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STRATEGIC MARKETING MANAGEMENT PROCESS OF  
AMWAY CORPORATION

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## ABSTRACT

### Strategic Marketing Management Process of Amway Corporation

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The purpose of this thesis was analyzing case company- Amway Corporation's strategic marketing management process focusing on Chinese market. Amway Corporation is the largest direct selling company around the world. An important part of this study is trying to find and give recommendations to the case company on how to improve their marketing management strategy.

The theoretical part is focusing on analyzing strategic marketing management process. Six important parts are under it including mission, analysis of demand, competition, value chain, and SWOT, objectives, marketing strategy of market segmentation, market targeting, positioning and differentiation, and competitive edge, marketing mix, and control system.

The empirical part was conducted using a qualitative method. Primary and secondary data should be used together. Ms Zhang Jie is the consultant or interviewees. Questions will be asked by phone calls and emails, focusing on marketing management process of Amway Corporation.

The results of the research indicate that Amway is doing better than other similar companies in this competitive marketing environment. Only few suggestions can be addressed.

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# 1. INTRODUCTION

## 1.1. Overview of the study

The main subject of this thesis is concentrating on analyzing the strategic marketing managing process for Amway Corporation in order to know why Amway can be the leader in this competitive marketing environment, and what kind of methods or strategies they use to manage the whole process. After that, the recommendation should be presented.

The theoretical part involves six key elements on analyzing marketing managing process. The whole process starts with business mission. Demand, competition, value chain, and SWOT analysis will be the next step. Marketing strategy part will be presented after defining objectives. It contains four important elements: market segmentation, market targeting, differentiation and positioning, and competitive edge. Marketing mix appears with consists of place, product, price, and promotion. Finally, the control system is coming.

The empirical part will follow theoretical part step by step. The results of interviews, which include employee part and customer part, will be gathered and interpreted. Finally, combine customer's satisfaction survey result and employees' interviews result, analyze the research objectives and give some recommendations.

## 1.2. Background information of case company

Amway Corporation is a global leader in direct selling, with over three million Independent Business Owners (IBOs) in over 80 countries and territories around the world. No other direct selling company can compare with its longevity, stability, and global reach. Amway is a multi-level marketing, or network marketing company founded in 1959 by Jay Van Andel and Rich DeVos, in Ada Michigan, USA. Amway is selling high-quality product to customers, primarily in health, beauty, and home care markets. It was reported sales growth of 2.3%, reaching US\$8.4 billion for the year ending Decemebr 31, 2009. It is ranked by Forbes as one of the largest private companies in the United States and by Deloitte as one of the largest retailers in the world

Amway is the abbreviation of “American Way”. The logo of Amway is “*Help People Live Better Lives*”. Amway gives business opportunities to everyone. In the beginning, there are three companies used the same Amway name, Amway Manufacturer, Amway Sales, and Amway Services. By 1964, the three arms of Amway were all merged into a single entity – Amway Corporation.

Nowadays, Amway expands its branches over 80 countries with more than 450 products; has more than 600 patents. There are more than 400 brands are applying for the patents.

In 1995, Amway entered its market in China. The headquarters established in Guangzhou province. Till now, Amway has its branches in 31 provinces, more than 100 stores. There are five series of products, 221 kinds, including Nutrilite□, Artistry□, Bath & Body, At home, and Technology.

## 2. STRATEGIC MARKETING MANAGEMENT PROCESS

Marketing management process shows how the company is doing well in the marketing. Having a strategic marketing management is necessary. The company has to perform to manage the marketing activities of the organizations. Marketing gives the customers a platform to know the products, and buy the products. It also gives the marketers a place to plan and execute the ideas to satisfy customers; meanwhile, companies get the value and profits back. Management can be viewed as the process of achieving the desired objectives, and how the company does. The following terms should be taken into account when talking about the strategic marketing management process.

### 2.1. Mission

The first primary function of marketing management is to determine the marketing mission. Actually, company can set their missions based on Peter Drucker's classic questions: What is our business? Who is the customer? What is of value to the customer? What will our business be? What should our business be? Companies have to answer these questions thoughtfully and thoroughly. The mission represents a vision of what the organization is or should attempt to become. It is seemed as the big picture of the plan, which describes the organization's basic function in society. Mission statement can be drawn as the powerful integrating framework. It is a brief description of a company's fundamental purpose. Companies can develop the mission statement with managers, employees, and sometimes, customers. The mission statement is used for that, managers and employees can have the shared sense of purpose, direction, and opportunity to work independently. The mission statement can be guided by the almost "impossible dream", vision that provides a direction for the company for the next 10 to 20 years. Mission statement should be short, clear, formal, and easier to understand. Mission statement would contain some information and

characteristics. Firstly, it shows the purpose and the aims of the company. It should focus on a limited number of goals. The goals have to be clearly defined. Too much claim gives the ambiguous structure. Secondly, it should be feasibility. If the goals and objectives are unreachable and hollow, the mission is impossible to achieve. Third, it should be motivational. Mission statement is used for encourage employees to work, and sparkling the hope. Fourth, it defines the company's primary stakeholders, such as customers, shareholders, etc. Meanwhile, it gives the information that how to value the stakeholders. Mission statement also interprets the major competitive scopes which company may face. Mission should be changed or redefined if it has lost its feasibility, or it is not the optimal choice any more. (Kotler 2003, 91-91; Wilson & Gilligan 1997, 204-208; Lancaster & Massingham 2011, 21)

## 2.2. Analysis

Analysis is the inevitable process that the company should meet sometime. Managing the marketing process begins with analyzing completely in the company's current situation for both the markets and the marketing environment.

### 2.2.1. Demand

In general way, demand is the ability and desire to purchase goods and/or services. According to Kotler (2003, 11)

*Demands are wants for specific products backed by an ability to pay.*

Many people want a Porsche; but only a few have ability to buy. Company should consider not only how many people want to buy the goods and/or services, but also how many people can afford. Demand can be estimated as many as 90 types: six different product levels, five different space levels, and three different time levels



( $6 \times 5 \times 3 = 90$ ). Each demand has different particular purpose. Company decides to use different demand measures for the certain purpose. There are two main concepts in demand measurement: market demand and company demand. Market demand is the total value that the target customers buy in the specific geographical areas at the defined time period in the certain marketing environment under a particular marketing program. Company demand can be defined as the company's estimated share of market demand at alternative levels of company marketing effort in a given time period. The company's share of market demand can be compared with competitors by depending on how its products, prices, and so on are perceived. It also can depend on the size and effectiveness of its market expenditures if other things are equal relative to competitors. Company can estimate its current and future demand. Estimating total market potential, area market potential, and total industry sales and market shares can be used for assessing current demand. Future demand relies on forecasting definitely, including surveying buyers' intentions, collecting their sales force's input, gathering expert opinions, or engaging in market testing. (Kotler 2003, 144-147)

Based on organizational market, there are several categories of demand can be defined: derived demand, joint demand, and inelastic demand. Derived demand is all demand in organizational markets is derived from some kinds of consumer demand. For example, the demand for textiles, that is due to its use in the production of another good such as apparel. Joint demand is the organizational demand is linked closely with another demand that is the other organizational products. For example, when a company is producing birthday card, it requires papers and color-wash. If it only has papers, the birthday card cannot be made. So the demand for color-wash will be the demand of producing birthday card. Inelastic demand means the demand for a product does not increase or decrease with the price change. (Brassington&Pettitt 2000, 141-143)

### 2.2.2. Competition

Competition can be defined as the rivalry interaction between the living organizations that co-exist in the same environment. It is embodied in success or failure of a

company. The companies can have a better understanding with the following four levels of competition: brand competition, industry competition, form competition, and generic competition. (Kotler 2003, 14-15)

- **Brand competition:** When some companies are offering similar goods and/or services to the same target customers with similar prices, they can be seen as the other companies for the firm as competitors in the battle of brand. For example, Louis Vuitton may see its main competitors as Chanel, Dior, and other manufacturers who are offering high-price totes. It would not see H&M as its main competitor.
- **Industry competition:** A company may see all manufacturers who are offering the similar goods and/or services as its competitors. For example, Louis Vuitton may see all the manufacturers who are offering totes as its competitors.
- **Form competition:** A company may see its competitors as all companies manufacturing products that supply the same service. For example, Louis Vuitton may see all the manufacturers who are offering totes as the competitor, but also the manufacturers who are offering trunks, satchels.
- **Generic competition:** A company may see all companies who are offering the goods and/or services with the same consumer dollars. For example, Louis Vuitton may see the companies who are offering Maldives vacation, Mac computers.

To succeed in competition, the company has to make competitor analysis at first time. Identifying key competitors based on the particular levels is the initial part. After that, company is going to determine competitor's objectives. Then, identifying competitor's strategies is necessary and important. The fifth step is assessing competitor's strengths and weaknesses. Later on, estimating competitor's reaction patterns should be done. The last step is selecting which competitors to attack or avoid. (Armstrong et al, 2002, 420)

According to Michael Porter, there five forces of competition that determine the state of competition in an industry: the entry of new competitors, the treat of substitutes,

the bargaining power of buyers, the bargaining power of suppliers, and the rivalry among the existing competitors (see Figure 2-1). The fundamental of the firm's profitability is industry attractiveness. These five competitive forces can help the company to determine an industry's attractiveness in order to analyze the competitive environment. (Porter 1985, 4-11; Jobber 2004, 678-681)

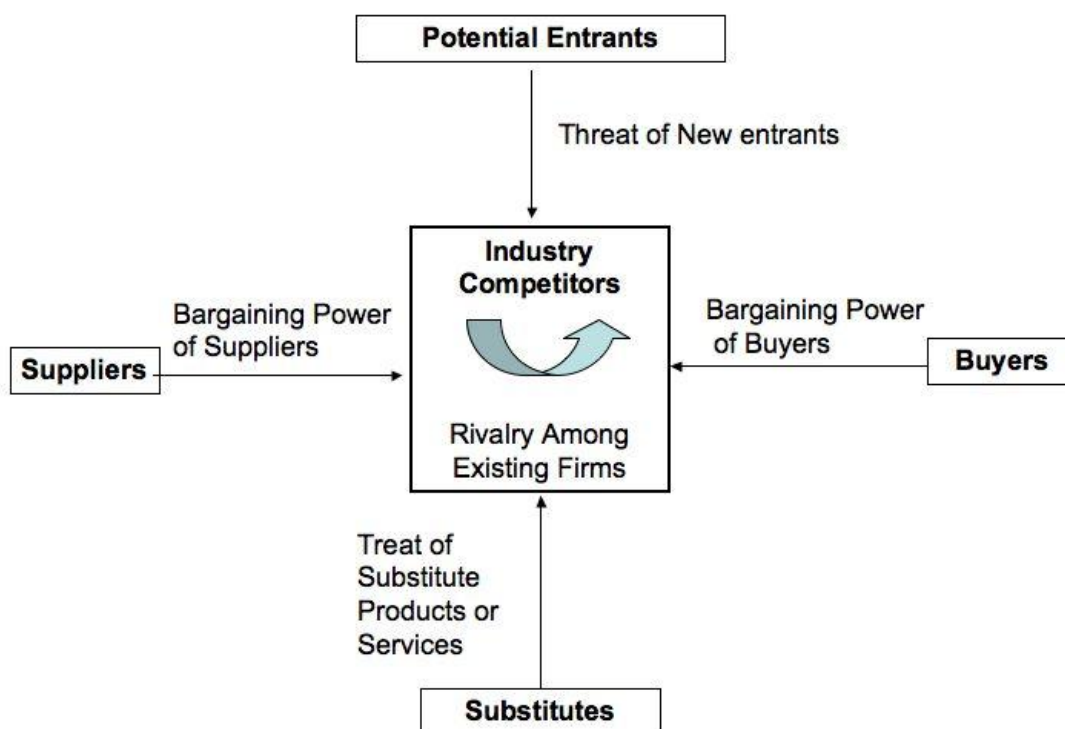


Figure 2-1 Competition (Porter 1985, 5, Figure 1-1. The five competitive forces that Determine Industry Profitability)

#### *Threat of new entrants*

New entrants bring new productive forces, new materials, but also arise the level of competition. The threat of new entrants depends on entry and exit barriers to entry. The entry barriers include, for example, strong brand preferences, lack of adequate distribution channels, government regulatory policies, few economies of scale are in place, large capital requirement, the product is not differentiated, etc. When the segment has high entry barriers but low exit barriers, it will be more attractive.

