

# Analysis of amway distributors association



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Globalization is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology. This process has effects on the environment, culture, political systems, economic development and the prosperity, and on human physical well-being in societies around the world. (Globalization101, n. d.)

Since the world began to globalize, many companies especially the direct selling companies that specialized in promoting nutrition products had attempted to bring the companies to advance further to the multinational and most of them have now accomplished achievements in their plans. A mainly represented global direct selling corporation called Amway. Amway has been leading in the field of family enterprise since fifty-one years ago with health, beauty, and home care products and goes internationalization. The company has successfully used its synergies to create the strong network marketing across its many affiliates and business units. Nowadays, the Amway's brand has gone to worldwide in Asia-Pacific Countries, European Countries, Southern Africa Countries, Australia and America Countries. (Amway, 2010)

## **2. 0 Company Background**

Amway is a multi-level marketing (MLM) company and originally established in Ada, Michigan in 1959 by Rich DeVos and Jay Van Andel (Amway, 2010). In 1949, DeVos and Van Andel became distributors of Nutrilite Company in California. After few years, they enjoy success from their own retail sales. In 1959, they create a company named American Way Association, later rename Amway Distributors Association. Their first product was called Frisk,

a concentrated organic cleaner developed by a scientist in Ohio. Later rename LOC (Liquid Organic Cleansing). (Company History, 2010)

In four decades, Amway grew from a small company selling single cleaning product to the world's largest direct selling company. Today, Amway managed to develop and distribute its subsidiary in beyond 80 countries. Moreover, Amway sells its products under several brands namely, Amway, Artistry, Body Series, Satinique, Glister, L. O. C. and eSpring. The company is now leading by Doug Devos (President) and Steve Van Andel (Chairman). Van Andel led the expansion of Amway into stronger and more diversified company to be more competitive in new economy. (Amway, 2010)

In the recent year, Amway companies reported Annual Sales continues to grow of \$8. 4 billion (Amway, 2010), a 2. 3% increased of 2008 (The Truth About Amway, 2010). Likewise, Amway has 13, 000 plus employees and more than 3 millions affiliated distributors worldwide and fully reflective of their local cultures (Amway, 2010). Furthermore, the company rapidly expanded, to Australia in 1971, to Europe in 1973, to Japan in 1979, to Latin America in 1985, to China in 1995, to Africa in 1997, to India and Scandinavia in 1998, to Russia in 2005, and to Vietnam in 2008 (Weblo, 1994-2010).

In 1999 the founders of Amway corporations established a new holding company, named Alticor, and launched three new companies: Quixtar, Access Business Group, and Pyxis Innovations. Pyxis, later replaced by Fulton Innovation, pursued research and development and Access Business Group

handled manufacturing and logistics, for Amway, Quixtar, and third-party clients. (Company History, 2010)

### **3.0 Analysis of Amway**

#### **SWOT analysis**

The comprehensive SWOT analysis of Amway Corporation provides an in-depth analysis of the company operations. The analysis shows a clear and unbiased view of company's key strengths, weaknesses, potential opportunities and threats. The profile helps us formulate strategies that augment our business by enabling us to understand our partners, customers and competitors better. (InfoGlok, 2010)

#### Strengths

When Amway Independent Business Owners (IBOs known as Distributor) have a question about anything such as registration, renewal, business, or product information, Amway Customer Care Associates have answers to help them. Furthermore, they support IBOs sales efforts with DVDs, online sites, magazines and free websites to grow their business. Additionally, there are free and easy to use online, video, and instructor led training are some of the ways they can share with others the knowledge to grow a successful independent business. Moreover, up-line always arranges the meetings and events time to time for the recruits. On the other hand, Amway has a good customer service system to serve customer better. Lastly, they have return and refund policies for those customers who are not certified the products. (Scribed, 2010)

#### Weakness

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The authority of IBOs is higher, so the IBOs always do something without the permissions. Next, all the IBOs more focus shifted from selling products to recruiting, this create too many employees and the products sales decline. Furthermore, there a lot of rumors for direct selling operation such as the cases of cheat. (Scribed, 2010)

### Opportunities

Amway is the largest direct selling company and started manufacturing plant in 1995. Nowadays, Amway has many manufactories all over the world, such as Vietnam and China Guang Zhou. Additionally, the population of the global is another advantage for Amway Expansion. It Is because of the sources of customers and IBOs. Also, Amway is a well-known company all over the world, so their products can be easier to get confident from public. (Scribed, 2010)

