and 100 customers for measuring the performance of the AMWAY. The data pertaining to past years was also considered in the study.

Scope and Limitation of the Study:

The present study is limited to the Marathwada Region having 100 respondents each in the category of Distributors and Customers. The scope of the study includes all the products marketed by the AMWAY in the Region. The period of the study is limited to last five years i.e. 2006-10.

Different products of the AMWAY

Nutriline Kids Chocolate Drink, Nutrilite Salmon Omega-3, Nutrilite BIO-C, Nutrilite Iron-Folic, Nutrilite Cal Mag, Positrim Low Fat Drink Mix, Nutrilite Garlic Heart Care, Nutrilite Triple Guard Echinacea, II Beauty | Artistry, Artistry Moisture Rich System, Moisture Rich Vitalizing Cleanser, Moisture Rich Protective Moisturizer SPF 15, Clarifying Oil Control Toner, Clarifying Balancing Moisturizer SPF 15, Artistry Time Defiance Intensive Serum, Artistry Time Defiance Products

Analysis and Interpretation of Data:

The collection, analysis and interpretation of data are the main processes of any research study that begins with adoption of proper data collection methodology. The quantity and quality of data collected has to be decided considering various aspects of the problem like the universe, sample size and their consonance with the objectives and the hypothesis of the study.

The data has been processed in computer to generate following analysis:

A Item-wise Analysis

B Cross factor Analysis and

C Chi-Square Tests

The Item wise Analysis is presented in section ‘A’ followed by cross factor analysis in section ‘B’ and finally Chi Square Tests are presented in the Section ‘C’.

Section A - Item-wise Analysis:

Here the analysis is carried separately on each and every significant factor present in the questionnaire such as age, gender, income, types of products preferred by the customers, factors that influence the customers to buy, reasons for the high prices of Amway products, and so on.

Table No1.1-Analysis on the basis of age

Age Groups	Number of Respondents	Percentages
Less than 25 Years	58	16.48
25 to 35 Years	139	39.49
35 to 45 Years	119	33.81
Above 45 Years	36	10.23
Total	352	100.00

Table no 1.1 shows the analysis of respondents (i.e. Amway Distributors) on the basis of age. Out of 352 respondents, a maximum of 139 respondents, which comes to 39.49 % of the total respondents, are in the age group of 25 to 35 years, and 119 respondents, which forms 33.81 % of the total 352 respondents, are in the age group of 35 to 45 years.

Similarly, a handful of respondents (58), that is 16.48 % of the total, fall in the age group of less than 25 years, and only 36 respondents, that is 10.23 % of the total, are either equal to or above forty five years. This reveals that maximum Amway distributors are in the age group of 25 to 45 years. According to the figures shown in the above table, a total of 258 respondents (i.e. $139 + 119 = 258$), which forms 73.30 % of the total 352 respondents, are in between 25 to 45 years of age and hardly 26.70 % belong to both less than 25 years and more than 45 years of age.

