

CHAPTER 4

RESEARCH METHODS

4.1 Macro environment analysis of the direct selling industry in our country

PEST analysis is a method used by strategic consultants to help enterprises review their external macro environment. It refers to the macro environment and the general environment, which refers to all kinds of macro forces that affect all industries and enterprises. Analyzing the macro environment factors, different industries and enterprises according to their own characteristics and management needs, analysis of the specific content of difference, but generally deal with Political (here), Economic (Economic), society (social) and technology (Technological) in these four categories: the main external environment factors affecting enterprise is analyzed.

4.1.1 The political and legal environment

The political environment mainly includes the political situation of the country and the government system, which is the political force and the legal policy that affects the marketing activities of enterprises. The development of the enterprise marketing market cannot be separated from the law. Only by doing business according to the law, can the enterprise be better protected by the national law, and the enterprise will continue to grow and expand.

After China formally joined the WTO in 2002, it proposed legislation on direct selling and began to draft laws and regulations on the basis of full consideration of WTO members' opinions. Finally, in September 2005, the long-awaited "regulations on direct selling management" was officially launched and implemented in December. Direct selling regulations direct sellers outside of a fixed place of business in directly to the final consumer products by way of promoting sales. The promulgation and implementation of the regulations means that the direct selling industry has the guarantee of law, and the standard of direct selling products is fully standardized, and the boundary between direct selling and illegal pyramid selling is strictly defined.

The coming of spring in China's direct selling industry will bring large number of laid-off urban workers and rural surplus labor to a large number of employment

opportunities, and also give many people who have the ideal and the ability but lack the venture capital to open the door of wealth, thus realizing their ideal of life.

4.1.2 The economic environment

Economic environment mainly refers to the economic problems faced by the enterprise business activities including economic structure, industrial layout, resources situation, the level of economic development and the future trend, etc., its running situation and development trend will direct or indirect impact on business activities. With the development of China's economy, the increase of per capita income and the enhancement of the buying force of the society makes the marketing opportunity of the enterprise enlarge.

According to statistics, more than 43.68 million people worldwide to participate in the direct selling industry. In the Americas, more than 12.2 million people across the country to participate in direct selling industry; In the region of Asia, more than 305 million people in South Korea are engaged in direct selling. In Japan, more than 2 million people are involved. The number of people in Thailand participating in direct selling is more than 3.2 million, and Taiwan is more than 2.9 million. Multi-level direct selling, after a half a century of wind and rain, laid down its position in the marketing market. Harvard University graduate school of business has established a direct selling professional. It is claimed that multi-level direct selling is the way for ordinary people to succeed.

With the continuous change of the global market economy, the simplification of the marketing organization level and the continuous flattening of marketing channels, the information-based and networked society is changing our outdated marketing concepts. In this trend, our country must be adapt to the development of market economy in the world. However, the reemployment of the knowledge economy era first needs the entrepreneurial capital and high technology management skills, which is an unattainable high threshold for the broad masses of the unemployed. Therefore, the direct selling industry is the best choice for the vast majority of civilian workers.

4.1.3 The social and cultural environment

The social and cultural environment influences the behavior and preferences of consumers, thus indirectly affecting the marketing activities. And preferences play an important role in the purchase decision process. The daily diet of our customers is not

only in order to solve the problem of temperature and satiety, but the people who buy the health products are constantly increasing, focusing on the nutrition health food and pure natural extraction products, meanwhile, the people who have invested in healthy investment are constantly increasing, and the people's ideas of investment and value are also improved, and the healthy and environment-friendly living concept is pursued.

With the continuous expansion of China's health industry, direct selling has become one of the important marketing methods of health. As the first major product of direct selling, health food is the product category with the largest contribution to the market. However, the advantages of direct selling in healthy lifestyle, health services and the transformation of advanced results will bring more opportunities for the rapid development of health industry.

4.1.4 The science and technology environment

The development of science and technology has caused huge changes in people's life. "Science and technology is the first productivity", and the progress of science and technology is a symbol of the development of a country. Science and technology not only affects the production and operation of the enterprise internal, but also interact with other environmental factors, interdependence. Each new technology application will bring new development opportunities to the operation of the enterprise, and will also change people's view of consumption and values.

At present, our country is the second largest economy in the world. With the development of economy and society, our country will become a digital economy, the Internet, the Internet of things, big data and cloud computing, widely used new technology and new tools in the market. The scale of direct selling in China market has exceeded 2000 million, at the same time, China's direct selling new tools for the application of new technology has been more than other markets in the Asia-pacific region. In the next five years, the development of macro economy and society will bring a new pattern to China's direct selling.

