

Multi-National Corporation Relationship Marketing Strategies in China---Case Study in Amway (China)

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Abstract: The article focuses on the relationship marketing strategies of direct selling company Amway (China), finding out how it uses the relationship marketing strategies in market, how it builds relationship with Stakeholders. In this paper, the author tries to analyze the Amway (China)'s relationship marketing practice with the Six Markets Model, in order to find out the practice what is worthy of being learn and what is need to improve. The purpose of this article is to provide some references of relationship marketing strategies in China when some international business to come into the Chinese market.

Key words: relationship, marketing, multi-national business, strategy, Amway, China

1. Background of Amway (China)

Amway is a nearly 60-year-old brand whose Michigan parent Alticor is the 44th-largest U.S. private company on FORBES' list. Amway is a global leader in direct selling, with over three million Independent Business Owners (IBOs) in over 80 countries and territories around the world. 'What is Direct Selling? Direct Selling is the marketing of products and services directly to consumers in a person to person manner, generally in their homes or the homes of others, or other places away from permanent retail locations. Direct sales typically occur through explanation or demonstration by salespersons normally referred to as Direct Sellers.' (Source: Federation of European Direct Selling Associations)

The world headquarters of Amway located in Ada, Michigan, USA, stretches one mile from east to west and is comprised of 80 buildings and 3.5 million square feet of office and manufacturing space. More than 4,000 of 14,000 global employees work in Ada.

Amway (China) Established in 1992, opened in 1995. Amway (China) 's production base is located in Guangzhou Economic and Technological Development Zone. It is the largest overseas production base. The factory covers 141,000 square meters. Now it has 27 modern production lines.

While Amway came into the Chinese market in 1995, the sales model is direct selling. Direct seller started selling door to door in China. Direct selling is seemed like to spread religious beliefs or political activities. The government banned all direct sales companies in 1998, including Amway. Amway (China) is forced to change the traditional direct selling model to 'shop sales +employment salesman' that has been granted from government, so it finds a new way out. Amway (China) has made efforts to integrate into the Chinese market and establish direct selling, shop sales, agents and other multi-channel marketing model. Now, Amway (China) has a very big marketing team, probably more than 200,000 direct sales representatives and agents, has 237 shops in China, covering 197 cities in 31 provinces. All the shops are certified by ISO9000. In 2009, revenue of Amway (China) is about \$3 billion, Amway (China) is a top market in worldwide market (worldwide sales are \$8.4 billion). It will continue to strengthen building shop, improving shopping environment and service levels.

2. Six markets model

Six markets model is the six important markets that can contribute to a company. The customer market appears in the center of the six market model. It shows that is the most important market with which Amway has concentrated on developing relationships. Because word –of-mouth can play in increasing business for company, Amway has recognized the important of Referral market. But it has to develop good relationships with nutrition academician, nutrition specialist and existing satisfied customer who can recommend the products to their friends and family. Amway has established public relation department to deal with the relationship with Influence market, such as government, media, Pressure Groups and Publics. But it is necessary to develop trust relationship with government by lobbying. Amway has tried to make a safe working environment for the employee; however, it needs to improve the partnership with internal markets, Amway need to attract and retain front line employee and basic level direct sales representatives who will enhance their ability to offer good service to customers. Amway also has established the relationships with the Recruitment markets but it doesn't take supply and alliance market seriously.



THE SIX MARKETS MODEL

Christopher, Payne, Ballantyne & Peck 1999

Source: from relationship marketing lecture

3. Stakeholder

‘Anyone who can affect or be affected by the actions of the organization, including Normative Groups, power of authority can withhold resources and back action and Diffuse Groups who Concerned about protecting the rights of themselves or others’(Godson, M 2009)

The stakeholder of Amway (China)including customers, direct sales representatives, agents, government, regulatory bodies, professional associations, environmentalists, community and special interest groups, public opinion leaders and campaigning journalists. Customer, representative and government are the most important part. Amway China has built relationship with them.