#### *Bargaining power of suppliers*

Suppliers have the ability of increasing cost and decreasing quality. Suppliers are more powerful on bargaining when the following situations occur: Suppliers have a stable market position and is out of control of any organization in such a competitive marketing place, whilst they have too many buyers, so that any one of buyers is not important for them. Suppliers' products are the most unique and attractive, so the switching cost for buyers is so high, or there are just a few substitutes available. In order to have win-win situation, the organization would have multi-sources of supply.

#### *Bargaining power of buyers*

The buyers always ask lower price for high-quality goods and/or services. The bargaining power of buyers is high in the following situations: There are few buyers, but each buyer requires a huge number of quantities, which has a big percentage of supplier's sales volume. Supplier's products are not differentiated. Buyers are asking standard products, and there are too many suppliers can offer. Buyers threaten to integrate backwards into the industry; the suppliers don't threaten to integrate forwards into the buyer's industry. The organizations can decrease the bargaining power of buyers by increasing the number of buyers, starting threatening to integrate forwards into the buyer's industry, producing high value and differentiated products.

#### *Threat of substitutes*

The presence of substitutes can raise the level of competition, because they can constrain on price level. The threat of substitutes is high when they are under the following situations: There are too many substitutes available. Customers can easily find the goods and/services that you are not offering at the same or lower price. The quality of the competitor's product is better. Organizations can try to build up switching cost to lower the threat of substitutes.

#### *Industry competitors*

Industry rivalry always occurs, because organizations are struggling for the similar purpose. There are some situations make industry rivalry be high: There are too many small or equal competitors, however when the clear market leader exists, the situation can be changed. Customers have low switching costs, because the competitors provide the same or similar goods and/or services. Entry barrier is low. Competitors intend to promote by decreasing price. Exit barriers are high and rivals stay and

compete. During this industry rivalry situation, the organizations need to balance their own position against the well-being of the industry as a whole.

### 2.2.3. Value Chain analysis

To identify and analyze the potential competitive advantages and values that a company can create is essential for a better understanding of internal analysis within an organization. A chain of value-creating activities can be made to model the company, and gives the several individual activities as the reflection of its history, its strategy, and its approach to execute its strategy. According to Michael Porter's value chain, all the activities can be separated into two main categories, primary and support activities (See Figure 2-2). The value chain represents the total value, and comprises of value activities and margin. The company implements these activities to create value that exceeds the total cost of providing the goods and/or services, thus create a profit margin. (Porter 1985, 36)

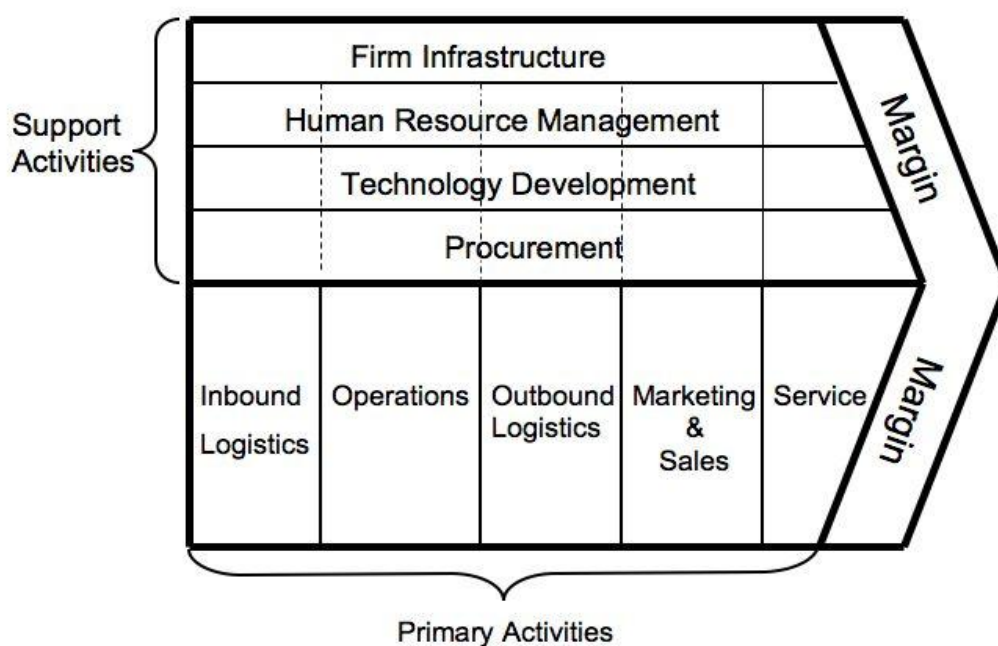


Figure 2-2 Value Chain Analysis (Porter 1985, 37, Figure 2-2 The Generic Value Chain)

### Primary Activities

Primary activities are directly concerned with creation or delivery of goods and/or services. There are five different categories under primary activities: inbound logistics, operations, outbound logistics, marketing & sales, and service. (Porter 1985, 39-40)

- **Inbound logistics:** The activities are related to receiving, storing and disseminating. For example, materials handling, warehousing, inventory control, etc. Inputs are received from suppliers. They are stored until they are needed on production or other purposes.
- **Operations:** The activities concern on transforming the inputs to the final products, such as manufacturing, packaging, testing, facility operations, etc.
- **Outbound logistics:** The activities are focusing on collecting, storing, and delivering to buyers. For example, finished goods warehousing, material handling, etc.
- **Marketing & sales:** The activities associated with making buyers to purchase the products, for example, advertising, promotion, sales force, channel selections, and pricing, etc. They are strongly focusing on marketing communication and marketing mix.
- **Services:** The activities are offered for maintaining and enhance the product's value. For example, installation, repair, customer training, upgrading, etc.

In general, primary activities are representing regular process from bringing the materials into the business as the beginning to serving the finished goods and/or services as the end result. Each part may be vial with each other in developing a competitive advantage depending on the industry. For example, logistics activities are critical for a distribution services.

### Support activities

Support activities are seemed as facilitating primary activities. Compared with primary activities, support activities are divisible for different value activities that are specific to a given industry. Support activities often can be views as “overhead”, however some companies succeed in developing the competitive advantages by using them. (Porter 1985, 40-43)

- Procurement: Company purchases inputs used in the company’s value-creating activities. The purchased inputs can be raw materials, machines, etc. Company should consider on paying lowest possible price for purchasing highest possible quality, because procurement always involves competitive advantages on price or cost aspects.
- Technology development: In general, it includes technology development to support the value chain activities. For example, research and development, process automation, etc. Technology development is always an important factor to competitive advantage, because technology is embodied in every value activities in a firm. In the value chain, all the activities require technology to combine the purchased inputs and human resources to produce some necessary outputs.
- Human resource management: The activities associate with recruiting, hiring, training, development, and compensation of employees. Human resource management has the right of determining the skills and motivation of employees and cost of hiring and training, which can affect competitive advantage as well.
- Firm infrastructure: It includes such activities as general management, planning, finance, quality management, etc. Firm infrastructure can also be the powerful tool to competitive advantage, because it displays a basic and important role of the company.

The support activities support the primary activities. Each category under support activities, procurement, technology development, human resource management, except firm infrastructure, can be cooperated with specific primary activities to support

the entire chain. Anyway, firm infrastructure still supports the entire chain, without association with specific primary activities.

#### 2.2.4. SWOT Analysis

Company uses SWOT analysis, which includes the analysis of Strengths, Weaknesses, Opportunities, and Threats, auditing the whole organization and its environment. A SWOT analysis encompasses both the internal and external environment of a company. Internal environment includes strengths and weaknesses; external environment includes opportunities and threats. Strengths can be described as the advantages that a company has compared with the competitors, such as, strong reputation, new and creative product, etc. In contrast, the weaknesses should be the disadvantages compared with the competitors, such as, old production method, lack of marketing expertise, etc. Strengths and weaknesses, the internal factors, always tend to focus on the present and past, and can be controlled. In the opposite side, the external factors, opportunities and threats, are focusing on present and future, and cannot be controlled. Opportunities represent the chance that a company can grab to increase the sales and profits, such as, growing and developing market, high marketing potential in US, etc. Threats mean that the outside elements which bring troubles, such as, new regulations, new competitors, etc. After analyzing SWOT, the company has to think about how to make weaknesses be strengths, and how to make threats be opportunities. Strengths and weaknesses can be described as 'where we are now', and the threats and opportunities can be 'where we want to achieve'. Thus, company should consider how to from 'where we are now' to 'where we want to achieve'. (Jobber 2004,44-45; Hollensen 2003, 265)

### 2.3. Objectives



When mission has been stated, objectives should be placed. Objectives can be defined as an intended outcomes rather than the process. They are interpreted more clearly and detailed as the key intent of the project or program by providing direction, focus, and guidance for the employees, meanwhile, creating interest, commitment, expectations, and satisfactions. In general speaking, objectives can be defined as the future position that the organization wants to be in. Objectives display the essential role, because they often explain the beginning point, and establish the ultimate expectations, whilst providing directions to stakeholders. Clear objectives attract everyone within the company to know what should or must be done to achieve success, what the consequence of that success will be and why they are involved in this project. What if the clearly stated objectives have been accepted, the stakeholders can plan the next actions and executing roles that are supporting the objectives indeed. The company's objectives are not only realistic and achievable, but with short-term, medium-term, and long-term goals, which should be shown separately. Goals should be sufficiently challenging to stretch the capacity and capabilities of the executives responsible for their achievement. (Philips J & Philips P 2008, 1; Stapleton & Thoms 1998, 84)

The SMART approach can be used for writing strategic marketing objectives.

**Specific:** The objectives should describe specifically the result is desired, and the issues should be relevant to the area that the organization is involved.

**Measurable:** In order to enable using the objectives, it should be very clear for employees, and managers to evaluate whether they have been successful in achieving the marketing objectives.

**Achievable:** If the objectives are too difficult to achieve, there are too much pressure upon. The company should give employees the motivation instead of impossible targets.

**Realistic:** The objectives are not too fanciful. In other words, the objectives are challenging but not so challenging that the chance of success is small. They can be accomplished with the tools that the person has at their disposal.