4.2 4P marketing theory analysis of Amway (China) company marketing strategy

The marketing mix (also known as the 4 Ps) is a foundation model in marketing. The marketing mix has been defined as the "set of marketing tools that the firm uses to pursue its marketing objectives in the target". Thus the marketing mix refers to four broad levels of marketing decision, namely: product, price, promotion, and place.

In the concept of marketing portfolio, the 4p marketing is:

Product

The products mainly include the entities, packages, brands and services, and focus on the function of product development, and put the product features in the first place.

Amway (China) focuses on brand building and designs products for different groups of people. The consumer group covers all ages from children to the elderly, and its products currently have four series of 10 sub-brands, which are nutrition-health food for Nutrilite brand, beauty cosmetics for artistry brand, personal health care products series (the oral care of the brand name of the brand, the anti-antiseater of the brand, the body care of the brand, the hair care of the brand, the hair care of the brand), the home series (Amway life brand, Yixin brand air purifier, queen's brand pot).

The Amway (China) 4 product series can be found in appendices.

Amway company's diversified products are designed to meet the needs of customers at different levels. Adopting multi-brand strategy can make different products more accurate, which is conducive to market promotion and customers' systematic understanding of products.

At the same time, Amway company has incorporated environmental awareness into the production and development of products, reducing the production of waste products and improving economic efficiency. Amway (China) new upgrade of the home cleaning series products, all use a high concentration formula, just use a little bit of the amount can clean, and can reduce the pollution to the environment. In addition, the raw materials of the Nutrilite product, whether in the United States of the country of origin or in China, insist that chemical pesticides, chemical fertilizers and herbicides are not used, and the natural environment is protected by natural fertilizers such as biological and plant compost of the cultured pests. Therefore, amway has received many awards from the United Nations environmental organization.

Price

According to different market positions, different price strategies are established, the pricing basis of products is the brand strategy of the enterprise, and the value of the brand is the focus on the brands.

Amway (China) has a unified pricing system across the country. For nutrilite

nutritional health food, artistry beauty cosmetics, queen pot to adopt a high into the market, quickly withdraw money to develop new products to obtain high profits of skimming pricing strategy, for personal care and household care products to adopt a low price to enter the market, in order to attract consumers, stimulate demand, increase market share and penetration pricing strategy to realize a high-volume, low-margin business.

Nutriline: the leading brand of vitamins, minerals and dietary supplements has been the sponsor of the Chinese sports delegation of the 27th and 28th Olympic Games in a row. It has become the only special nutritional supplement for the Chinese sports delegation of the 2013-2020 Olympic Games.

Artistry beauty cosmetics: the world's most popular one of the five major brands of high-end brands, has moisturizing lipid matrix and so on a number of patents.

Home care products: using concentrated formula, which is both environmentally friendly and efficient, is designated as the only special product by China southern and arctic expedition team.

The Amway (China) is guided by a multi-brand strategy, while adopting multi-brand extension strategies to create a brand of star, with different strategies for each brand. It can be seen from that function of the product that the research and development of the product is the cornerstone of the product, focus on the research and development of the product, and build a good quality product.

Place

The business is not directly in front of the consumers, but it's about the development of the distributors and the network of sales, and the connection between the enterprise and the consumer is done through the distributor.

Amway's direct sales model is the complete pattern, with "shop sales + employ salesmen" mixed operation model. The Amway sales staff know the customer's needs by communicating with the customers, and they will introduce the products suitable for them and use them for product use demonstration. Finally, they provide a convenient quality service through the way of delivering the door. This kind of direct selling channels, through the establishment of sales staff own network, expand product sales, to reduce the cost as much as possible at the same time, the process of communication with consumers, reduce the distance between sales staff and the consumer, increase consumer trust and loyalty of customers.

The direct stores of Amway (China) do not only have the function of ordinary store operation, but also have a good advertising effect. The establishment of a store allows consumers to learn more about the Amway product by experiencing a product experience. The store also facilitates the purchase of goods by marketing staff, and can enjoy the regular training of the company in the store, and timely understand the product dynamics. However, the store is only open to the concessional customers and business representatives of Amway, ordinary consumers can not directly be in the store shopping, can only through Amway direct seller to buy.