It can be seen from Amway’s Values which is Partnership, Integrity, Personal Worth, Personal Responsibility and Free Enterprise. It shows Amway has recognized the ‘Values of relationship marketing’. But Amway (China) will need to develop the relationship marketing of six markets model, especially the customer market, internal market.

4. Customer

Defining customer relationships might be about people being linked together in some way, where the behavior of

one or both of the parties, will have some impact on the actions, behaviors, or feeling of the other. (Godson, M 2009)

Amway has two types of customers. The one is serviced by direct sales representatives who will have a chance to join to become a privileged customer through direct sales representative. The other is common customer. When the common customers recognize Amway product by advertising, but have no idea where to buy products or how to buy products, they can contact with shops for shopping or join to become privileged customers. The staff will give them service, or they will introduce the customers to an Amway direct sales representative to give them customized service and the personal contact.

Amway has always tried to build and maintain lasting-and-profitable relationships with their customers and keep close to its customer. Not only expect to maintain and strengthen relationships with its existing customers, but also expect to win important new customers. Amway claim the front-line staff of shop and representatives to deliver the service to meet and exceed customer expectations.

‘The who organization has to be oriented towards the customer; the nature and extent of relationships with customers would be understood and carefully managed’ (Godson, M 2009) Now, customers are buying much more than just products, they will buy their purchase of how the back-up service as well. The Amway’s vision is help people live better lives which is become a slogan of Amway (China). So Amway not only has to provide products and services and making the Amway shopping experience faster, easier and more convenient, but also has to reinforce Value Added by Relationships, Customer retention, Customer care and Customer loyalty.

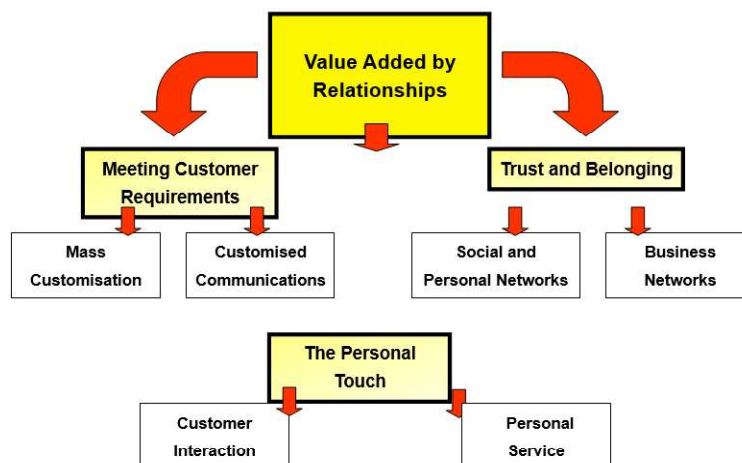
4.1 Value Added by Relationships

Amway (China) need adding value by relationships. Firstly, meeting customer requirements by providing a range of exclusive and competitive products and launching more individual products, created to meet the needs of different markets around the country.

Amway (China) should use methods to build up trust and belonging, most notably through promotion and strong branding. Building up trust and belonging with customers, Customers can buy products from Amway’s direct sales representatives face to face who mostly know each other from social networks or introduce by customer to customer. ‘Social networks and personal contact play a big role in creating feelings of trust and belonging in the supplier-customer relationship. Because as human beings, we still prefer to conduct business with people we know and like.’ (Godson, M 2009)

‘Relationships can add value for the customer is linked with the delivery of services. The delivery and consumption of a service requires some form of interaction with the customer. Usually the service is delivered by the front-line personnel within a service organization.’ (Godson, M 2009)

Value Added by Relationships



Source: from relationship marketing lecture

4.2 Customer retention

‘It takes on average five times as much time money and effort to gain a new customer as it does to retain an existing one’ (Tom Peters, 1988), Amway has to pay attention to the value of long-term customer retention and the link between customer satisfaction and retention.