Time-based: Give the exact time or date of the objectives. The company should tell the employees when and how to accomplish the objectives. (Dransfield & Needham 2005, 3)

There are some problems with objectives the company should concern: (Philips J & Philips P 2008, 4-5)

- Unclear objectives: A clear objective is really important for implementing and achieving the goals. Brief and to the point is needed.
- Incomplete objectives: Company should define objectives in detail to employees. For example, when the company settled the objective – to improve the sales force, they should define the why, and what is lacking about the sales force that would cause it to need improvement. Sufficient detail is really important for employees to have a better understanding.
- Nonspecific objectives: It means company didn't give the specificity on objectives. For example, the company only offers the big picture of "increase the Toyota net profits". The questions would come soon: By what date? By how much? More specific objectives related to this case can be "increase the Toyota new profits from \$2 million to \$3 million from 3<sup>rd</sup> March 2011 to 3<sup>rd</sup> September 2011".
- Missing objectives: Different levels of processing have different objectives. It is like a chain. Each step has specific objectives. If one of the steps doesn't have the particular objectives, the process would not complete well.

## 2.4. Marketing Strategy

### 2.4.1. Market Segmentation

A market always consists of uses with similar needs. Company has to divide the market into homogeneous segments, each of which has similar expectations and characteristics, in order to identify and satisfy target customers. As everyone knows that, marketing is concerning with identifying and satisfying people's needs. If the company is offering one product for the whole market, some of the customers are not satisfied, and is wasteful on resources. Thus, market segmentation has been considered as the effective and important process for the company to effectively treat the different groups of customers who can be possibly targeted with separate products or marketing programmes. (Croft 1994, 1)

Market segmentation groups customer together with similar particular requirements. Here the company still needs to think about the procedures of market segmentation. Firstly, company has to define the markets that the organization is in, or wishes to be in based on the collected databases of requirements and characteristics of the expected market. Secondly, determining segmenting dimensions is needed. These are based on understanding what value the customers are looking for, and the choice of criteria. For example, the motorcar market can be segmented according to types of buyer (individual vs organizational), family size (empty nester vs family with children), or the major benefits in the car (functionality vs status). The choice of market segmentation is creative action. New criterion or using combination of appeared criteria is needed, which can bring the fresh insights into a market. Customers are always concentrated on the new-appeared products that can grab their eyes. Attractiveness always is the first thing to serve customers needs. When the market has been segmented, selecting target market is going to be done next. Then determine the positioning for each position. These two sectors will be explained later on. During each step, company needs to consider on competitor's value also. It involves looking into the future to predict how competitors might improve. (McDonald & Dunbar 2004, 16; Jobber 2004, 212; Hatton 2000, 157-159)

According to Kotler (2003, 286), not all the market segmentation is useful, company should make market segmentation from marketing point of view:

- **Measurable:** It involves that marketing size, consumer purchasing power, and characteristics of the segments are measurable.

- **Substantial:** A segment should be large and profitable enough for a company to serve these homogeneous groups of customers.
- **Accessible:** The segments can be effectively reached and served.
- **Differentiable:** Each segment should be conceptually distinguishable with others, and respond differently to relevant marketing mix factors.
- **Actionable:** Segments should be effectively attracted and served with effective programs.

Market segmentation gives some benefits to the company as following, (Jobber 2004, 211)

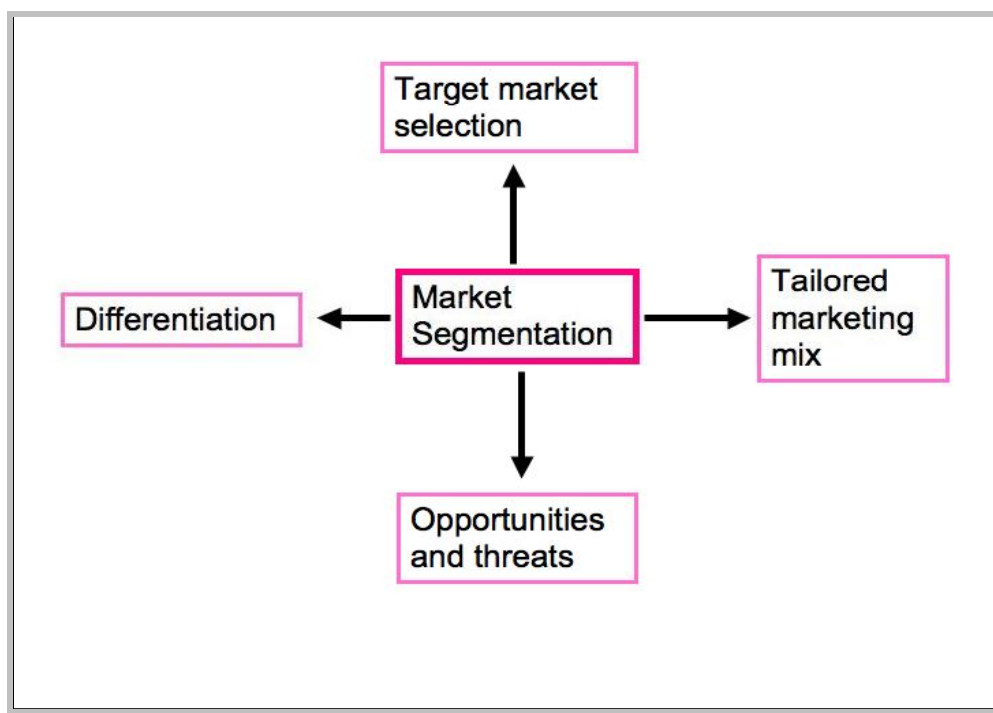


Figure 2-3, Market Segmentation (Jobber 2004, 210, figure 7.1)

#### *Target market selection*

It helps the company to choose the target market that a company has decided to serve according to satisfy customers' needs and requirements.

#### *Tailored marketing mix*

It helps the company to understand customers' needs and requirements deeply, and tailor an appropriate marketing mix according to these needs and requirements.

#### *Differentiation*

It helps the company to make the differential marketing strategies. Company can offer different goods and/or services compared with the competitors within each segments, meanwhile, providing the reason to customers why to buy the goods and/services rather than competitors'.

#### *Opportunities and threats*

It helps the company to find out the new or fresh market segment that they had not served before. New segment is always attractive, and grab customers' eyes.

Consumer markets can be segmented on the following bases, (Kotler 2003, 287-294)

#### Geographic

Company divides the market into different geographic units such as countries, regions, nations, states, cities, and climate. The geographic units can be chosen separately or few together to be the market segmentation, but the firm has to pay attention to the local variation. Geographic segmentation is one of the earliest and still most commonly used methods.

#### Demographic

Company makes market segmentation according to demographic units such as age, family size, family life cycle, gender, income, occupation, education, religion, race, generation, nationality, and social class. Demographic variables are usually the most popular bases, because they are related and close to people's daily life.

#### Psychographic

Company divides market to psychographic units such as lifestyle, personality, and values.

#### Behavioral

It involves of occasions, benefits, user status, usage rate, loyalty status, readiness stage, and attitude toward product. Some companies thought behavioral segmentation is probably the best known and most widely used method, because it is based on the assumption of benefits that people are looking for from the products.

#### 2.4.2. Market Targeting

Targeting is the key element in marketing strategy, because it implies the choice of the specific segments to serve. The series of decisions should focus on how many and which segments to approach.

The first thing the company needs to consider is evaluating market segments. According to Jobber (2004 228-242), there are two main issues to be examined: market attractiveness (Figure 2-4) and the company's capability to compete in the segment (Figure 2-5).

Market attractiveness

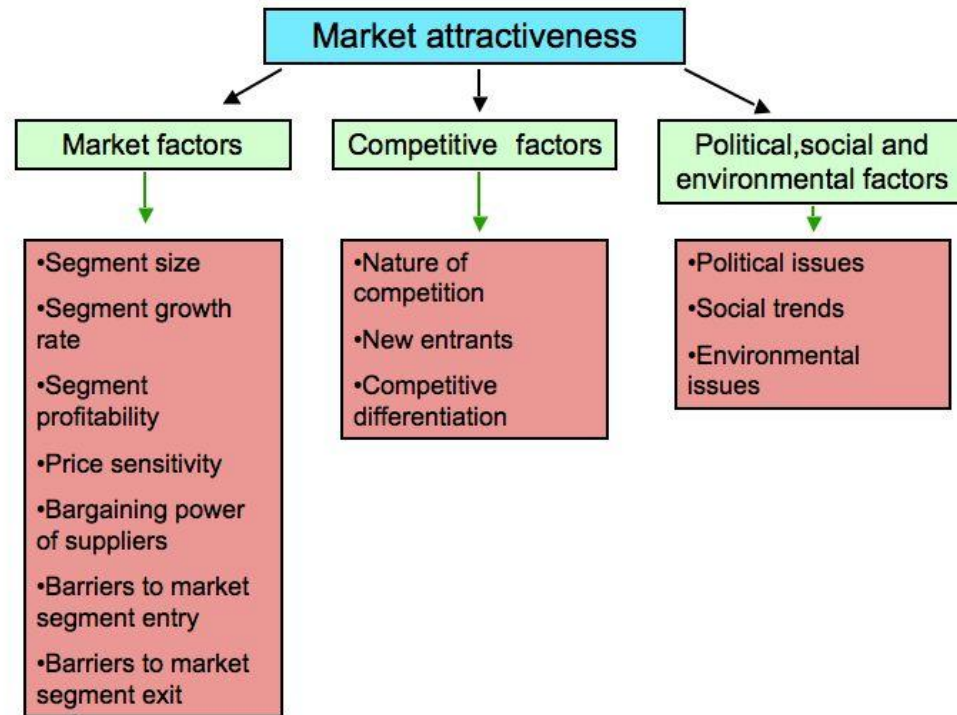


Figure 2-4 Market attractiveness (Jobber 2004, 230, Figure 7.6)

The company can start market attractiveness at the first time. From the above picture, there are three factors under market attractiveness: market factors, competitive factors, and political, social and environmental factors. Each factor has different issues behind to be discussed.

#### *Market factors*

**Segment size:** Large segment size is always more attractive than the small one since sales potential is greater, because company can get more chances to make profits. But large-size segment will be more competitive than small one. Company has to decide the segment size based on the company size. Small companies may not have enough resources to compete in large segments. So small-size segment is better for them.

**Segment growth rate:** Growth market always meets heavy competition, but is more attractive than stagnant or declining markets, because more business chances can be grabbed. Analyzing its competition is necessary.

Segment profitability: Making profit is always the main issue for business.

Price sensitivity: Price-sensitive customers always make company get in the danger of profit margins in the price competition. Therefore low price-sensitive segments can be more attractive. Competition can be based more on quality and other non-price factors.

Bargaining power of customers: The end or intermediate customers can reduce the attraction of market segment if they operate the bargaining power for suppliers to negotiate lower prices in return for large orders.

Bargaining power of suppliers: Accessing the potential supplier is also the part of the task the company has to do. When supply is in the hands of a few dominant companies, the segment will be less attractive when served by a large number of competing suppliers.

Barriers to market segment entry: Entering the new segment may bring the substantial entry barriers that reduce the attractiveness. Barriers can bring high marketing expenditures when the company is going to entry new segment. But if the company can afford or overcome the barriers, the new market segment entry can increase the attractiveness.

Barriers to market segment exit: The segment may be seen as less attractive if there are high barriers to exit. Exit barriers may take the form of specialized production facilities that cannot easily be liquidated, or agreements to provide spare parts to customers, because their presence may make exit extremely expensive and therefore segment entry more risky.