In order to encourage the sale of the salesperson, the Amway company implements the system of hereditary bonus, which is paid by the sale of 4% of the sales volume under the performance of the company under the company's rules and regulations, and can be inherited from the future generations. There are also various levels of Amway's direct selling network to reflect the performance of direct sellers. The higher the level, the better his performance. There are several main levels:

(a) Business representatives. This is the lowest level of direct sellers, you just need to comply with the requirements for company and after the formal join formalities, can become a sales representative. Their function is to sell the company's products to obtain commissions and bonuses, and shall have the right to introduce other persons to join the direct selling team, form their own department or organization.

(b) Trainee business director. The company shall send a notice to the trainee business director, and prepare the training and examination for the trainee, and sign the contract of the trainee business director.

(c) The director of the business. The director of business including chapter of silver and gold award of business. If the performance of the individual and direct department is up to 21% in the month, or the performance of one of the subordinate departments reaches 21%, and the performance of the department is up to 15% or the performance of the two departments is up to 21%, the company shall go through the formalities for the addition of the director silver director, and enjoy the silver chapter bonus. In any consecutive 12 months, three months to achieve the silver seal performance, can become the golden chapter, and enjoy the golden chapter bonus.

(d) Senior director of business. The senior business director is the senior business director of direct line, ruby, pearl and sapphire. Within a period of 12 consecutive months, there are six months to meet the above qualifications of the director of the

silver chapter. In which three months are consecutive, they may become the senior business director of the company. In addition to enjoying various sales commissions and bonuses, the senior business director can also enjoy the bonus of direct line and the integration of overseas travel seminar. Rubies, jewels and sapphires are all based on the number of units in the network and the number of units in the network that make up to 21% of the operating bonus and the overall turnover. There are ruby bonus, pearl prize, sapphire bonus, etc., and also remember the integration of overseas travel seminar.

(e) Business managers and senior business managers. There are jade sales managers, diamond senior sales managers, administrative diamond senior sales managers, double diamond senior manager, three diamond senior manager, four diamond senior manager, five diamond senior manager, and so on. It is a watershed in which line managers and senior line managers are at least determined by how much of that direct line department is generated within the network. Its reward including year-end bonus, single bonuses and cumulative annual bonus, etc.

Amway company's bonus system is shown below:

	Ways to obtain/Source	Sales representative	Distributor
Customer service remuneration	The sales representative sales product	The profit from the sale of the product is calculated at 9%~27% of	

	performance to the customer.	the monthly net business volume.	
Personal sales commission	The company per month with 21% of the total amount of net operating as a market development fee.	According to the difference of net operating amount each month, the sales commission will be 3%~21%.	
Labor prize in service	The cost of the dealer's development of the market is the balance of the personal sales commission deducted from the net turnover of 21%, and the company subsidizes the performance of each sales representative.		The monthly labor bonus only dealers can be obtained.
Annual bonus	The cost is the balance of personal sales commissions and service bonuses deducted from a net turnover of 21%.		Depending on the different levels, the annual bonus also is different and the bonus can be hereditary.

Sales index	Net turnover	Commission rate	E-coupon ratio	E-coupons	Service remuneration	Total revenue
100	1250	0	6%	75	0	75
200	2500	3%		150	75	225
600	7500	6%		450	450	900

1000	12500	9%		750	1125	1875
2000	25000	12%		1500	3000	4500
4000	50000	15%		3000	7500	10500
7000	87500	18%		5250	15750	21000
10000	125000	21%		7500	26250	33750

Figure 4-2 The Amway (China) direct sellers bonus model

(Source:<http://www.baike.com/wiki/>)

Promotion

Promotion includes a series of marketing activities such as advertising, personnel promotion, business promotion, public relations and so on. Companies use a variety of information carrier and the spread of the target market communication activities.

Promote brand with advertisement

In the previous model of direct selling, Amway insisted on not advertising, and did not advertise in overseas marketing, only to do a small amount of image advertising. Along with the special market background and business model of Amway's transformation, Amway has made a major adjustment in China's marketing strategy and needs advertising to enhance its popularity and performance. The Amway brand advertising mainly concentrated in two product lines:

A. Nutrilite's advertising strategy. From 2001, the company has hired Fu Mingxia to be the spokesperson, the ambassador Tian Liang who is the ambassador to the Nutrilite's health food, the world champion Liu Xiang and Powell as the Nutrilite's global brand spokesperson, and the advertisement is broadcasted on the central television and over 47 television stations in 15 provinces and cities throughout the country. Nutrilite is not only a brand of health concepts in advertising, but also sponsored sports events.