‘Just because a customer is satisfied with a product or service, does that mean that they will keep on buying it? If customer satisfaction is to lead to retention a business not only has to understand what its customers expect, it must ensure that it can satisfy customers more than its competitors can.’ (Godson, M 2009)

Amway should not only provide consumers with quality products and friendly service in pre transaction, transaction and post transaction, but also attracting customers through incentives such as money off and free gifts. Customer can become a privileged customer to get club card for short-term season discount, money-off, free gifts and long-term point redemption. Furthermore, Amway must to measuring customer retention rates, De Souza (1992) suggests a number of broad strategies that any organization can take to improve its customer retention rates. ‘Each company must work out a retention index which is meaningful for them. A simple retention rate would measure the percentage of customers that are retained over a period’ (Godson, M 2009)

4.3 Customer care

The first is a highly efficient network of shops. Amway have established direct sales shop to ensure more sales staff and customer perceptions of quality of Amway products and professional services. How to ensure that consumers enjoy the high quality of service in the company shop? Amway should issue a series of measures to make each customer can enjoy high-quality service by improving shop high level of service. Firstly, create an elegant and clean shopping environment for customers to enjoy shopping with shop design. Secondly, staff training, Amway has to launch a series of targeted, practical, standardized training courses, covering the company culture, customer service skills, business and product knowledge. Thirdly, strengthen the management services of shop with the ‘service satisfaction surveys’ and “mystery customer” visits.

If customers are not completely satisfied with product, the product will be exchanged or the purchase price refunded. It will guarantee satisfaction of customer.

After- sales service, Amway has established in 2004 by CRM system, it is just including enquiries and compliant handling, customer can contact with company to call center, mail team, letter team. Ever though the satisfaction survey shows that communication team has achieved regularly satisfaction scores of 80 and 90%, Amway (China) still regard high customer satisfaction rates as its ultimate goal, sometime this leading them into what Reichheld describes as the satisfaction trap. Amway should try to get closer to their customers individual and personalized their communications with interactive two-way communication and Customized communications this can form the basis of a good relationship with customer.

Moreover, Amway should analyze the information and the case of customer complaint. ‘a deep analysis of complaints over time can identify trends and act as an early warning system of possible problems ahead. Not only to tell the companies what is important to the customer and where it is getting things wrong, it will also enable them to fix problems that are causing defection. Prevent customers from telling other about their experience’ (Godson, M 2009)

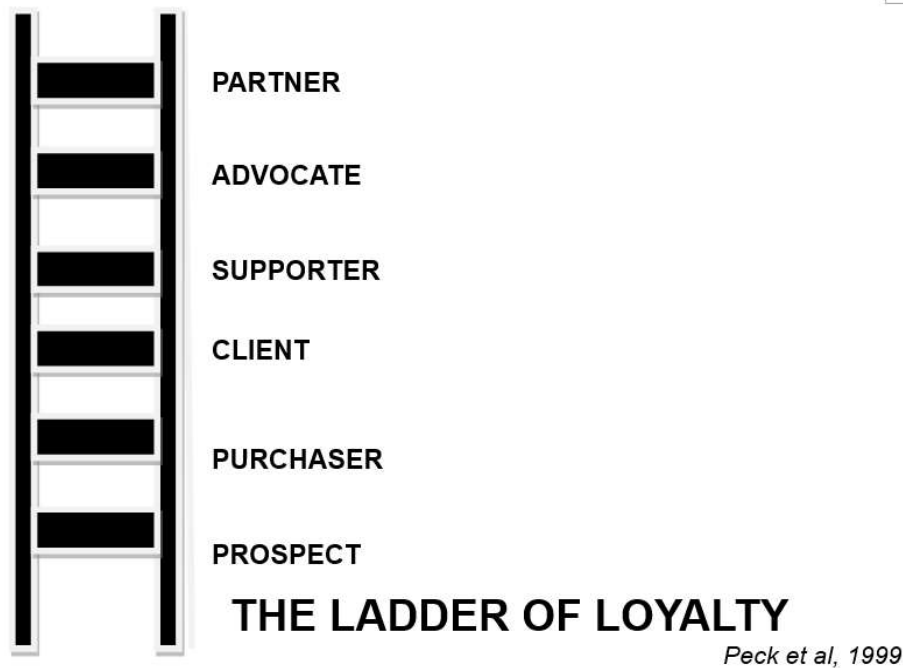
4.4 Customer loyalty

Amway has laid much emphasis on loyalty, and invested heavily in slogans, advertising, and branding. Amway win the majority of consumer recognition by the quality products and marketing personnel services. ‘a consumer’s firm and unchanging friendship, support and belief in an organization, or its products, brands and services and a propensity to act in support of those feelings’ (Marandi`s2003)