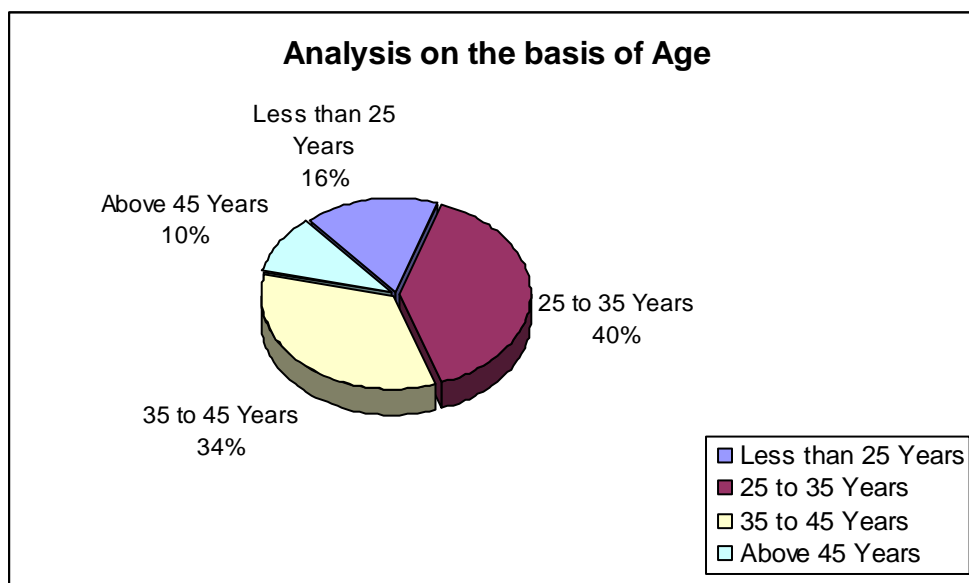
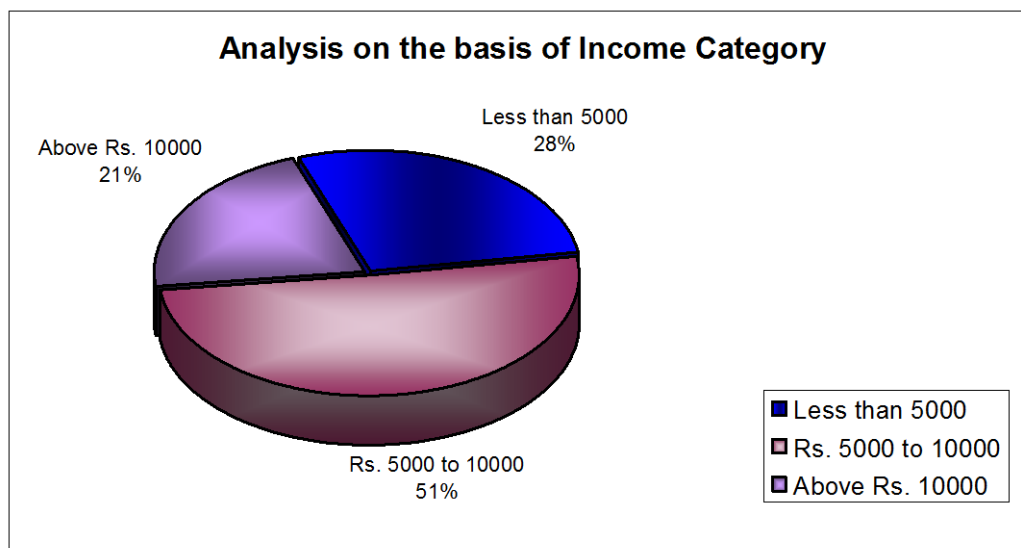


Table No 1.2 -Analysis on the basis of income

Income Groups	Number of Respondents	Percentages
Less than 5000	99	28.13
Rs. 5000 to 10000	178	50.57
Above Rs. 10000	75	21.31
Total	352	100.00

This table divides all the Amway distributors in three different categories on the basis of their income which they fetch by selling Amway products. These three categories include distributors who earn only up to Rs. 5,000, in between Rs. 5,000 and Rs. 10,000, and above Rs. 10,000.



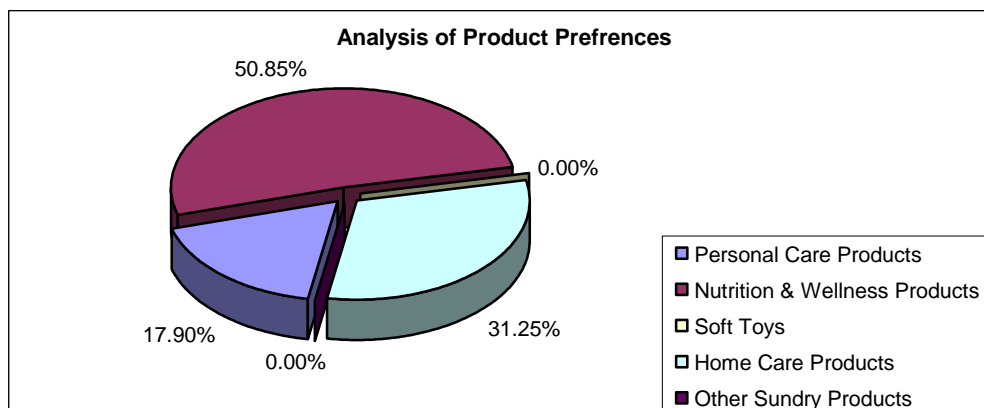
The table shows that only 99 distributors, that are 28.13 % of the total, earn below Rs. 5,000 per month as their share of income by selling Amway products. There are a good number of distributors (i.e. 178) who earn in between Rs. 5,000 & Rs. 10,000 as income from Amway distributorship. Similarly, a sizeable number of distributors (i.e. 75), that is 21.31 % of the total, earn above Rs. 10,000 as monthly income from Amway business.