#### *Competitive factors*

Nature of competition: Competition happens everywhere. The quality of competition is more important than the number of companies operating in a market segment.

New entrants: The segment can be seen superficially attractive because of lack of current competition. Later on, the new technology may bring strong competition.



Competitive differentiation: The segment can be attractive if there is a differential offering appeared. The judgment can depend on the identifying the customer requirements, which have not been served before, and the capability of the company to meet them.

*Political, social and environmental factors*

Political issues: Sometimes political forces can make up a new market segment. If the political issues exist unsteadily or is forecasted to be unstable, the segment should be less attractive when entering as new geographic matters.

Social trends: Changes in society can give rise to potential market segments, under-served by current products and services.

Environmental issues: The trend towards on environmentally friendly products will be more attractive in today's market.

Capability to compete

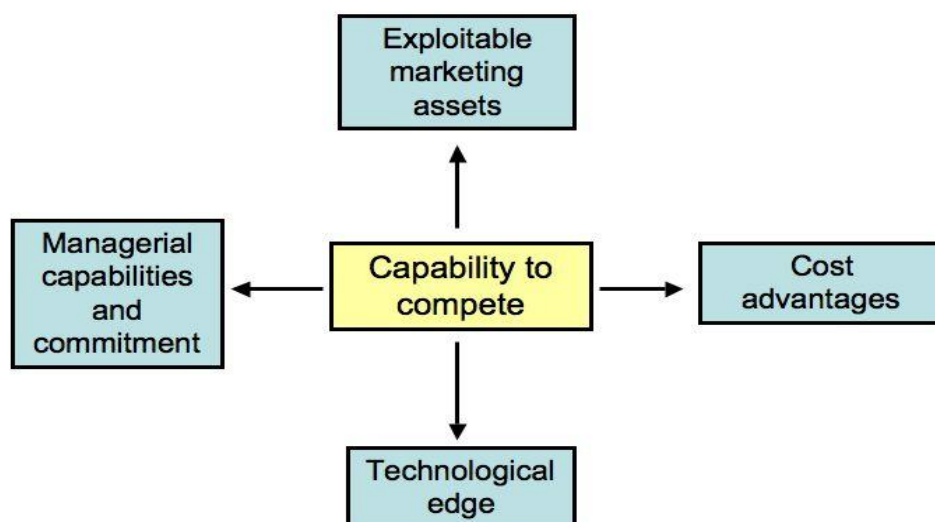


Figure 2-5 Capability to compete (Jobber 2004, 231, Figure 7.7)

The picture above shows the four factors related to the company's capability to compete. It describes the company's capability to serve the market segments.

**Exploitable marketing assets:** Company has to find its current marketing strengths to achieve the market segments. For example, segment entry is consonant with the image of the brand.

**Cost advantages:** If the segment is price-sensitive, the company can use cheaper cost, such as cheaper producing materials, cheaper labor, as the advantage to reach a low cost position compared with the competitors may be in a strong position.

**Technological edge:** Sometimes technology can make the differences within several companies. It represents how the company approaches the products; it is also what customers are looking at. For example, patent protection is one kind of methods that company uses to reach in the strong defensible position, meanwhile, gets high profitability. If the company can possess their resources to invest in technological leadership in the right way, the segment entry will be achieved soon and well.

**Managerial capabilities and commitment:** A segment may look failed, if the managerial capabilities are sufficient. A successful marketing depends on implementation. Management commitment is the necessary factor for segment entry.

According to Kotler (2003 299-300), the company can consider five patterns of target market selection as following:

- **Single-segment concentration:** Single-segment approach is always used as the marketing strategy for the small companies with limited resources.
- **Selected specialization:** It is the multi-segment strategy. Each segment should be objectively attractive and appropriate. There should be little or no synergy among each segment.
- **Product specialization:** A firm is specialized in serving one particular good and/or service to more than one certain segment.

- **Market specialization:** A firm is specialized in serving many needs of a particular customer group.
- **Full market coverage:** A firm is serving the entire market. This coverage can be achieved in two ways: undifferentiated marketing which means a firm is going to offer the whole market with one particular product, or differentiated marketing which means a firm is going to offer different products to different market segments.

### 2.4.3. Positioning and Differentiation

#### Positioning

After a company has decided which market segments to enter, it should go to next step, which asks to decide what position it wants to place. According to Kotler (2003 308), “positioning is the act of designing the company’s offerings and image to occupy a distinctive place in the mind of the target market”. The result of positioning is customer-focused value proposition, meaning, why customers should buy your products. The most essential for successful positioning is to understand the competitors’ products and their positions in the market segment.

Based on the theory from Jobber (2004 237-238), there are four factors can help the company to make the successful positioning: clarify, consistency, credibility, and competitiveness.

- **Clarify:** The positioning idea should be clear and easy to understand, especially in both target market and differential advantage. Target marketing is the previous step that a firm had to be done. Differential advantage represents a firm can provide better and different offers than competitors do, which is also what customers are looking for in this target market. Complicated positioning messages are hard to be achieved.

- **Consistency:** A consistent positioning message gives customers a clear realization, and can be easily remembered. The company has to make a constant position, and never change. If the position changes every year, the confusion could arise.
- **Credibility:** Exaggerating the truth cannot be a good idea; even it can make your goods and/or services attractive. The differential advantage should be credible in the minds of the target customers.
- **Competitiveness:** Having the competitive edge is always the key process that a company has to consider. Company should offer something of value to customers that the competitors are hard to achieve.

To determine the successful position, perceptual map can be used as the most useful tool. It is used to represent consumer perceptions in two-dimensional space, so that the company can see where its brand is positioned in the mind of his prospect and in relation to other brands. It also can help company to identify the strengths and weaknesses of the brand as consumer's perception. (Jobber 2004, 239-240)

For change customer's tastes or because of poor sales performance, the company will reposition its goods and/or services. Repositioning means change the target market or differential advantage, or both. There are four repositioning strategies: image repositioning, product repositioning, intangible repositioning, and tangible repositioning. Jobber D gives a useful framework for analyzing repositioning options in Figure 2-6. Here the organizations can clarify different strategies based on using the product differentiation and target market as the key variables.

		Product	
		Same	Different
Target market	Same	Image repositioning	Product repositioning
	Different	Intangible repositioning	Tangible repositioning

Figure 2-6 Positioning and differentiation (Jobber 2004, 240, Figure 7.12 Repositioning Strategies)

- Image repositioning: change the image of the product
- Product repositioning: change the product to be more acceptable in the current target market.
- Intangible repositioning: company can choose a new market segment but with the same product to show the different perceptions.
- Tangible repositioning: change both products and target groups. Company can offer a new range of products to meet new target customers in a up-or down-market.

### Differentiation

In order to succeed, the company has to provide goods and/or services distinguish from competitor's offerings. The differentiation should be better performance, better design, or a better fit with customer's particular needs and requirements. According to Kotler (2003, 318-327) here the company can discuss how to differentiate its market offerings based on these five patterns: product, services, personnel, channel, and image.

- Product differentiation

Form: The products can be differentiated in forms, such as the size, shape, or physical structure.

Features: Most products can be added varying features to supplement the basic functions. Company can go and ask the customers: How do you like the products? Are there any features we could add that would improve your satisfaction? How much would you pay for each? How do you feel about the following features that other customer have suggested? The next task is going to pick up some more worth features to add based on the result of customer value versus company cost.

Performance quality: Performance quality is the level at which the product's primary characteristics operate. The important question should be considered: Does offering higher product performance produce higher profitability?

Conformance quality: Company is going to offer the identical products, and meet the promise on specifications.

Durability: Long-lasting product is always attractive for customers. But the extra cost should be paid.

Reliability: It is always concentrated on products' expected operating life under nature or stressful conditions.

Repair ability: If the product is easily repaired when it is broken, it can be sold well, because customer prefers these kinds of convenient products. The product can include diagnostic features that direct customers to solve the problems themselves.

Style: Style describe that what do customers feel when they are looking at the product at the first time. Fashion or extraordinary look is attractive sometimes. When producing the products, good-looking package should be considered as well.

**Design:** Design is the integrating force. It offers the potent way to differentiate and position company's goods and/or services. Design affects on how the product looks and functions in terms of customer requirements, meanwhile, gives the competitive edge for the company.

- **Services differentiation**

If the physical products cannot differentiate, and easily get more attractiveness from customers, services may be another competitive successful way.

**Ordering ease:** Company can think about how to make the easy and convenient ordering process for the customers.

**Delivery:** Company should consider how to deliver the goods and/or services well to the customers. For example, deliver the goods and/services just on time to the right place.

**Installation:** Company can offer installation service to customers. It means, for example, company can send some technology staff to help the customers to install the complex products. It could be the important role in the consumption chain.

**Customer training:** It means, company can train the employees to educate customers how to use the products properly and efficiently.

**Customer consulting:** Company can offer the data, information systems, and advice services for customers.

**Maintenance and repair:** Company can provide the professional services of maintenance and repair for customers.

**Miscellaneous services:** Company can find other ways to differentiate customer services. For example, offer the warranty or maintenance contract.

- **Personnel differentiation**

Company can have a strong competitive advantage through hiring better-trained employees. These employees can have the following characteristics: competence: means

they have the required skills and knowledge; courtesy: they are polite, friendly, respectful, and considerate; credibility: they are trustworthy; reliability: they provide professional knowledge and consultancy service consistently and accurately; responsiveness: they respond customer's questions quickly and precisely; and communication: they understand customer's question, and communicate clearly.

- Channel differentiation

Distribution channels affects on competitive advantages as well, which should be designed for the coverage, expertise, and performance. Company offers the efficient and effective channels for customers such as on sales, promotion, and delivery sides. For example, company can sale the goods and/or services in specialty outlets only, which distinguishes with other competitors.

- Image differentiation

Good company and brand images can get the good respond from customers. Hereby the companies have to distinguish between identity and image. Identity describes that the ways company uses to identify or position itself or its products. Image is that the public perceives the company or its products. An effective identity can be represented the characteristics in symbols, colors, slogans and special attributes through the distinctive ways with emotional power. Physical plant can be another powerful image generator. Company can invite customers to go inside the company to visit its well-laid-out headquarters and factories to create a strong image. Sometimes, company can create or sponsor some public activities to have more identities, even stronger the brand and product image.

#### 2.4.4. Competitive Edge

To succeed in competition, companies have to create competitive advantages, which describes the ways that the company choose to implement the generic strategy to achieve and sustain competitive advantage. To gain competitive advantage, the company can design offers that satisfy customer's particular needs or requirements better



than competitors do. For example, the company can offer similar products as competitors do, but with lower price, or provide more benefits which are worthy higher price. According to Michael Porter, only the above-average performance can bring sustainable competitive advantage. There are two basic categories of competitive advantage: cost leadership and differentiation. However, both of them can be more broadly approached or narrow, which results in another competitive strategy – focus. The focus strategy has two variants, cost focus and differentiation focus. These four parts are combined as generic strategy for achieving above-average performance in an industry. However, there is still one below-average performance can happen if the firm does not carry out the clear strategy – one of the above, meaning, the stuck-in-the-middle occurs (see Figure 2-7). The cost leadership and differentiation strategies are seeking competitive advantage in a broad range of market or industry segments. In contrast, cost focus and differentiation focus strategies are in a narrow segment. (Porter 1985, 11-17)

**Competitive Advantage**

		Low cost	Differentiation
Competitive Scope	Broad Target	1. Cost Leadership	2. Differentiation
	Narrow Target	3A. Cost Focus	3B. Differentiation Focus

Figure 2-7 Competitive Advantage (Porter 1985, 12, Figure 1-3. Three Generic Strategies)

### *Cost Leadership*

In general, a firm is going to become the low cost producer in its industry with a broad scope and serving many industry segments. So long as the price can be achieved around its industry average, the result might be above-average performance. When there is more than one company trying to achieve cost leadership in its industry, the competition among them could be disastrous.