How to strengthen friendship, support and belief is the most important, the first is the friendly of personalized service. Professional representatives can bring consumers to enjoy convenient, fast and personalized new consumption patterns. The second is brand experience. Experience marketing is making consumers to fully experience the Amway product and brand through the organization of large product exhibition. The third is strong promotions, according to the

change of season and the trend of fashion, Amway should organize a variety of products and promotional activities to close to the customers.

Amway should try to win a greater number of loyal customers by high-quality products and high-level service. According to the following the ladder of loyalty, using the loyalty schemes is important.



Source: from relationship marketing lecture

4.4.1 Loyalty Schemes

The significance of loyalty schemes is promoting customer retention through reward, gathering customer data for CRM and defending against the actions of competitors. 'Loyalty schemes offer psychological reassurances to customers that the company is 'prepared to listen, willing to innovate on behalf of customers, and is caring, concerned and considerate. Basically, a loyalty scheme exists to identify and reward loyal customers by offering discounts, or other benefits based upon the amount they spend'. (Godson, M 2009)

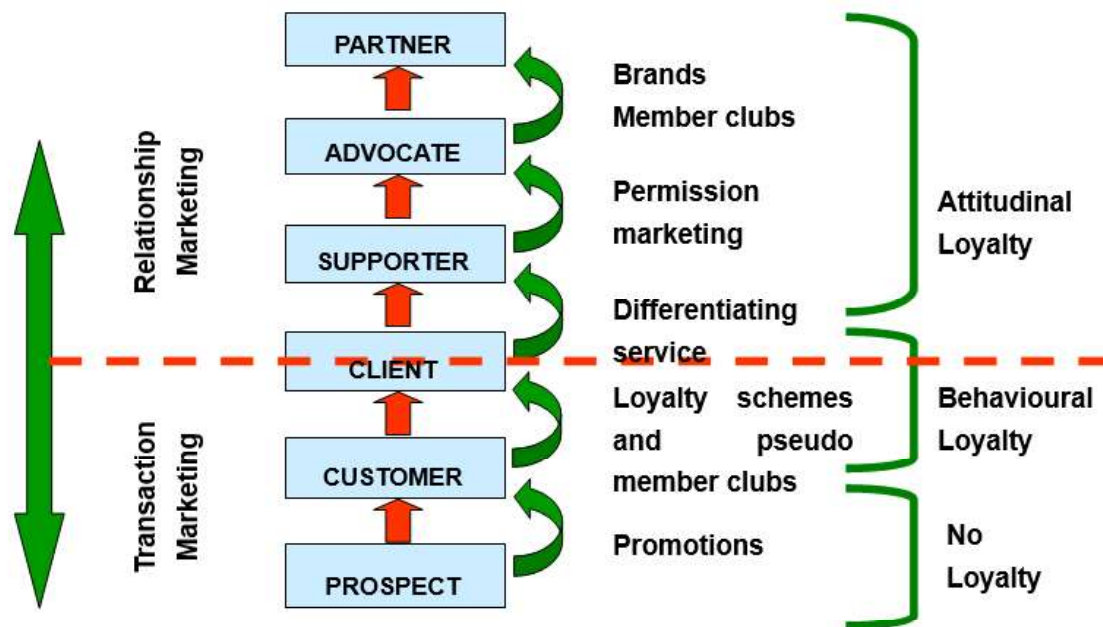
Differentiate the brand and attract customers through free gifts. Customer not only purchase product through representatives, but can also through local shop to get club card to become a privileged customer for discount, free gifts. There are many activities for customer to participant, such as health and beauty customized advice and design.

Customers can obtain a lot of information, from new product launches to the tips about nutrition and links to other sites where customers can get the advice on health and beauty.