This reveals that majority of the prospective customers of Amway products are in the high income class and medium income class only.

Table No 1.3- Analysis of Product Preferences

Preferences	Number of Distributors	Percentages
Personal Care Products	63	17.90
Home Care Products	110	31.25
Nutrition & Wellness Products	179	50.85
Soft Toys	0	0.00
Other Sundry Products	0	0.00
Total	352	100.00

There are five broad categories of Amway products. The researcher wanted to know from the distributors of Amway as to what type of products are more preferred by the Amway customers. The responses collected in this regard are listed in the above table against each category of Amway products.



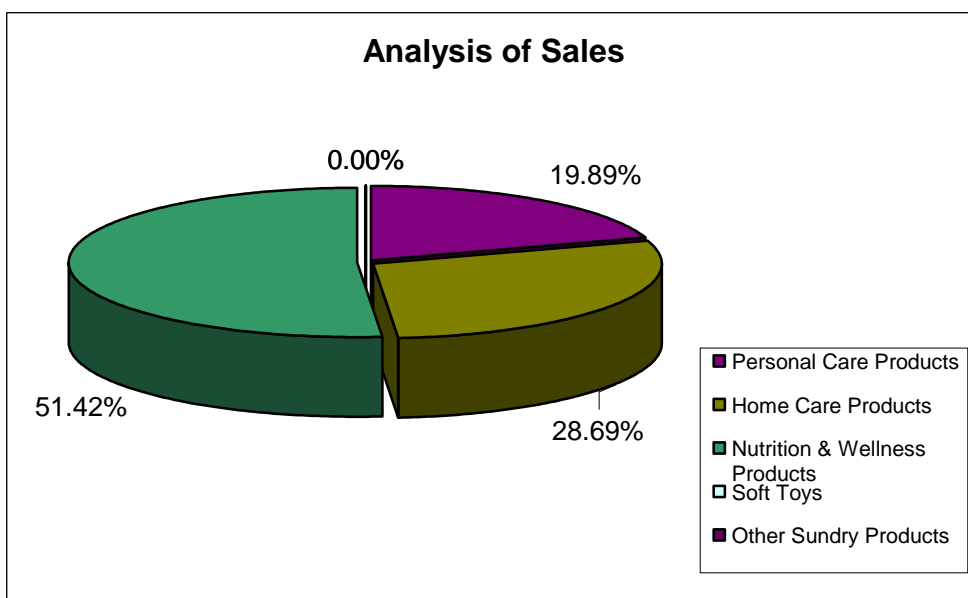
Out of the total respondents, 63 respondents (17.90%) said that customers prefer Amway's Personal Care Products, 110 respondents (31.25%) informed about Home Care Products, 179 respondents (50.85%) talked about Nutrition & Wellness Products.

These figures reveal that Nutrition & Wellness and Home Care Products are preferred more by the customers.