B. Artistry's advertising strategy. The advertising strategy of Artistry is different from that of Nutrilite. The choice of advertising media is mainly in the fashion category, such as "Fashion", "Ruili", "the world fashion gardens" and other magazines.

Personnel promotion

The Amway is different from most of the salesmen of the company. Amway sales representatives are the first users of Amway products, and then the salesmen of Amway

products. Part of Amway sales staff home all filled up with Amway nutritional health products, daily necessities, cosmetics, etc., this is the power they sell.

In addition to the incentive to the bonus system, the Amway corporation has been promoting the promotion of people in Amway, the quality training, the travel seminars, the insurance and the incentives, and the ability to keep the best people in the world.

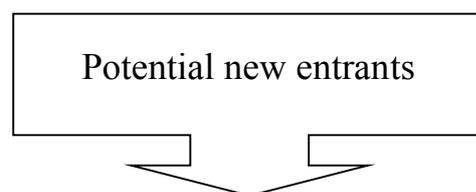
Public relations

A good corporate image is extremely important to a multinational corporation that runs a unique direct-selling model. Amway business in China must be integrated into the social environment of China and become an integral part of Chinese social life, thus creating a good corporate image.

4.3 Five forces competition model analysis Amway (China) market competition position

Porter's Five Forces Framework is a tool for analyzing competition of a business. It draws from industrial organization economics to derive five forces that determine the competitive intensity and, therefore, the attractiveness (or lack of it) of an industry in terms of its profitability. An "unattractive" industry is one in which the effect of these five forces reduces overall profitability. The most unattractive industry would be one approaching "pure competition", in which available profits for all firms are driven to normal profit levels. The five-forces perspective is associated with its originator, Michael E. Porter of Harvard University. This framework was first published in Harvard Business Review in 1979.

Michael Porter's Five Forces Model, also known as the Porter competitiveness Model, determines the competition of the five sources including the Bargaining Power of Suppliers, Bargaining Power of Buyers, Threat of New Entrants, the Threat of Substitutes, the degree of competition the competition (Rivalry). As shown in the figure:



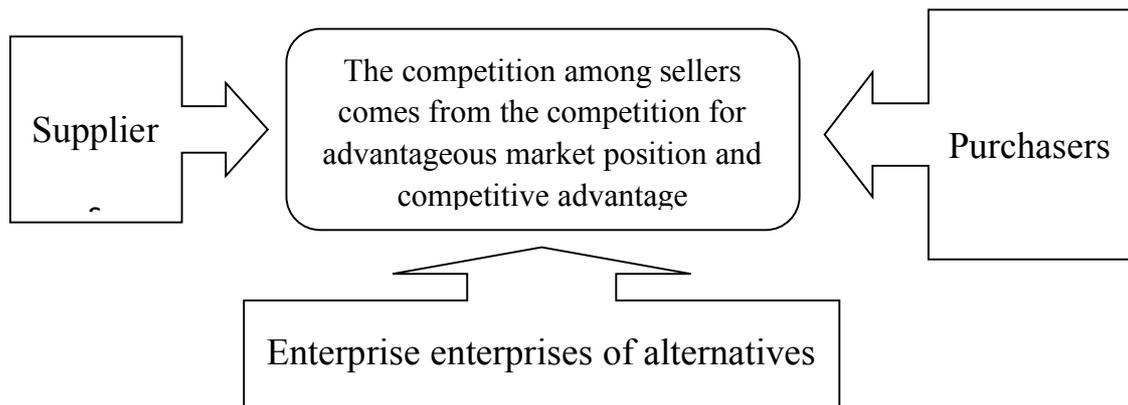


Figure 4-3 Porter's five-force model

The following five competition model analysis of Amway (China) what is in the industry competition.

A.The competition degree of competition (Rivalry)

The biggest competitors of the Amway (China) company are Avon, Mary Kay, and Herbalife, etc., and Avon and Mary, which are mainly cosmetics, locate the market of female consumers, which causes pressure to the grace series of Amway, and the product of Herbalife products focuses on the nutrition health products, which overlaps with the market position of Amway, which forms a front impact on the products of the company, which is the focal point of competition between the direct selling industry and the direct selling. Amway's leadership in the direct selling industry is facing various challenges.