The Amway website offers customers the opportunity to sign up by submitting their name, address, and contact details for promotional offers, money-off coupons and free gift.

Now, the beautiful Welcome Centre located in the factory of Headquarters in GUANZHOU is just open to representatives or agents to visit. The Nutrilite Experience Centre and The Artistry Experience Centre are in the Welcome Center that high light its brands, opportunity, history and philosophy. Amway should offer customers the opportunity to visit. If Customers are interesting to visit, they ring call center for more information and applying on-line for setting up a tour. Customer can check their health condition and learn about how Amway create products through vertical integration from seed to serving in the The Nutrilite Experience Centre. Customer also can enjoy professional staff to design Customized hair style and make up for them in The Artistry Experience Centre.

Marketing Approaches at Different Levels of Loyalty



Source: from relationship marketing lecture

5. Influence market

5.1 Government

Amway (China) build the relationship with government, when it opened in 1995, at the beginning Amway salespeople started selling door to door in China. Direct selling is seemed like to spread religious beliefs or political activities. The government banned all direct sales companies, including Amway, in 1998. During the period, Amway encountered many challenges. Amway had just bought a new office in Guangzhou to prepare more than 1,000 million for expending, but was forced to stop the business activities, the daily loss amounted to 100 million. The Chinese market is nearly lost, However Amway believes that China's reform and opening up policy will not change, and believe the Government will protect the legitimate foreign-invested enterprises, so it set the guideline for whole company, while marketing department were having call marketing and staff to remain calm, the high level management team were actively to seek help from the Government. After three months, it has been granted to do business again with 'shop sales +employment salesman.' Amway (China) should set up lobbying activities to deal with the relevance of Government which is very important. Lobbying is activities designed to influence governments of other authorities and is a form of public relations that has grown into a big business due to the scale of potential government intervention.

5.2 Public relations

Amway (China) has established relationship with public by carrying out child-care, environmental protection and other public projects which not only close to adapt itself to China's national conditions, but also focus on relationship with public and environmental protection and promotes the idea of a good quality of people's lives together. In fact, the projects of social responsibility idea come from the two founders of the concept of the family. In their view, "as a member of the community, every business should take the social responsibility to society." Amway (China) hope to fulfill their social responsibility and to tell the public, that Amway (China) not only do a business successful, but also have a sense of morality and a sense of responsibility.

Amway (China) take on social responsibility in many aspects. Firstly, it called on representatives' employees, consumers, communities pay attention to environment protection. In addition, it spread the concepts of the love and helping other to the society, it is very positive reflected in the social responsibility activities, which mainly around child-care, environmental protection projects, and its volunteer services. By the end of 2009, Amway (China) has donated 3.5 billion yuan in the implementation of public projects over 5500. The Amway One by One Campaign for Children rallies the resources of the entire Amway family to make a difference in the lives of children around the world. By creating local partnerships, it can address specific issues facing children and improve the way of the LIVE, LEARN, ACHIEVE, and PLAY. Successful PR relations strategy is essential to the success of Amway (China)

6. Supplier and Alliance Markets

Because the direct selling model of Amway, it tells the customer the product from raw materials to selling is internal supply chain, especially the nutrition products is needing the knowledge in order to protect the high quality of products and difficult to copy by competitor. Because the large number products and low complexity, the cosmetic and personal care products is external supply chain. As competition is more and more intensive and effective supply chain that adds value of customers will benefit all the companies in the chain. Amway may need to change and to recognize this and use it for competitive advantage. It can improve the competitive markets and heighten customer expectations.

7. Internal Markets

7.1 sales people

Amway (China) is building up the partnership relationship with representatives through the Amway Sales and Marketing Plan. Compare to traditional and overseas direct sales model, Amway (China) business model has been a revolutionary change. This change is mainly reflected in channel development, marketing strategies and personnel management. Amway (China) believes that hard work should be rewarded. For example, the Amway Compensation Plan rewards to representatives for selling products and for sponsoring others as direct sales. They earn income from retail on product sales to customers; monthly performance bonuses ranging from 3% to 21% of business volume depending on the monthly productivity.