Table No 1.4 -Analysis of Sales

Products	Number of Distributors	Percentages
Personal Care Products	70	19.89
Home Care Products	101	28.69
Nutrition & Wellness Products	181	51.42
Soft Toys	0	0.00
Other Sundry Products	0	0.00
Total	352	100.00

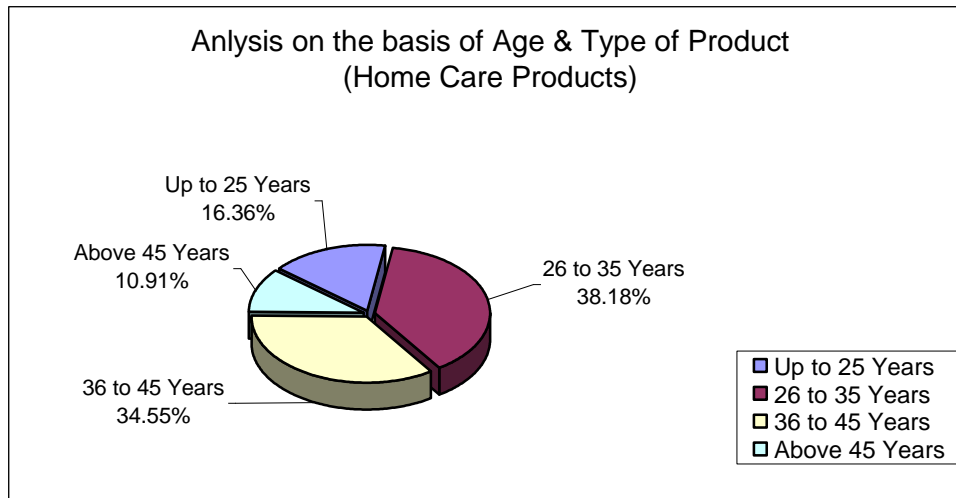
In this connection, the data collected from the distributors, is listed in the above table.



The data reveals that maximum sold products are Nutrition & Wellness, Home Care, and Personal Care respectively. Out of the total distributors contacted, 181 (51.42%) preferred Nutrition & Wellness products, 101 distributors (28.69%) informed that Home Care Products are sold more, and 70 distributors (19.89%) confirmed that Personal Care Products are sold more. Soft Toys and Other Sundry Products are zero percent so far as the sales are concerned.

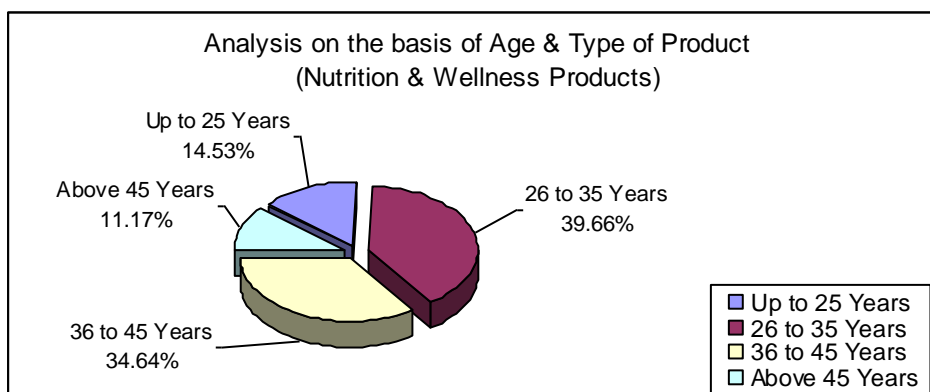
Table- 1.5- Analysis on the basis of Age and Type of Product

Age Group	Personal Care	Home Care	Nutrition & Wellness	Soft Toys	Other Products	Total
Less than 25 Years	14	18	26	0	0	58
	22.22	16.36	14.53	0.00	0.00	
25 to 35 Years	26	42	71	0	0	139
	41.27	38.18	39.66	0.00	0.00	
35 to 45 Years	19	38	62	0	0	119
	30.16	34.55	34.64	0.00	0.00	
Above 45 Years	4	12	20	0	0	36
	6.35	10.91	11.17	0.00	0.00	
Total	63	110	179	0	0	352



The above graph shows the preferences of home care products of Amway. A total of 110 distributors are of the opinion that Amway's home care products are more preferred. Of these 110, 18 distributors (16.36 %) are less than 25 years of age, 42 distributors (38.18 %) belonged to 25 to 35 years of age, 38 distributors (34.55 %) are in between 35 to 45 years, and 12 distributors, that is 10.91 %, are above 45 years of age.