B.Threat of New Entrants

Whether any business is subject to new entrants will depend on the current barriers to entry and the responses that may be encountered from competitors.

The leading direct sales enterprise in the world has entered China in a number of years, while the characteristics of the direct selling industry need to be explored and groped for a relatively long period of time for new entrants, and the shop construction of direct selling channels also requires considerable effort. Therefore, the time cost will be relatively high for new entrants. The restriction of the conditions requires that the new enterprises should have certain scale, and be able to bear the corresponding social responsibility. Because the direct selling industry enters the threshold also relatively

high, also caused the present relatively difficult environment.

C. Bargaining Power of Suppliers

The supplier mainly influences the profitability and product competitiveness of existing enterprises in the industry by increasing the input elements and the capacity to reduce the value quality of the unit.

The direct selling industry is different from one of the main characteristics of other industries, it is the collection of production, sales channels, terminal sales and integration, which is the characteristics of direct selling products.

Amway (China) company is their own production and sales of the products, such as Nutrilite products from natural raw materials, raw materials provided by the company, only the packaging and part of the auxiliary materials is to purchase, and the local material can replace the gender is tall, so local suppliers bargaining power is low. The Amway (US) company is the head office, because of today, the Amway (China) company accounts for the largest market share of Amway (US), therefore, it is supported in terms of the feed of raw materials, but in respect of the negotiating capabilities, Amway (China) can only accept the prices of raw materials given by the parent company, without any bargaining ability. As a result, raw materials are guaranteed in terms of supply, but the costs are relatively high.

D. Bargaining Power of Buyers

The growth of economy keeps people's income increasing, and the improvement of living standard also makes consumers pay more and more attention to health problems.

Amway's products focus on nutrition health products and commodity products, and its target market is the middle and high income people. Because this consuming population is not only concerned about the high performance and high quality of products, it is more concerned with the high visibility of the brand. So they're not so sensitive to the price. In addition, based on the particularity of the direct selling industry, was able to buy its products can only be acquired through direct sales channels and not through other channels, therefore also sustains limits the bargaining power of consumers.

E. The threat of Substitutes

Whether the lead product of Amway, such as Nutrilite, or other series of products like Artistry, is highly known in the industry, but in the industry in which it belongs, it

determines the high alternatives to the products, which only continues to strengthen the brand building and consumer loyalty to protect against the threat of alternatives. On the other hand, enhancing customer satisfaction by strengthening service quality can effectively reduce the threat of substitutes.

4.4 SWOT analysis of the direct selling model of the Amway company

The SWOT analysis method is based on the enterprise's own strength, compares the competitors, understands the advantages and disadvantages of the enterprise, and analyzes the opportunities and challenges brought by the changes in the internal environment of the enterprise, and then makes the best analysis method of the enterprise strategy.

The following chart through the objective analysis of Amway company advantages and disadvantages in the process of the current development and facing the opportunities and threats, in order to further the Amway direct selling channels to provide theoretical basis for the improvement, innovation and management.

	Strength	Weakness
Internal environment	<ul style="list-style-type: none"> (a) Product diversification (b) Advanced research and technology level (c) High-quality products, integrated with environmental protection concept (d) Good brand reputation (e) High visibility and reputation, good brand image (f) Full market penetration (g) It is rich in strength and direct selling experience 	<ul style="list-style-type: none"> (a) Product price is too high (b) Direct sellers are expensive to sell (c) Most of the direct seller's quality is low (d) Lack of direct selling personnel management (e) The bonus system is too cumbersome
	Opportunity	Threat
External environment	<ul style="list-style-type: none"> (a) High quality products and high technology content, further development for Amway company to lay a solid market foundation (b) Full-market penetration has 	<ul style="list-style-type: none"> (a) The market competition is fierce, similar enterprise also has the considerable competitive advantage (b) The huge sales network makes it difficult to manage the direct selling personnel

	<p>made the brand deeply popular</p> <p>(c) Amway has long invested in public welfare and established a good social image for the company</p> <p>(d) Public relations and marketing strategy makes Amway company has established good relationship with media and the Chinese government</p> <p>(e) The practice of direct selling regulations and the further regulation of the industry has allowed Amway to continue its steady growth</p>	<p>(c) In the face of some emerging direct selling companies, Amway's bonus system is more complicated, and direct sales staff have higher sales costs</p> <p>(d) Part of the staff was lost due to the corner of the company</p>
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Figure 4-4 SWOT analysis of Amway direct selling model