### Threat

Amway face the problems like too much freedom to IBOs and the competition from the direct companies, such as Avon, Sunrider, Mary Kay; and the indirect competitors are, Unilever, P&G and the local companies. Furthermore, Amway has to follow the government policies although the policies are always changing, such as the products packing rules or the controlling of prices from government. (Scribed, 2010)

## **4. 0 Globalization Impacts of Amway**

### **4. 1 Actual Impacts**

#### 4. 1. 1 Protection of environment legacy

Since the business operating, the environmental concern continue to be reflected in their product and philosophies, whether on responding to changing consumer demands or reacting to new scientific findings, Amway has stayed on the leading edge of positive environmental practices. Their concentrated products are only being recognized in the industry for their environmental benefits, but Amway took this important step to limit adverse environmental impact years ago. Furthermore, their products and policies reflect that they still concern for the earth and its resources. Also, they never stop looking for new ways to reduce, reuse and recycle (Amway, 2010).

Moreover, Nutrilite farms are a testament to them respect for the environment. Each Nutrilite farm adheres to strict guidelines that emphasize responsible management of natural resources and respect for nature's processes, including natural pest control, natural fertilizers, soil health, erosion control, and the maintenance of natural plant and animal habitats that sustain the diversity of both native plant and animal species. Nowadays, NUTRILITE® is the only global vitamin and mineral brand to grow, harvest, and process plants on its own certified organic farms. (Amway, 2010)

In addition, they continue to seeking renewable energy sources to replace fossil fuels that power their facilities while also taking a closer look at what they can do to improve current systems to maximize their output. (Corporate Citizenship Report 2009, pp. 56)

In the recent years, green become a buzzword, Amway was committed to environmental stewardship from their concentrated products to their many internal operations, such as waste removal and recycling programs. The

persistent programs at their World Headquarters are firstly maintain compliance with applicable environmental, health and safety laws, regulations and other requirements to which the corporation subscribes. Secondly, they continually improve their environmental health and safety performance. Likewise, they try to reduce the impact of their operations on the environment by conserving resources through reuse and recycling, the prevention of pollution, elimination of hazards and the responsible use of energy. (Corporate Citizenship Report 2009, pp. 56)

On the protection of environment aspect, they keep changing of their roles to protect the earth. Additionally, Amway has been recognized internationally with several awards for their environmental policies and initiatives. Such as United Earth Honor in 1993, Amway received a Certificate of Commendation from United Earth in recognition of significant contributions to the cause of environment. (Amway, 2010)

#### 4. 1. 2 Improvement of technical

While many consumers today demand biodegradable products (such as plastic), Amway used biodegradable surfactants in detergent products for decades (surfactants are cleaning and foaming agents). (Corporate Citizenship Report 2009, pp. 49) According to Federal Trade Commission (FTC) guidance, biodegradable should mean that a material is degradable when exposed to air, moisture, bacteria or other organisms and the materials will break down and return to nature within a reasonable short time after customary disposal. (Greener Choices, 2003-2010).

Today what we use in household cleaning is chemical based products on large-scale, affecting our health and environment with some side effects or directly, making our civilization to think on this is very important as after some years our own forthcoming generation will be facing lot of problems with what we are doing using huge amount of chemicals today. Today if we don't switch towards the alternative then it will be too late for the same time, money and health all will be at the stake for survival of humankind.

(Gharat, N., 2010)

Furthermore, Volatile Organic Compounds (VOCs) released into the atmosphere by automobiles, industrial processes and to a lesser degree, consumer products such as hair sprays, are believed to contribute to smog. And this VOCs form a large component of one's total body burden. Today we face a critical condition in the world relating to industrial pollution and other emissions which has led to the breakdown of ecosystems and human health. It is now common knowledge that at least 70, 000 chemicals in regular daily use impact our lives on a continuous basis, challenging our immune systems (Environmental Health Association, 2005). Several states have adopted regulations that require reduced VOCs levels. In order to meet these regulations, Amway initiated the reformulation of several products and reducing the usages of VOCs. (Corporate Citizenship Report 2009, pp. 49)

Additionally, Amway supports consumer to know in selecting products containing genetically modified organisms (GMOs). GMOs is an organism whose genetic material has been altered using genetic engineering techniques that generally known as recombinant DNA technology, use DNA molecules from different sources, which are combined into one molecule to

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create a new set of genes. This DNA is then transferred into an organism, giving it modified or novel genes (Phillips, T., 2008). While Amway believe this is important technology, and working to replace materials that contain GMOs with traditional ingredients where appropriate. (Corporate Citizenship Report 2009, pp. 49)

GMOs have tremendous potential to help humanity. However, the use of this technology has exploded in recent years with very little analysis of its environmental risks. GMO technology must be used in a system that relies on sound science, wise policy and an informed public. (Google Document, 2000)

Obviously, Amway had made a great contribution for public. They use high technical to allow people to continue to enjoy the nature about the health and happiness.