The next graph shows preferences about nutrition & wellness products. Out of 352 distributors, 179 distributors said that customers prefer nutrition & wellness product of Amway. Out of these 179 distributors, 26 distributors (14.53 % of the 352), are of less than 25 years of age, 71 distributors, that is 39.66 %, are from 25 to 35 years of age, 62 distributors, that is 34.64 %, belong to 35 to 45 years of age, and 20 distributors, that is 11.17 %, are above 45 years.



It reveals from the above analysis that Nutrition & Wellness products of Amway are preferred more by the customers and Soft Toys & other sundry products are not at all preferred.

Overall observation in these categories of customers show that out of 352 distributors, 253 distributors, that is 71.87 %, are male and only 99 distributors, that is 28.12 %, are female.

Analysis of Chi-Square Test

Application of Contingency Table Analysis –Chi square Test of Independence

1. There is no relationship between the age and income of the Amway distributors.

Observed frequency

Table No-1.6- Analysis on the basis of Age & Income

Age Group	Income			TOTAL
	Below Rs. 5000	5000 to 10000	Above Rs. 10000	
Less than 25 years	24	33	1	58
25 to 35 years	41	74	24	139
35 to 45 years	27	56	36	119
Above 45 years	7	15	14	36
TOTAL	99	178	75	352

Null Hypothesis (Ho)

Let us take the null hypothesis as there is no relationship between the age and income.

Expected Frequency

Expected Frequency (E) for each cell = $\frac{\text{Row total} * \text{column total}}{\text{Grand total}}$

Table No-1.7- The contingency table of expected frequencies

Age Group	Income		
	Below Rs. 5000	5000 to 10000	Above Rs. 10000

Less than 25 years	16.31	29.33	12.36
25 to 35 years	39.09	70.29	29.62
35 to 45 years	33.47	60.18	25.35
Above 45 years	10.12	18.20	7.67

Arranging the observed and expected frequencies in the following table to calculate the value of χ^2 test statistic:

Observed (O)	Expected (E)	(O-E)	(O-E) ² / E
24	16.31	7.69	3.63
33	29.33	3.67	0.46
1	12.36	-11.36	10.44
41	39.09	1.91	0.09
74	70.29	3.71	0.19
24	29.62	-5.62	1.07
27	33.47	-6.47	1.25
56	60.18	-4.18	0.29
36	25.35	10.65	4.47
7	10.12	-3.12	0.96
15	18.20	-3.2	0.56
14	7.67	6.33	5.22
Calculated Value =			28.63

Therefore,

$$\chi^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E} = 28.63$$

Degree of freedom:

The contingency table is of size 4x3, the degree of freedom would be:

$$df = (\text{no. of rows}-1) (\text{no. of column}-1)$$

$$df = (4-1) (3-1)$$

$$df = 3 \times 2 = 6$$

Level of Significance:

$$\alpha = 5\% = 12.6$$

$$\text{IF } X^2_{\text{cal}} > X^2_{\text{table}}$$

$$28.63 > 12.6$$

Therefore, H_0 is rejected

The table value of Chi-Square for 6 degree of freedom at 5% level of significance is 12.6. Since the calculated value is greater than the table value of chi-square, the null hypothesis is rejected and there is relationship between age and income of the distributor.

Null Hypothesis (H_0)

Let us assume the null hypothesis that the high prices of Amway products have no relationship with gender.