### *Differentiation*

Here the company is focusing on uniquely positioning itself in one or more attributes that are widely accepted by customers. Cost position is really important in this strategy. The company can consider on reducing the cost, if there is no effect on differentiation strategy. In differentiation, differentiator should find the differentiation ways that lead to a price premium greater than the cost of differentiating. Differentiation areas can be from product itself, distribution, sales, marketing, services, etc.

### *Focus*

Achieving focus means the company selects a segment or group of segments and tailors its strategy in order to be the best in its industry. There are two variants: cost focus and differentiation focus. Obviously, cost focus means a firm is concentrating on cost advantage in the target segment, oppositely, differentiation focus represent a firm is concentrating on differentiation.

### *Stuck in the middle*

This is usually a recipe for below-average profitability compared to the industry. In this area, there is no competitive advantage, because any other strategies above will be better positioned to compete in any segment. Sometimes a firm is stuck in the middle can still earn attractive profits only if its industry's structure is highly favorable, or its competitor is also stuck in the middle. Becoming stuck in the middle is often manifestation of lack of choice. Once the focusers have been successful, they may then neglect their focus, this causes danger. They should seek other focus niches, rather than compromise their focus strategy.

Each generic strategy has different route to competitive advantage by combing the choice of the type of competitive advantage with the scope of the strategic target.

## 2.5. Marketing Mix

To make a great and effective marketing strategy, marketing mix can be used as the best tool in this particular area. “Marketing mix is the set of controllable tactical marketing tools – product, price, place, and promotion – that the firm blends to produce the response it wants in the target market” (Armstrong & Kotler 2009, 83). These four key factors in the marketing mix are acted as the crucial roles in drawing up the marketing strategy.

As everyone knows that, marketing mix has four elements: product, price, place and promotion, so-called “4-Ps”. Marketers should manage these four key decision areas to implement the marketing concept.

### 2.5.1. Product

Product decision represents what goods and/or services the company is going to offer to the target market. Product can be physical objects, services, persons, places, organizations, ideas, or the mixes of these entities. No matter what kind of product it is, the product should to be adapted to customer’s need; satisfy the purchasing power definitely. Product is the initial step in marketing-mix, which brings the offering to the customers, and gets value back from consumption. Company builds the good customer relationship can be realized by providing good and right products. The product can be the pure tangible goods, such as computer, book, car, etc; it also can be the pure services, such as physical examination, etc. Sometimes, the goods-and-services combination is the good idea for business. Before making the actual product, compa-

ny should know what is needed in the market, what customers really want to buy. This is really important for company to position and segment the marketing. (Armstrong & Kotler 2010, 248-249)

Here are some simple sentences to describe 'product' as following: What does the customer really want from the product? What features does it have to meet these needs? How and where will the customer use it? What does it look like, such as, size(s), color(s)? What is it to be called? How is it branded? How is it differentiated versus your competitors?

### 2.5.2. Price

Price should be the most important role in marketing mix, because it describes how much money a customer will pay for obtaining the goods and/or services. Most customers would not like to buy the most expensive goods and/or services. Suitable prices can be accepted in general. Price still presents the sum of all the values that customers considering in the consuming for the benefits of the goods and/or services. Price is always presenting the major factor affecting customer's choice. Historically, the price was negotiated and bargained by the buyer and seller. The acceptable price could be decided finally. Later on, the prices were set as fixed price – setting one price for all buyers, because they considered all the carried items and their employees. Now, some one hundred years later, many companies used the dynamic price policies – charging different prices depending on individual customers and situation - to earn more businesses. (Armstrong et al, 2002, 568)

Price is always a key factor of marketing mix, because it is the only one to generate revenues. There are internal factors and external factors that company should consider when setting the price. From the internal factors, marketing objectives, marketing mix strategy, costs, and organizational consideration will be included. The company should target the main market firstly. Positioning plays the important role. When the company sets the right position, it will know how to price its goods and/or services,

for example, providing low price to prevent from the entering market, or offering the similar or the same price as the competitors have to stabilize the market. These all depend on company's marketing objectives. Thinking about marketing mix is necessary. Marketing mix has a strong attitude in marketing issues. It affects the pricing decision in some certain extent. If the price is the key factor that company focus on the product, then, the price would strongly affect on pricing decision. In contrast, the price is not the most important element that company considers on, then, the other marketing - mix factors, such as promotion, and other price-relevant factors, such as distribution, should be considered mostly. Anyway, the company needs to remember that, the customers always concentrate on the value of the good and/or service, not just on the price level. Customers would like to pay even the higher price to receive what they are expecting for, not pay the lower price to get what is inferior. They barely focus on the price alone. Company's fixed costs and variable costs are absolutely budgeting on the final price decision. In the organizations, who decides the price is argued. Different kinds of companies have different departments to decide the final price, for example, in some large companies, pricing is typically handled by divisional or product-line managers; in some small companies, the top management will set the price. And from external's point of view, the market and demand, competitors' costs, prices, and offers, and other external factors still have the effects on pricing decision. For market and demand, it often teaches us to balance the price-demand relationship in different marketing areas. Price and value should be considered as the customer oriented. Competitor's costs and prices should be evaluated. A low-price, low-margin strategy may stop competitors or push them out of the market, in the opposite side; a high-price, high-margin strategy can attract the competition. And there are other external factors impact the pricing decision as well, such as economic conditions. For example, boom or recession, inflation, or interest rates, etc, these factors can affect on production, distribution, and consuming trends. Finally, government, social concerns can be impacting also. (Doyle 2002, 218)

Here are some simple sentences can be used to describe 'price' term as following: What is the value of the goods or services to the buyer? Is the customer price can be acceptable? What discounts should be differed to trade customers? How will your price compare with your competitor?

### 2.5.3. Place

Place is the movable marketing. It includes company activities that make the product available to target consumers. It seems like a channel for delivering goods and/or services to the customers. Company should consider how customers purchase, where customers expect to find the products and what support services customers expect from intermediaries at first time. Sometimes, company does not sell the products directly, so the distribution strategy needs to be built well according to the available intermediaries and their capabilities, such as their stock control system, on-line ordering capacity, unless, the company would like to invest too much. Thus, delivery size and frequency, so-called, logistics should be tailored well around intermediaries' needs and available modes of transport. Everything related to the 'place' point have to be considered based on customer's satisfaction. (Brassington & Pettitt 2000, 25,1036)

The 'place' can be described as following: Where do buyers look for your goods or services? If they look in a store, what kind of store you can provide? How can you access the right distribution channels? Do you need to use a sales force? What do you competitors do, and how can you learn from that and/or differentiate?

### 2.5.4. Promotion

Promotion is vital tool of marketing because it is one kind of activity that company uses to persuade target customers to buy the products. It is a way to make customers know your brand and your products exist. Even if the customers are familiar with both brand and product, they still need to "be pushed" sometimes. They require the motivation to buy the goods and/or services. In the other word, effective promotion plays an important role in marketing. Ineffective promotion is costly. In fact, promotion is basically about marketing communication, which is established between buy-

ers and sellers. It still can be interpreted of sending the message to the target market. Seller is the sender sends the message. Buyer is the receiver receives the message. The basic communication model is settled by sending-receiving process. Marketing communication or promotion mix can be translated into five parts, advertising, personal selling, public relations, sales promotion, and direct marketing. (Lancaster & Withey 2007, 179)

Advertising is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. It is always processed through the medium. The traditional media can be television, radio, newspapers, magazines, books, etc, which are mostly used for transmitting the information to customers. When the company chooses the media, it should remember the local regulation, for example, the cigarettes and alcohol advertisement is not allowed to be on TV in Norway. Advertising is powerful, but still has shortcomings. Advertising is the one-way communication model. Company introduces the products through multi media, and the audiences sometimes do not feel that they have to give some response. Products brand can be spread by advertisement quickly, but they cannot be persuasive directly as salespeople do. Salespeople can promote products to customers face to face. It is the direct, simple, and fast way to communicate with customers. In addition, advertising can be very costly. Company always expenses too much on advertising. (Armstrong & Kotler 2010, 454-471)

Personal selling is personal presentation by the firm's sales force for the purpose of making sales and building customer relationships. Personal selling implies the interpersonal communication between buyer and seller, so-called two-way dialogue. Within the promotional mix elements, it is the most effective tool to get closer to the customers. People can change the channel if they don't like the current advertisement. People can throw the print advertisement mail if they do not want to pay attention on. But when a salesperson comes to your office, it is not that easy to ignore him/her. Each salesperson can have more interactions, such as negotiation, with one or more people. Salespeople would like to listen to the customers, and talk with customers, meanwhile, observe their needs, solve their problems, and make adjustment quickly. Nowadays, salespeople are well-educated and well-trained. They always keep cus-

customer's interests at heart in order to build long-term relationships. (Kotler & Keller 2009, 602)

Public relations, so called PR, can be used for managing the relationship between an organization and its publics. PR is the only element within promotional mix that used for establishing a reliable and believable relationship between an organization and its publics. PR practitioners communicate with publics to inform or affect. They still identify and analyze the impact of changes in the public environment or public perception, meanwhile, adjust the occasion, and make the corresponding measures. It is planned, sustained tool, and more real and believable than advertising does. (Melanie 2006, 1-4)

Sales promotion, so called SP, is a planned and implemented marketing activity that used for providing the short-term incentive motivates people to buy the goods and/or services. It is different with advertising, because advertising is offering the reason to buy, however SP is offering the motivation to buy. Company is going to provide added value products or low the price as the incentive for customers. Sales promotion is not that expensive; it is always cheaper than advertising, because the company does not need to pay more on creation, production, and place matters. The goal of sales promotion is purchase immediately, no matter what kind of purchasing way it is. (Lamb et al, 2007, 500)

Direct marketing, according to Stone and Jacobs (2007, 5),

*Direct marketing is the interactive use of advertising media to stimulate an (immediate) behavior modification in such a way that this behavior can be tracked, recorded, analyzed, and stored on a database for future retrieval and use.*

One-on-one communication gives the beginning between a company and customer. However, two-way communication is essential and basic part for direct marketing, and it should be directly processed. It means, intermediary is not allowed. The direct marketing is different with regular advertising, because it does not deliver the information of the products through the traditional formal channels of advertising, but the synergy of media. Combination of media is much more productive than single one.



