

CHAPTER 1

INTRODUCTION

1. 1 Research background

The new term "direct selling" appeared in the United States in the 1950s and was founded by a Jew named Kasabbe. At that time, the gap between rich and poor in the United States was large, and 20 percent of the rich were in control of wealth, and the people were powerless to change the state of poverty and live in hot water. In the face of the social reality of extreme inequality, two of the graduate students at the Harvard University of the United States have proposed a profession that would allow the poor to change their poor fortunes, to buy enough for the rich to buy the goods. Since then, more and more young people have started their own business, and the number of practitioners has doubled, and many enterprises have found ways to solve the problem of unmarketable products. The ideal marketing model for dealing with the rich and poor is called the direct selling model. Direct selling was first successful in Amway, but it was also controversial. Amway has been accused by the Federal Trade Commission of using illegal business practices. And the resulting decision is based on normal channel sales of goods and receive performance bonuses, there is no such thing as an executive search bonuses to get the win. Since then, the whole direct selling industry has been able to develop continuously because of the success of Amway company, and it has also improved the public's understanding of direct selling, and is different from the concept of pyramid selling.

Direct selling in the late 1980 s and early '90 s began to enter China. Amway (China) company entered China in 1992 with "direct selling model" and set up its headquarters and factory in Guangzhou, which opened in 1995. Since then, large numbers of overseas direct selling companies have poured into our country.

Amway (short for "American Way") is an American company specializing in the use of multi-level marketing to sell health, beauty, and home care products. The company was founded in 1959 by Jay Van Andel and Richard DeVos and is based in Ada, Michigan.

Amway and its sister companies under Alticor reported sales of \$8.6 billion in 2017. It conducts business through a number of affiliated companies in more than a

hundred countries and territories. Amway was ranked No. 29 among the largest privately held companies in the United States by *Forbes* in 2015 based on revenue, and No. 1 among multi-level marketing companies by Direct Selling News in 2016.

Amway has been investigated in various countries and by institutions such as the Federal Trade Commission (FTC) for alleged pyramid scheme practices.

Amway(China), as the largest direct selling company in the country, is now led by the second generation of leaders, Steve Van Andel and Richard DeVos. Amway company since it was founded in 1959, after nearly 60 years of wind and rain. In these years, Amway's direct selling model has been questioned, but Amway with a spirit of perseverance, from failure to success, always believed and actively improve the quality of the consumer life dream. More than 50 years of history have witnessed the Amway's failure and success, as well as the path of two generations to start a common venture.

At present, Amway has been in more than 80 countries and regions set up a branch, the company's products from the beginning of 200 to more than 450, covers the Nutrilite health care products, personal care products, beauty cosmetics, household articles for daily use four series, a full range of meet the needs of the consumers' daily life. The Amway corporation spreads its quality products and services across all corners of the world through marketing people throughout the world.

1.2 Research objectives

The success of Amway has not been achieved overnight, and it has undergone many twists and turns to achieve today's success. From the initial experimental basement began to take the first step in the Amway business, has experienced the returned goods, such as pyramid sales ban, but never give up hope, the founder of the Amway he insists that as long as there are people in China use Amway products, he won't give up the Chinese market. The founder of Amway company has studied the Chinese market in depth, and after five business model adjustments, the company has continuously improved its mechanism, implemented the construction and marketing transformation, and laid a solid foundation for the occupation of the Chinese market.

The success of the Amway (China) direct selling model has much to learn from, which is of great importance to the local enterprises in China. Direct selling is not a

substitute for the market, it's part of the market, and it's a new marketing model for the market. The purpose of this study is to analyze the environmental analysis of Amway's Direct-selling model in China, its marketing strategy and marketing channel analysis, and draw on the cause and weakness of its success. This paper hopes to study the success of the Amway (China) direct selling model, which can drive domestic enterprises into the direct selling industry.

1.3 Research significance

Research on the direct selling model of Amway corporation is a leading role in the direct selling of local enterprises. The marketing strategy of Amway is different from that of other companies. The essence of the company is that other enterprises are worthy to learn and learn from, which has great practical significance to other enterprises during the critical period.

(a) Through in-depth research and analysis of the various development stages and different aspects of Amway's direct selling in China, the company has changed channels of thinking and content, the functions and features of marketing, the brand strategy and corporate culture of the company, which can reflect the development degree of direct selling mode from the side, understand the difference between direct selling mode and illegal pyramid selling, and the existing problems of direct selling mode, and have a better understanding and objective evaluation of the direct selling model.

(b) The core competence of the enterprise is the key to the success of the enterprise technology, and the research on the brand strategy of the company's core competence provides a reliable reference for the image strategic research of the brand of the relevant enterprises, and the selection of the strategic direction of the other enterprises has a guiding significance.

(c) Through the case of Amway collected from enterprises established to development, the how the failure of the twists and turns, how to rebuild from the failure, in order to discover Amway experience of success. It is hoped that the successful experience of Amway will guide the enterprises in the transformation of our country, and play a key role in the change of marketing concept and the implementation of brand strategy.

1.4 Research process

The success of Amway's direct selling model is worthy of reference for Chinese enterprises, which is conducive to the entry of local enterprises into the direct selling

industry. In this article, through the collection of the data for development of Amway (China) company, combining with the theoretical basis, in-depth analysis was carried out on the Amway's direct selling model, and the success factors of conclusions.

The article content is roughly divided into the following chapters:

Chapter 1: Introduction. First of all, briefly describes the background and development of the direct selling; The purpose of this research is to explore the direct model of direct selling of the Amway (China) company, to understand the development and marketing features of the direct selling directly to the China market through the collection of secondary information, deeply analyze the competitive advantage and environment of the company in China, and find out the reasons why its direct model is successful.

Chapter 2: literature review. According to the definition of direct selling, compared with the traditional distribution mode, the role of the direct selling model and the simple summary are obtained.

Chapter 3: Introduction of concept and development. The introduction of direct selling and direct selling model, including the concept, characteristics, classification and sales channels of direct selling and direct selling model; the difference between the concept of pyramid selling; the Amway company's introduction and development in China: the company's direct selling model environment and marketing tactics, analysis of marketing channels.

Chapter 4: Research methods. The research method adopted in this paper is qualitative analysis, and descriptive analysis of the paper is carried out by using references analyzing and induction method. The main theories used in this study include: PEST enterprise environment analysis, 4P marketing theory, Porter's five forces model, SWOT analysis, etc.

Firstly, PEST analysis is used to analyze the macro environment of marketing in China. The change of environment has a great impact on the development of enterprises. Using the 4P marketing theory to analyze Amway's development strategy, marketing strategy, target market and location in our country. Using porter's five models of Amway company's competitive position in the industry were analyzed, and finally, SWOT method was used to analyze the great advantages and the hidden dangers of the Amway direct selling model, and the reasons for the success of its direct selling model were given, which were summarized and suggestions were put forward.

Chapter 5: Research conclusions. Through the study of the macro environment of Amway (China) company analysis of the direct selling industry in our country, 4 p marketing theory analysis of Amway (China) the company's marketing strategy, five model analysis of Amway (China) company market competition status, the SWOT analysis of advantages and disadvantages of Amway direct selling model, the successful conclusion is drawn, and the future development suggestions are put forward to lay a foundation for the local enterprises to enter the direct selling industry.