Amway offer unlimited potential of opportunity, a global community ready to offer support, and a premier compensation plan. Firstly, Amway support representatives with customer care. If representatives have a question about anything such as registration, renewal, business, or product information the Customer Care Associates including Amway shops, local sales department, Call center, E-mail team will be ready. Secondly the Marketing, supporting the sales efforts with DVDs, online sites, magazines, brochures, and free websites representatives can personalize to grow their business. Amway also help build awareness of products and brands with national advertising, promotions, and event sponsorship. The most important different from the domestic company is the training. Free and easy to use online, video, and instructor-led training are some of the ways Amway can share with representatives and agents the knowledge to grow a successful independent business. Amway has set up a training center in China in May 2004, which is Amway's first dedicated marketing staff training institutions in the world. By 2009, Amway (China) have invested in personnel training more than 1 billion Yuan. However, in fact, many front-line representatives' complaint about company just pay attention to the high-level representatives or agents. Because the representatives are the internal customer and company climate and culture that affect customer perceptions, company have to encourage the front-line representatives by reward and recognition.

7.2 Employee

Employee is the Internal customer "Quality is a satisfied customer, the road to which is paved by satisfied internal customers"(Gummesson,1987)"The next process is your customer" In addition to providing safe and comfortable working environment and helping employee to improve their work skill and management skill by education and training, Amway also improves the employee welfare by welfare products and social Insurance. The HR organizes

employee sports, staff foundations, labor union and training system covers each rank. But compare the salary to the identical enterprise, it is just reasonable.

But Amway should strengthen internal employee relationship, especially the sense of belonging and accomplishment through reward and recognition, empowerment and involvement and personal development. Only happy employees can make customers happy. Moreover, the assistant promotion is too slow. For example, the assistant has five levels grade, if an assistant wants to become a supervisor it must needs nearly 5-10years. Because of the unemployment pressure, every employee worry about their developing and when they leaving company to find new job, their low grade will impact on their competitiveness. The grass-roots staffs worry about the more time him working in Amway, the less competitive in future. As a result, the more existing staff to leave, the newer employee will come. Company will increase cost of recruitment and training of new employees. Furthermore, the human resource market has changed, company have to increase new staff salary, which leads to new recruitment salary higher than an employee who working for five years in company.

8. Comment:

To sum up, Amway (China) has already been aware of the important of relationship marketing and it has put into practice strategies to achieve the market share in China. It hopes to build long-term sustainable relationships, primarily with customers, but also with suppliers, partners, employees, and others who might affect the firm's business.

Amway (China) is well aware of that investing every new market in different country need to adapt itself to local culture and national condition. It must change the American traditional direct selling model, and adapt the values and way of popular overseas promotion. Amway (China) has changed the only way to develop new markets through traditional direct sales representatives. It also has established shop service for customers. In market strategy, it has changed only relying on the traditional word of mouth, the major different strategy from oversea model. It also strengthens the brand advertising. In personnel management, every direct sales representative has to sign labor contracts with the company directly, and the return and compensation paid directly by company. By the changes in China, Amway (China) makes good relationships in the six markets:

1. It builds the relationship with customers by providing products and services and by making the Amway shopping experience faster, easier and more convenient.
2. It builds relationship with government. When the China government decided to ban all direct sales companies, It can go through by the good relationship with the government.
3. It pays attention to build up a responsible visual with public relation by environmental activities and charity activities, this part is the most successful relationship with public of Amway (China).
4. It builds partnership relationship with high level direct sales representatives.
5. Amway provides safe working environment and helps employee to improve their work skill by training.

However, according to the analysis of this article, there is some place to improve in the relationship marketing strategies:

1. In order to develop the relationship with customers It need to develop the customer care, customer retention and customer loyalty.
2. In order to deal with the business crisis, to set up a lobbying department is better for develop the relationship with the government. Developing good relationships with nutrition academician, nutrition specialist is also necessary.
3. To continue paying attention to build up a responsible visual with public relation by environmental activities and charity activities.
4. To promote grass-root representatives by more advantage and more recognition from the company.
5. To develop the sense of belonging and the sense of achievement for employee by staff retention strategy.

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