Sometime, people call 'direct marketing' as 'database marketing', because the direct marketing needs lots of customer data and lists as the fundamentals. These databases can be defined and accessed in order to select the target customers who are optimal for successful sales. (Stone & Jacobs 2007, 5)

Service product is difficult in communication, because of the intangibility of the product. In the most of time, companies can only show the physical evidence to the customers, such as they can emphasize the benefits of purchasing this service. However, they cannot promise that they can whet customer's appetite with their favorite variants. Promotion can still mean for educate customers. There are several important characteristics in promotion activities. Company should provide the needed information and advice at the first time. Unnecessary and redundant messages are useless, and make customers dazed. Meanwhile, informing target customers the benefits of a specific product and encouraging customers to take action on purchasing behavior. (Brassington & Pettitt 2000, 26, 956, 1037)

The 'promotion' can be interpreted with the following sentences: Where and when can you get across your marketing messages to your target market? Will you reach your audience by advertising in the press, or on TV, or radio, or on billboard? When is the best time to promote? How do your competitors do their promotions? And how does that influence your choice of promotional activity?

## 2.6. Control

The control system refers to ensure organization's activities that happened as planned, with proper management. It also provides the feedback that helps managers to have a better understanding of the recent decisions, actions and strategies, whether they are working appropriately or not. Organizations use control system to management the result. There are two main strategic control system can be used: strategic control and operational control. Strategic control should be done on long-term basis. It is used for looking at the overall marketing strategy, to check whether it drives the organizations

in the desirable direction or not. Operational control takes an opposite basis – short-term view. It is used for checking the more detailed, functional marketing programmes to ensure they are working in the right way. These checks can be daily or half of the year. However operational control should find the problems early before too much damage is done. Designing an effective control system is necessary, because the process of control can affect both the actions and results and also the objectives they may want to achieve. (Brassington & Pettitt 2000, 919; Parmerlee 2000, 117)

Marketing control process should be designed in the beginning, not provisionally made. When the companies compare the outcomes and goals, and find the serious deviation, they should analyze it, start for looking for the reasons of why the deviation occurs. After that companies should make the right corrective actions for the deviation. On the other hand, companies may need to exploit its success. Actually, the company can evaluate its marketing performance as well by analyzing sales, marketing cost and profitability with its performance control system, comparing with the actual performance and the expected target. (Brassington & Pettitt 2000, 919-921)

### 3. THE PURPOSE OF STUDY AND THE CONCEPTUAL FRAMEWORK

The purpose of the study is to have a better understanding of strategic marketing management process of the case company - Amway Corporation (China). Based on the theoretical resources and the outcomes of several data collections, to analyze why Amway Corporation (China) can be the leader in this competitive market, and what kind of strategy or method they use to manage the whole process. Then, give some recommends for Amway's marketing managing strategy.

The objectives of the study:

- To study the literature of marketing management process.
- To create the framework of the strategic marketing management process.
- To have communications or interviews with the employees in Amway Corporation (China), to know their management process.
- To make questionnaire with customers, to know how Amway (China) is in their point of view
- To present the result of the inquiry, give the learning outcomes, and show the recommendations for Amway Corporation (China) about how they could do to make better profits and stronger market position.

The conceptual framework

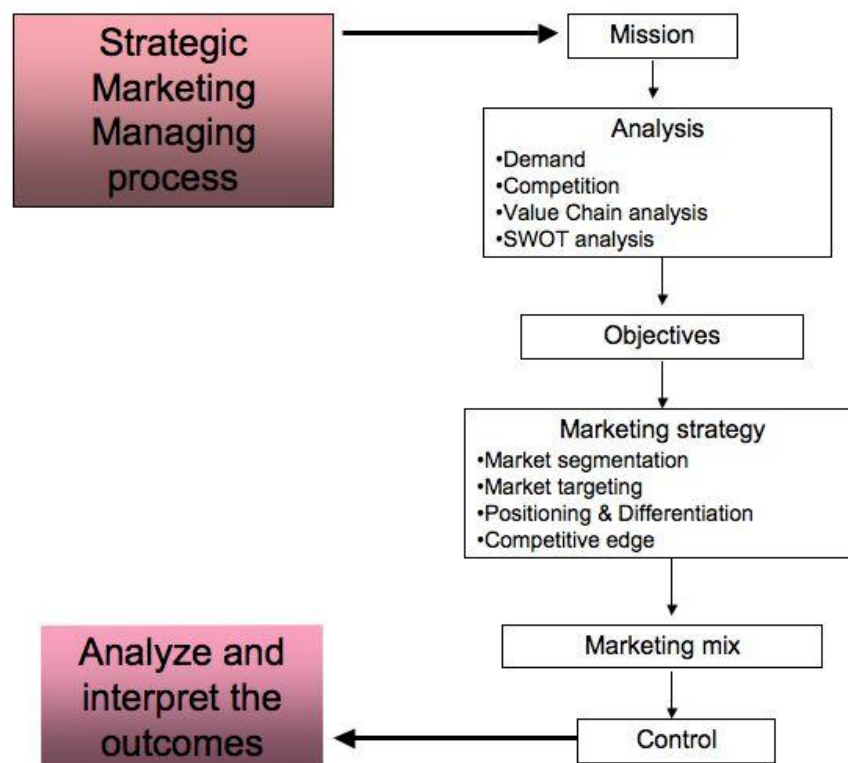


Figure 3.1. Conceptual Framework-Strategic Marketing Management Process (Kotler P. 2003. Marketing Management)

The conceptual framework is talking about the strategic marketing managing process. The first step is defining the company's mission, which is the big picture of what the company wants to achieve. Second step is to analyze company's internal and external

environment; SWOT is needed to have a better understanding of company's strength, weakness, opportunity, and threat in this competitive atmosphere. When the marketing objectives have been defined, marketing strategies can be interpreted based on four sides: marketing segmentation, marketing targeting, positioning and differentiation, and competitive edge. The results can be helpful for marketing mix, which should be analyzed immediately. All the performance should be checked and evaluated under the last step - controlling process. The whole process shows the basic and needed information based on the case company's current situation. The outcomes will be analyzed and interpreted with a good understanding in order to give recommendations for Amway Corporation.

#### 4. RESEARCH METHODS

In this chapter, the objectives are to explain how the data was obtained in order to continuously provide the needed information on analyzing case company. Meanwhile research methods will be clarified in detail.

Methods of gathering data can be divided into two groups: theoretical research method and empirical research method. The fundamental differences between them can be found easily from superficial side; however there are still some issues relevant to their basic differences. Theoretical research consists of previous studies that have been done from the subject and the information that already exist. In contrast, the empirical research relies on experiences or observation alone, after without due regard for system and theory. (Kumar R, 2008, 8)

##### 4.1. Types of data

There are two main types of data: quantitative and qualitative.

Quantitative research method is more based on the measurement of quantity or amount. It is involved in identifying a sample and population, specifying the strategy of inquiry, collecting and analyzing data, presenting the results, making an interpretation, and writing the result of a study. So, the quantitative research results need to be presented in numerical form.

Qualitative research method is in the opposite way. It is always concerned with qualitative phenomenon. It often presented as words and observations. Qualitative research focuses on, for example how people interpret their experiences, how they conduct their worlds, and what meaning they attribute to their experience. It is used for describing the events, but also go deeper to know why and how. It cannot be used for statistics analysis, but explained deliberating and specifying based on an open-ended questionnaire, case studies, observations, and interviews. (Kumar R, 2008, 8; Merriam, 2009, 5)

Qualitative research can be chosen for this case study, because after gathering several communications or interviews from employees within Amway Corporation (China), and some resources from Amway's website or documents, the answers need to be interpreted in deep in order to find out the objectives of this research to have a better understanding of case company's marketing management process. Customer's satisfaction survey is so needed in order to know how Amway is in customer's point of view.

#### 4.2.Data collection

In this research, data was collected by using primary and secondary data. Primary data are data, or other information, collected for the purpose of the current marketing research project, which should be gathered at first hand. Actually, marketing research always relies on secondary data to complement primary data. Secondary data are the data, or other information that has been gathered by others for their own purposes, but the data could be useful in the analysis of a wide range. They always exist in published sources. (Patzner, 1995, 5)

Semi-structured interview or communication is the way the author uses for gathering primary data. It is a participatory method, mainly based on open-ended questions and hence, is more flexible. Interviewees can answer questions flexibly. In semi-structured interviews, open-ended questions can lead different responses based on which further questions are designed on the spot for probing of issues. The sequence of open questions has a certain effect on data collection, however helps in conducting in-depth probing of issues and their cause-effect relationship. Interviewer should make notes when taking the interview, because it is the important aid for recording and recollection of questions and answer. (Mukherjee, 1997, 61)

The semi-structured interview will be done with Amway Corporation (China)'s employee. The questions should be structured based on what kind of messages or information the author needs to complete thesis findings. The semi-structured interviews with working stuffs should be considered as the way of mail or telephone conversation.

The semi-structured interviews with customers had mostly done during author's second three-month practice training in Amway Corporation (China). The customer satisfaction survey was completed with 50 customers. The data will be gathered and summarized in order to have a better understanding of what customers think about Amway Corporation (China).

The secondary data can be gathered from several places, for example Amway Corporation's website, articles in magazines or newspaper, or Senior Marketing Director's notebook, etc.

Author had done two times of practice training in Amway Corporation (China) in 2008 and 2010 with three months for each time. The positions were sales person and assistant of manager. So it is convenient for gathering the secondary data of Amway's both internal and external situation.

### 4.3. Validity and Reliability

Validity is seemed as truth. It relates to the extent to which the data collection method or research method describes or measures what it is supposed to describe or measure. It describes how well the findings define the real situation without being misled or influenced by individual perspective or purpose. (Crowther & Lancaster 2008, 80)

Reliability refers to the extent to which a particular data collection method will yield the same results in different occasions. It is one of the essential methods to know the selected measurement can whether consistently or stably measure the data or not. If the data is unreliable, then people should obviously to be careful in carrying research results from one situation to another. (Crowther & Lancaster 2008, 80)

The interview questions for customers were designed and agreed with supervisor in order to avoid unnecessary and ambiguous questions. The Amway (China)'s employee Senior Marketing Director (Ms Zhang Jie) can provide the reliable answers, because she has been working in Amway (China) for over 5 years, and she will be willing to tell how Amway (China) processes and how do she feels about this concerning the current marketing environment; that 50 customers were randomly chosen. The majority of them were happy when they were asked to complete the questionnaires. Some of them were even honestly expressing their feels for something that I didn't mention in the questionnaire. When interviewed with different customers, author was always standing beside them, translated questions in order to avoid misunderstandings.

## 5. RESEARCH FINDINGS

Considering providing the accurate and up-to-date information, author collected and read lots of documents via internet and case company's website. Meanwhile, author made several phone calls to the Senior Marketing Director Ms Zhang Jie who has been working for Amway (China) for 5 years. Author also collects the 50 customer satisfaction surveys (Appendix 1) to know what they think about Amway Corporation (China). This chapter author will present the research result focusing on Chinese market because Amway has expanded its market all around world, and it is so hard to collect every market's situation. Author had two times three-month internships in Amway (China) that is the only understandable market.

### 5.1. The brief instruction of Amway Corporation

In 1959, Amway Corporation was launched its business in America, Ada, Michigan by Jay Van Andel and Rich DeVos. The first product is Liquid Organic Cleaner (L.O.C®) that is concentrated, biodegradable, multi-purpose, and environmentally friendly cleaning product. Liquid Organic Cleaner becomes a high seller and initiates the legacy of taking their stewardship for the each seriously. Later on, Amway expands its business in geography, sales, and product offering. Amway continually creates new products, and innovates old ones. Amway provides several series including nutrition, beauty, bath & body, at home, and other kinds of product such as energy drinks, jewelry, etc. Nowadays, Amway Corporation has its markets over 80 countries, becomes the leader in this competitive markets.