#### 4. 1. 3 Benefits to public

Started in 2003, Amway One by One Campaign for Children is based on a philosophy of providing opportunities, one person at a time. It's a reflection of their business model, individuals working together to create something more than they could ever dream of on their own. (Corporate Citizenship Report 2009, pp. 23)

One by One rallies the resources of the entire Amway family distributors, employees, affiliates and customers, to make a difference in the lives of children around the world. Today, in every country and every community where Amway operates, thousands of employees and distributors support

hundreds of charitable organizations to offer children the resources they need to live, achieve, learn and play. (Corporate Citizenship Report 2009, pp. 23)

The Amway One by One Campaign for Children program builds local relationships that result in global impact. Through this program, Amway, its employees, and distributors support hundreds of nonprofit organizations in more than 50 countries working to address the full spectrum of children's needs. Our employees and Independent Business Owners have spent over 1 million hours volunteering to make life better for children around the world. (PR Newswire, 1996-2010)

#### 4. 1. 4 Changing in political

Since Amway globalized, they having their success in the world and continue to expand. However, when their business into the China, they faces the challenge to interpret the very different cultural and political implications of their presence in a changing communist country. It is because China has just begun its transition to become a democratic country. China's new leadership has come to power facing enormous economic, environmental, political and social challenges at home. (AESplus. net, 1998)

Amway entered China more than ten years ago since from the year 1995. Their entrance into the Chinese market has earned big profits, with more potential to grow. But on April 21, 1998, China officials issued an immediate ban on direct marketing that threatened a multi-million-dollar market for Amway and other potential direct marketing companies (AESplus. net, 1998). Perhaps the reasons of fraud and deception reached a peak in 1998 (Scribed, <https://assignbuster.com/analysis-of-amway-distributors-association/>)

2010), so the Chinese government claims the ban was necessary because the direct-selling operations functioned as a base for criminal activities. However, the ban was lifted three months later on July 21 due to heavy lobbying from American businessmen and Chinese government. But Amway was forced to revise their business plans to only sell products in retail outlets, not through direct-selling. (AESplus. net, 1998)

Consequently, Amway changes their operation method from direct-selling to retail selling in China. (AESplus. net, 1998)

#### 4. 1. 5 Challenges on economic

Foreign Direct Investment (FDI) means foreign enterprises to benefit the local economy by investment. Typically, foreign and local enterprises will form a company to form a multi-national companies or international companies. In order to prove sufficient to assume its multinational parent company for oversea joint ventures or corporate governance rights, the definition of the International Monetary Fund have the right to control at least 10% or more of the ordinary shares with voting rights groups or the organization, its non-equivalent groups organization. Below this limit can only be regarded portfolio. (GOING GLOBAL, 2004)

Fuelled by foreign direct investments, China's economy is beginning to dominate the Asian economic landscape. It has had positive GDP growth in the last five years, while other Asian economies have stalled. China's economy is growing at a rate of about 8 percent, the fastest in Asia. It means that this country is certainly profitable. But Amway must ask itself if the

market demand is important and if it will be competitive. (AESplus. net, 2006)

Indeed, China is an emerging economy but a dual economy too, with a wealthy urban professional and a poor country people. The gap between rich and poor has grown almost as fast as overall income, meaning that inequality is increasing nearly with the country's development. There are huge income discrepancies that are emerging within social groups and between regions. (AESplus. net, 2006)

The Chinese market has attracted foreign investors because of its huge size and market potential. Some predict that China will become in few years the world's largest economy but that could fall flat due to political circumstances. (AESplus. net, 2006)

## **4. 2 Potential Impacts**

### **4. 2. 1 More Fraud cases to public**

Let us review Amway Global, because of the globalization, a very few people have not heard of Amway. Also, there a lot of people join the Amway business, but people joining now have much less of an opportunity.

Firstly, Amway use compensation plan seems very weak in my opinion. They use a breakaway plan that seems to pay just a fraction of what a company of this size should and we knew that recruiting is very difficult, if they had a less confusing and more profitable comp plan, they could overcome this.