Expected Frequency

$$\text{Row total} \times \text{column total}$$

Expected Frequency (E) for each cell = -----

$$\text{Grand total}$$

Table No -1.8 -The contingency table of expected frequencies

Gender	High prices of products		
	Yes	NO	Can't Say
Male	128.65	109.96	14.37
Female	50.34	43.03	5.62

Arranging the observed and expected frequencies in the following table to calculate the value of X^2 -test statistic:

Observed (O)	Expected (E)	(O-E)	(O-E) ² /E
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139	128.65	10.35	0.83
101	109.96	-8.96	0.73
13	14.37	-1.37	0.13
40	50.34	-10.34	2.12
52	43.03	8.97	1.86
7	5.62	1.38	0.33
Calculated Value =			6.00

Therefore,

$$X^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E} = 6.00$$

Degree of freedom

The contingency table is of size 2x3, the degree of freedom would be:

$$df = (\text{no. of rows}-1) (\text{no. of column}-1)$$

$$df = (2-1) (3-1)$$

$$df = 1 \times 2 = 2$$

Level of Significance

$$\alpha = 5\% = 5.99$$

$$\text{If } X^2_{\text{cal}} > X^2_{\text{table}}$$

$$6.00 > 5.99$$

Therefore, (H_0 is Rejected)

The Critical Value of $X^2 = 5.99$ at $\alpha = 5\%$ and $df = 2$. Since calculated value of $X^2 = 6.00$ is higher than its critical value, the null hypothesis (H_0) is rejected. Hence we conclude that the high prices of Amway products have relationship with gender.

2. The purpose of joining Amway and the gender of the distributors have no relationship.

Major Conclusions

On the basis of the data collected and the results of analysis, the researcher has arrived at the following major conclusions.

1. It is observed that most of the Amway distributors (respondents) are in between the age of 25 to 45 years and majority of them are male.

2. A large number of distributors are earning between Rs. 5,000 to Rs. 10,000 from Amway distributorship. This means they are in the network marketing for earning either as a primary source or secondary source.

3. It is also observed that a large number of Amway distributors have invested a meager amount of Rs. 4,000 to 6,000 which is fetching them an earning in between Rs. 5,000 and Rs.10,000, on a monthly basis.

4. The superior quality of Amway products is quoted as the influencing factor by majority of the distributors. Even though the Personal Care Products are more preferred by the customers, the analysis shows that the Nutrition & Wellness Products have recorded the highest sale.

5. It is observed that Nutrition & Wellness Products are commonly preferred by the customers, of which a majority, that is approximately 74 % , belong to the age group of 25 to 45 years.

6. More than 90 % of the male participants have joined Amway to earn an additional income whereas, approximately 87 % female have opted it as additional source of income.

7. It is found that more than 75 % of the male are influenced by the high quality of the products whereas only 70 % of the female prefer the high quality. The long term usage is also given permissible importance by the other female participants, in comparison to their counter parts.

8. There is no relationship between age and the level of satisfaction of distributors, was the null hypothesis and it is also accepted, which means that there is no relationship between age & the level of satisfaction derived by the distributors.

Significant suggestion

1. The field survey has shown that, of the total Amway distributors, almost 72 % of the them are male whereas only 28 % are female. On the basis of these percentages, it is very clear that the overall distribution system of Amway is dominated by the male distributors.

Hence, it is suggested to increase the number of female distributors too, why because women are soft spoken, which helps in convincing the prospective customers.

Overall Observations

1. The idea of direct selling is actually the result of socioeconomic development of the United States in the 18th and 19th century. The idea of direct selling got more strength due to the change in lifestyle of people during the recession period that hit the United States in the early 1990s.
2. Direct selling companies are growing very fast in India, both in size and in number. The number of sales people increased to 16.73 lakh. However, the companies faced the problem of people joining, but not engaging themselves actively, or even opting out of the business. Of the 16.73 lakh, there is only 8.5 lakh active sales people i.e. People who buy or sell at least once in two months. The drop out rate is very high for Tupperware as for the rest of the industry. A lot of people leave and rejoin after sometime. **Amway India** has a dropout of 0.5 per cent and active sales force of 4.5 lakh people. People leave the profession in around one-and-a-half years.
10. From five offices and a reach of 150 locations in May 1998, Amway India now has 45 offices catering to around 400 cities and towns across the country. It plans to increase the number of offices as well as cities and towns. All Amway warehouses, pick-up centers and offices are connected online so that inventory planners have access to real time sales and inventory data.

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