The Amway Corporation has started its business in China since 1995. The headquarters was launched in Guangzhou. Its marketing is expanded into 31 provinces in China. In 2010, the sales were 21 billion RMB (2.1 billion Euros). Chinese market becomes the biggest market around the world.

Since L.O.C® appears, Amway Corporation sequentially provides more than 450 products. In Chinese market, Amway offers five different series, 221 products, including Nutrilite® nutrition products, such vitamins, Artistry® beauty products



such as makeup, skincare, etc, bath & body products such as shampoo, body lotion, etc, at home products such as cleaning products, etc, and home technology products such as Atmosphere® air purifier, eSpring® water purifier, etc.

## 5.2. Strategic Marketing Management Process of Amway

### *Mission*

The logo of Amway is “Live people better life”. Amway always would like to achieve their vision by helping people everywhere. They are going to discover people’s potential needs, and try to achieve what they want by offering better brands and opportunities for the future, meanwhile generously share with the global community.

Amway is always interpreting its spirit essence and specific property based four words: Freedom, Family, Hope, and Reward.

### Freedom

Amway believes that personal opportunity and economic opportunity are always happening together. With Amway you can have the freedom to change your life by owning your own business.

### Family

Family gives encouragement. All the Amway members are living in this global Amway family. They respect and take care of each other to foster success.

### Hope

Amway offers you a place to have a business opportunity, inspires you to have a bigger dream.

### Reward

Happiness is best achieved through earned success. Amway rewards those who deserve the award. You can get award when you are hard working or help others to promote.

### *Demand*

What customers need is always a concentrated topic. Amway helps people to acquire what they need, and also helps its own employees to achieve success. Marketing department collects customer's satisfaction and complaint from customers directly or from employees indirectly, and summaries these positive and negative things to have a better understanding of what customers really think. The business department has one group called marketer relations group, which is helping employees to get more sales, and collecting employees' feedback. Operating department can know the demand from employees that can help Amway to promote. When Amway's top management department makes some new decision, they will find a suitable time to tell and/or teach employees to achieve these new demands.

### *Competitor*

Amway's competitors are not those direct selling companies, but focusing on natural and healthy products. Amway's competitor can be described as those who are selling the similar products. Amway could have different kinds of competitors because they have different series of products. Author would like to analyze Amway's competitors from local brands and foreign brands that already exist in Chinese market now.

	Local Brand	Foreign Brand
Nutriline nutrition products	Ru Xin, Pu Tao Tang Suan Xin, etc	Centrum, etc
Artistry beauty products	Ya Fang, Mary Kay, etc	MAC, Clinique, etc
Bath & Body products	Da Bao, Liu Shen, etc	The Body Shop, etc
At home products	Diao Pai, etc	Mr Muscle, etc

Technology products	Midea, etc	Philips, etc
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Amway's top manager said, only the company, who is the direct selling company and selling similar products, can be Amway's direct competitor. The above ones are Amway's indirect competitors.

### *Value Chain Analysis*

Amway is the same as other excellent companies that has support activities and primary activities. It has some basic support departments, such as finance department, management department, HR department, technology development department, etc. For the primary activities, Amway still has the some basic departments, such as marketing & sales department, services department, etc. Amway has its own factory. They do research and development themselves, and produce the products. They do not ask others to produce the products.

In Amway, there are Amway has three extremely important departments for maintaining business operating and promoting company developing. They are operating department, business department, and external affairs department.

Operations department has the responsibility of logistics, stores management, and cash flow management. They use the advanced software to manage – AS400. AS400 can present the sales situation of every branch via Internet, and then transmit to the headquarters. Transportation department can know the sales quantity of each day and each branch, and analyze the sales trend from the computer statistics in order to configure product delivery. Finance department will know and confirm how much cash every store receipts, how much each branch receives from credit card, and how much should be saved in the bank. On the other hand, Amway headquarters send auditors to each branch company for finance auditing. Finance department always check the account with the bank by phone calls.

Business department can be divided into three groups, meeting groups, marketer relations group, and business rules group. Meeting groups is taking the responsibility of meetings or presentations. Amway always has presentations in some five-star hotels,

and welcome everyone to come. Marketer relations group has two main tasks. One is help marketing staff to improve the performance. They can know every marketing staff's sales situation via AS400. Meanwhile they can find each marketing staff's superiors and subordinates, and tell who should be helped and who should be encouraged. Another task is to understand how marketing staff situation is and what they are thinking in order to establish the communication between marketing staff and company. Business rules group is working on rules set and execution.

External affairs department has three main tasks. One is focusing on publicizing public service activities. One is concentrating on establishing and maintaining the good relationships with mediums. The other task is to have a good relationship with government.

### *SWOT analysis*

Author will present the result from interviewee (Senior Marketing Director Ms Zhang Jie) and some documents.

#### Strengths:

- Environmental friendly products
- Friendly staff (they train staff)
- The variety of products
- 600 plus patents, 400 plus are applying
- Based on direct selling operations, Amway can be A home based business. Everyone can participate in business.
- Good reward system
- Good social image
- Good customer service system
- Almost global coverage
- Good advertising and publicizing

#### Weaknesses:

- Price is expensive than some other similar brands which have lower price
- Little English-speaking staff
- Rumors for direct selling operations

#### Opportunities:

- Expanding market size
- Increasing quantity of factory in other cities
- English-speaking staffs are needed
- Population of China gives better opportunity to company to receive more profits

#### Threats:

- Too much similar brands or products appear or already exist in Chinese market
- Change in government policy may affect to the profit and freedom of Amway

#### *Objectives*

The main objective for Amway is increasing profits as any other companies do. There are still some essential objectives for are continuously doing research and development; producing more varieties of products to satisfy customers; gradually increasing sales in both old and new products; never stopping publicizing public service activities; maintaining good social image; providing excellent customer service; increasing the company's role in relations to social responsibility; meanwhile developing new business opportunities.

Actually Amway always concentrates on its mission and objectives. Nowadays, they are focusing on advertising the new products, especially Amway's technology products. Since Amway Queen® (Amway pot) started coming into the Chinese market, Amway provides more high-technology products in succession. Those high-technology products are very good but expensive. Some Chinese would like to buy

these high-technology products, but considering the price, they will be hesitated. So, Amway will offer some promotion activities in order to get more sales, such as when customer buys one specified product, he/she will get some credits back. These credits can be used for obtaining other specified products.

Meanwhile, Amway offers some courses for sales people in order to teach them more sales skills, especially those sales people who are the new comers. Good sales skills can bring great sales quantity. Good sales people can set up great relationship with customers; provide good customer services.

Amway also focuses on establishing business opportunities with other kinds of companies. Nowadays, Amway has cooperation relationships with some companies and brands in China. For example, China Mobile Company offers phones and call charge for Amway's staffs that are above specified level or position.

### *Marketing strategy*

Amway covers a wide range of products from beauty care, health care, to clothing, and daily use products, etc. Amway segments its products on low, medium, and high levels. Low-level products offer low price for customers, including bath & body products, and at home series products. Medium-level products offer medium price, such as beauty care and health care products. High-level products are Amway's high-technology products, such as air purifier and also some beauty products, etc.

The customers are always housewives and some companies. So housewives will be the main target customers. Amway also promotes its products for some companies. Companies always buy the products with huge quantity that can bring more profits for Amway.

Amway has its own factory. They do research and development, and produce the products themselves. For some products, Amway sows and cultivates the seeds. The products are made up of natural thing that's why they are good and healthy for human beings, and it's also one of Amway's competitive advantages. By the way,

AS400 system and reward system are also Amway's competitive advantage, and will be told later in *control* part.

### *Marketing Mix*

#### Product

The product of Amway is categorized into five series:

Nutrilite® (nutrition products) - it is the world's leading brand of vitamin, mineral, and dietary supplements, grown harvested and processed on its own certified organic farms

Artistry® (beauty products) – it is one of the world's top five largest-selling prestige brands of facial skin care and color cosmetics.

Bath & Body – it is the product such as shampoo, body lotion, etc. This series of products almost belong to G&H®, which offers glycerine and honey, deeply nourishes and hydrates skin for a healthy glow. Furthermore, Glister® has glister toothpaste with Syloident that offers optimum abrasiveness for effective stain removal and enamel-safe polishing

At home – it is the product such as cleaning products for clothes, kitchen, and washroom, etc. L.O.C® is one of its famous products. Dish Drops® is still sold well, which is a concentrated hand dishwashing liquid with a powerful “triadic Detergency System”. SA8® is 3-in-1 laundry detergency.

Technology – it is kind of product offers high technology, such as Atmosphere□ air purifier, eSpring® water purifier, Amway Queen® stainless steel boiler, etc.

Nutrition products, beauty products, and bath & body products are made up of natural resources. Hence they are health for human beings.

### Price

The products of Amway are categorized into three different levels based on the corresponding products – low, medium, and high.

Low-level products offer low price, such as bath & body products and at home series products. For instance, body series® body lotion (100ml) costs 25 RMB (3 euros), L.O.C® multipurpose cleaner (1L) costs 36 RMB (3 euros).

Medium-level products offer medium price, such as most of beauty products and nutrition products. For instance, Artistry® essentials balancing cleanser – combination to oily skin (135ml) costs 220 RMB (22 euros), Artistry® lip color (3.8g) costs 130 RMB (15 euros), Nutrilite® calcium magnesium (233g) costs 205 RMB (21 euros).

High-level products offer high price, such as Amway's technology products and some beauty products. For instance, Atmosphere® air purifier costs 8800 RMB (900 euros), and Artistry®luxury crème luxury (45ml) costs 1998 RMB (200 euros).

### Place

Amway is the direct selling company. In Guangzhou, China, Amway has the headquarters there. Amway also has branches in 31 provinces, more than 100 branches. Branches sell the products directly to Amway's sales people, not customers. No matter headquarters or branches are located in the easy-found places. Nowadays, Amway is going to have some stores in order to make customers buy products easily.

### Promotion



Amway promotes its brand and products as other companies do through mass Medias, such as TV, radio, newspaper, magazines. Furthermore Amway does its promotion very well. Amway has some main promotion ways as following: public presentation, advertisement, voluntary organization, exhibition center, Artistry® products experience center, etc.

- Public Presentation

Amway often has some presentations in the public place, such as five-star hotels, and welcomes everyone. The presentation could be divided into two categories, sales skills share and products introduction. Amway asks the best sales people to do the presentation. The presentations are held almost 10 times each year.

- Advertisement

Amway asked Olympic champion to advertise products, especially Nutrilite® nutrition products, because Olympic athletes represent healthy and power image. Amway also has a cooperation relationship with NBA in Chinese market. Nutrilite® products became NBA's only nutrition products cooperative partner in Chinese market. NBA and Amway were partnering with Ministry of Education's China School Sports Federation (CSSF) to bring the programme into 120 schools in 15 cities in China.

For Amway's Artistry® series products, Amway asked the super star – Yun Eunhea, who has the excellent skins to be the face of the brand.

- Voluntary Organization

Amway has the voluntary organization. Voluntary organization has made some sports activities to promote health knowledge and appeal for caring health, and welcomes everyone to come.

- Exhibition Center

Amway has its own exhibition center established in 2005. In exhibition center, all the Amway's products are shown, Amway's history, and some big events. People can come and see how Amway develops since 1995.