Now there a lot of people who have made a lot of money with Amway, but for the down-line, Amway do not gives an IBO much of a shot. (Vieth, N., n. d.)

Next, there is a habit among Amway leaders promised that this business will make money off of their down-line and push them to buy motivational and training products and this is just the beginning. Let us think about this, the recruitment have to use an amount for Amway business every month, these extra bills every month comes nowhere near guaranteeing success in Amway. Charging for what other companies give away freely just makes the leaders an extra buck before the new Amway IBO fails and quits. (Vieth, N., n. d.)

Last thing, up-line help down-line sponsor some people in the beginning, but over time this will not be enough. New member have to be able to recruit a very high number of people and help others do the same. They must learn how to market their business successfully to ever earn a large income in this industry. (Vieth, N., n. d.)

For those behaviors, Amway let people feel like cheated, and the bad rumors for Amway will be more dissemination.

#### 4. 2. 2 Amway products compared with other brands

Because of the globalization, transportation become convenient to use and the transport become more internationally. It makes all the companies easier to send their product to other countries, it forms a multinational trade.

GSK is a global pharmaceutical and consumer healthcare company (GSK, 2010), they manufactured a lot of mineral vitamin products for the public as well as the Amway Nutrilite products. For the public, they always look for the cheaper price and the same effect products. All in all, Amway face the

potential impact that their product sometimes will more expensive than others famous brand products. Such as Artistry make-up products compared to Avon, Shiseido, Loreal and others; the Nutrilite mineral vitamins compared to GSK and Blackmores.

Consequently, the globalization brings the advantages and disadvantages to the Amway.

#### 4. 2. 3 More fluctuations on operation profit

Since the Amway become globalization, they continue to expand and increase their operation cost. However, it does not mean that they can get the increasing of profit on their globalization business. But we understand that, when a company globalize, their distribution chain will be amplification and attract the foreign direct investment to join their share. Moreover, the globalization of Amway gets more fluctuation on currency.

According to their financial report, it shows at MYR645. 5 million in 2008 and get MYR663. 9 in year 2009, the increasing of sales revenue in Malaysia (Amway Annual report, 2009). As we know, the 2008 was a financial crisis year and affect the global financial deeply, but for the Amway, they still can get the rises of earning and continue their expansion with MYR100 million for the new Amway Headquarter (Arveena, M., 2010). Refer to their earning fact, I will estimate that they can get profitability continually in the future years.

### **5. 0 Strategies use to respond to The Impact of Globalization**

As they move into 2011, they strive to increase their efforts to operate more sustainably as a global enterprise. New strategies and action plans have

been put into place that will further reduce the environmental footprint, grow their business, care for their people and their communities and contribute to an improved quality of life for that generation and the next. Although much of this is already embedded in the Amway culture, it will be a major focus as they move toward an even more sustainable future. (Corporate Citizenship Report 2009, pp. 67)

In the workplace aspect, they try to incorporate sustainability attributes in Amway business practices and expand Amway stakeholders' awareness, expertise and passion for environmental stewardship. They accomplished by communicating their goals and aspirations to employees, distributors and supply chain partners and engage their active participation in programs, practices and policies that promote environmental responsibility. (Corporate Citizenship Report 2009, pp. 67)

For their operations area, they step up efforts to conserve resources, reduce waste, harness alternative energy solutions, leverage cutting edge technology and increase the use of green products and supplies throughout the facilities. (Corporate Citizenship Report 2009, pp. 67)

Next, they continue to develop the new innovative and sustainable products, continuously improve existing products, carry out new practice and programmers that will make every product launched more sustainable than the one it's replacing. (Corporate Citizenship Report 2009, pp. 67)

In the community aspect, they try to be a good corporate citizen by continuing to invest time, expertise and resources to improve quality of life, inspire change within the communities where they operate and continue to

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grow the Amway One by One campaign for Children as a premier global cause program. (Corporate Citizenship Report 2009, pp. 67)

## **6. 0 Conclusion**

Amway is a family business with family values. Its IBOs are people who want to make a difference to the communities in which they operate and to the wider world community. Beside that, they strive to practice on environment aspect and improved the existing products. Nevertheless they effort on environment, they still faced the frauds problem in the society. Additionally, Amway successfully shows how positive force and vitality can turn a company into a recognizable force. This brought forth their new brand name, Amway Global. No matter the Amway faced some positive and negative problems in their business, they still getting the successful in the world and continuing to have profit.