- Artistry® Experience Center

Artistry® offers some skin care and makeup products. People can come to the Artistry® experience center to try the products. The professional staffs are there to help customers, and explain everything what customers asking.

- Other promotions

Amway has published some information or news in magazines and newspapers. Amway also has published its own books and DVDs. Amway participated in some big events, such as WenChuan Earthquake Memorial Day, World Water Day, etc.

### *Control*

As other companies do, Amway has its own rules to control the internal and external process. Author would like to introduce two main control systems in Amway as following, AS400 and Amway Reward/Bonus System.

Amway controls internal process via network. AS400 is Amway's internal controlling system. The top management department can understand the current marketing situation from each branch. When problems come, staff can find easily from AS400. As author's said before in *value chain analysis* part, AS400 can help business department's marketer relations group to find which staff or branch should be helped or encouraged. It also helps transportation department to analyze products sales quantity and trends in order to deliver products to the specified branches. Meanwhile, finance department can check the cash flow accurately. AS400 is also high-security software; protects Amway's information and statistics.

Amway reward/bonus system is used to control and promote sales people's sales performance; is also used by the case study in Harvard's Department of Economic Management's Marketing & Sales course. Amway reward/bonus system offers, "More work, more award". Staffs would like to struggle for high income. Hence, they try hard to sell more products. Amway gets profit; you get profits as well. The Amway reward/bonus system is in Appendix 2

Amway uses AS400 software to manage the whole business process. Meanwhile, Amway Reward System is used for inspire staffs to work hard. Therefore, Amway gets profits from both internal and external environment. This is also represented that why Amway can have a strong marketing position in this competitive marketing environment.

## 6. SUMMARY AND CONCLUSION

Company's mission gives the big picture of a vision of what organization is or should attempt to become; and describes the basic function in society. It is really important for organizations to segment and target the market. Customers can easily and clearly know what and how the company is. Amway gives customers a good image of direct selling market. Amway always follows and executes its mission with Freedom, Family, Hope, and Reward. Amway offers business opportunities for everyone with fair and impartial attitude.

Amway always knows what they want and what customers need in current situation. Now matter what kind of competitors they faced or will face, they have its excellent strategic management process to solve the problems. They develop with its strengths and opportunities; observe current situation in order to focus on threats; and improve its weaknesses.

Amway gives the clear and possible objectives. When staffs have any problem, Amway always try their best to solve. When staffs need help, Amway never hesitate for help.

In this competitive marketing atmosphere, Amway segments and targets its market after deep consideration. Also, Amway offers the best products as what they promised before. They use its professional management process, natural and healthy products, and excellent control system as the competitive advantages to stand out from the crowd.

The purpose of this study was to have a better understanding of Amway's strategic marketing management process. Based on research study, author gathered all necessary information from Internet document, Amway's official website, and one of Amway's staffs – Ms Zhang Jie as the interviewee. The interviews with Ms Zhang Jie were semi-structured. Author also did 50 customers satisfaction survey interviews, which can be used for find out how Amway from customer's point of view. The 50 customer satisfaction interviews were made in China, because the study is focusing on Chinese market. Author collected the data and analyzed the result from 50 customer satisfaction interviews, which helps author to give recommendations for Amway Corporation.

Amway Corporation does well in this competitive market based on its successful strategic marketing management process. They offer natural and high technology products for customers as they consistently do. They use excellent control system – AS400 software and Amway Reward System, to make sure the both internal and external management processes are under control.

Based on researches and 50 customer satisfaction interviews, I recommend Amway can increase the quantity of the factory. In China, there is only one factory in Guangzhou located in the south of China. When northern cities order products, it takes time and money. Most of customers said, Amway's products are expensive. So, I suggest Amway to decrease the price. Amway has more than 450 products, only 221 products entered in Chinese market. So I think Amway can provide more products to China.



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## APPENDIX

### APPENDIX 1: Interview with customer-customer satisfaction survey

Gender

Age

Occupation

Income

1. Do you know what kind of products Amway produces?

2. What kind of products of Amway you have bought before?

3. How long have you been using Amway's products?

4. How do you know Amway?

internet       friends/relatives       Advertisement       somewhere  
else

5. Which are the similar products do you know than Amway's?

6. Did you use other similar products?

Yes       No

If Yes,

What kind of products you have bought? How often have you bought? And what do you think about the similar products?

7. Why you choose Amway not other similar brand now?

8. How do you think about the products of Amway that you have bought?

9. How much you spend for one month?

For Nutrilite☐:\_\_\_\_\_

For Artistry☐:\_\_\_\_\_

For Bath&Body: \_\_\_\_\_

For At Home: \_\_\_\_\_

For Technology: \_\_\_\_\_

10. Are you willing to recommend Amway to others, and why?

11. What do you think about our service? (Do you get all the information that you need?)

1-5 (1 is unsatisfied, I can't get any needed information, the service is bad; 5 is very satisfied, I can get any information, and the service is very good)

\_\_\_1

\_\_\_2

\_\_\_3

\_\_\_4

\_\_\_5

How could we improve it?

## APPENDIX 2: Amway Reward/Bonus System

In the end of every month, Amway's finance department will audit each staff's net sales and income to reward. Here are some figures should be understood.

Commission (%)	Net sales (RMB-Yuan)	Income before tax (RMB-Yuan)
27%	105000	28350
24%	73500	17640
21%	42000	8820
18%	25200	4536
15%	12600	1890
12%	6300	756
9%	2100	189

$$(2100 * 9\% = 189)$$

### 1. Personal net income

If you get 6300 Yuan, your personal net income is:

$$6300 * 12\% = 756$$

It means, more work, more bonus.

### 2. Market Contribution of Reward

#### *Example 1*

If you bring A, B, C, D 4 people to join Amway, and if they have 6000 Yuan net sales with each other as you do, the market contribution award is:

You: 6000 A: 6000 B: 6000 C: 6000 D: 6000

Total Net Sales = You + A + B + C + D = 30,000.

$$\text{Total Income} = 30,000 * 18\% = 5,400$$

This 5,400 Yuan should be share within You, A, B, C, and D, because your team members work also. So we can get:

$$5,400 - A (6,000 * 9\%) - B (6,000 * 9\%) - C (6,000 * 9\%) - D (6,000 * 9\%) = 3,240. \text{ So, you total income should be } 3,240.$$

$$\text{And your market contribution award is } 3,240 - (6,000 * 9\%) = 2,700$$

### *Example 2*

With your help, your sales market has been expanding. Suppose your net sale is 6,000 Yuan, and your team member A, B, C, and D correspond 4 separate markets. A's net sale is 10,000 Yuan. B's net sale is 20,000 Yuan. C's net sale is 30,000 Yuan. D's net sale is 40,000 Yuan. The total net sales are 106,000 Yuan.

$$\text{Total income is: } 106,000 * 27\% = 28,620$$

Yours market contribution award is:

$$28,620 - (10,000 * 12\% + 20,000 * 15\% + 30,000 * 18\% + 40,000 * 18\% + \text{your own } 6,000 * 9\%) = 11,280$$

Here someone may ask, you and your team members sell the same 6,000 Yuan for one month. You can get 3,240 Yuan, but your team members can get only  $6,000 * 9\% = 540$  for each other. Now, I would like to introduce Amway's second reward. You bring A, B, C, and D join Amway, and you pay more than others. You are like a leader in this team. Amway would like to reward you directly as the way of award.

### *Example 3*

Suppose you don't have any sales in this month, but your 4 markets A, B, C, and D have 105,000 Yuan for each other. The total net sales are  $105,000 * 4 = 420,000$ . Total income should be,  $420,000 * 27\% = 113,400$ . A, B, C, and D have the same income:  $105,000 * 27\% = 28,350$ .

So, this time, Your market contribution award is:  $113,400 - 28,350 * 4 = 0$

As I said before, Amway offers “More work, more award”. If you don’t work, you cannot have any income. But if you are the “leader” in your “team”, you can get some award from Amway. The options of Amway’s reward system works with each other. So I would like to introduce another award option.

### 3. 4% Market Contribution Reward (Passive income)

#### *Example 4*

As Example 3 described, A has income,  $105,000 * 27\% = 28,350$ . Under this prize, You can get:  $105,000 * 4\% = 4200$ . If we calculate as this way, You will get less than A. It is not fair for you, because you bring A, B, C, and D, and you are the leader. So, you will get B, C, and Ds’ also. Amway gives your insurance:  $4200 * 12(\text{months}) * 50(\text{years}) = 25,200$ .

If You want to get these 4% market contribution reward, there is one condition should be completed. Except that A should have 105,000 net sales, others should do more than 42,000.

### 4. 2% Ruby Award

When your team member A, B, and C get more than 27%, they are your independent groups. Every month, you can get 4% award as leadership award from these 3 groups. Your D, E, F, G, etc can only get 9%-27% (less than 27%) separately. They are your subgroups. When these subgroups’ total net sales arrive to 210,000, you can get your own net income, market contribution award, A, B, and Cs’ 4% award. Amway also gives you subgroups’ total net sales’ 2% as your ruby award to encourage you to expand your market.

### 5. 1% Pearl Award

When during one month, A, B, and C get 27% separately, you can get 4% award from them. Meanwhile, you can get 1% award from A, B, and C's subordinates (A, B, and C can bring others to join Amway).

#### 6. Senior Marketing Officer (Emerald Award)

Here are some tips should be mentioned.

Direct marketing Director (DD) is someone's group obtains sales star (silver awardees) within 6 months of one year (consecutive 3 months, the other 3 months can be inconsecutive).

Sales Star (Silver Awardees) can be held when have any one of the following conditions:

1. In any month, individual and the whole group gets 27% or more
2. Recommend one 27% group which has any group gets 4000 credits or more
3. Recommend two or more 27% group

In one auditing year, 3 of the groups you recommended get more than DD. Then you can have Emerald award. The total annual reward is, the total net sales of the whole country \* 0.25% / the credits you have within this year.

#### 7. Diamond Reward

In one auditing year, 6 of the groups you recommended get more than DD, you can be rewarded as Diamond Reward. The total annual reward is, the total net sales of diamond groups of the whole country \* 0.25% / the credits you have within this year.

#### 8. Executive Diamond Reward

In one auditing year, 9 of the groups you recommended get more than DD, you can be rewarded as Executive Diamond. The total annual reward is, the total net sales of executive diamond groups of the whole country \* 0.25%.

#### 9. Double Diamond Reward

In one auditing year, 12 of groups you recommended get more than DD, you can be rewarded as Double Diamond. You can get Emerald, Diamond, Double Diamond, and Executive Diamond rewards at the same time. Amway also offers you 130,000 Yuan alone as the extra reward.

#### 10. Triple Diamond Reward

Any direct marketing director personally recommend 15 groups of all groups, which all get more than DD, will be rewarded as Triple Diamond. You can get all the rewards above. Amway also offers you 250,000 Yuan as the extra reward.

#### 11. Crown Diamond Reward

Any direct marketing director personally recommended groups, 18 of them get more than DD, will be rewarded as Crown Diamond. You get all the rewards above. Amway also offers you 500,000 Yuan as the extra reward.

#### 12. Crown Ambassador Diamond

Any direct marketing director personally recommended groups, 20 of them get more than DD, will be rewarded as Crown Ambassador Diamond. You get all the rewards above. Amway also offers you 780,000 Yuan as the extra reward.

Amway also offers some trips for someone deserves.