

Marketing analysis of the amway corporation marketing essay



First and foremost, the company's vision is quite simple where they work each and every day to help people live better lives. Consequently, the company had achieved by helping people around the world, ascertaining their potential and achieving their targets by selling good quality products which will have numerous opportunities in future and sharing liberally with worldwide communities. As the evidence, Global Cause Program was developed by the company which enable to show their concern for people and communities around the world. Since Amway has achieved their vision, they should propose and set up another vision. For instance, to ensure people everywhere utilize their products in order to save our earth. This is because Amway products are harmless to our health and environment.

Besides, in order to bring the vision into reality, Amway's mission is to ensure people have the opportunity to attain their goals through the sales and marketing plan. At the same time, the mission will be effective and efficient with the association of employees, distributors and the founding families and with the support of quality products and service. Other than that, Amway believes that the proper use and management of the world's resources and protection of the environment are the responsibilities of industry and individuals. Prevention of pollution is the major criteria when setting environmental goals and target. Thus, they produce products that minimize impact on the environment. Personally, I think that Amway's awareness campaign show a great outcome and they should keep it on.

On the other hand, Amway has established their objectives clearly. These were to build loyalty and satisfaction among independent business owners (IBO) and employees, enhance company's reputation as a caring

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organization and make a real difference to human lives. Amway rewards independent business owners and employees for their contribution, commitment and efforts. Furthermore, Amway's 'One By One' campaign provides a good way example in which businesses can make a difference in the communities in which they operate. This proved that Amway's employees and independent business owners are committed to activities which improve the lives of families and children. Thus, it enhances the company's reputation as a caring organization. In my opinion, Amway should propose an objective about to build up effective teamwork. This is because Amway business is about communicating with each another where it can build trust and respect.

Corporate Culture

Rich DeVos and Jay Van Andel are the founders of Amway believe that everyone seek opportunity to achieve in order to improve their lifestyles. Thus, Amway has manifested the corporate culture by the respect for more than 13, 000 employees which came from different nationality, religion, gender and ethnic background. Amway's corporate culture consists of values, symbols, behaviour and artefacts.

First and foremost, Amway believes that values are guideline to operate our businesses and help us to achieve everything without harm or compromise. Basically, it categorized into six such as partnership, integrity, personal worth, achievement, personal responsibility and free enterprise. Partnership is where founding families, employees and IBOs work in trust and confidence to maximise everyone's long-term success. For instance, Amway will reward those who have contributed its success. At the same time, integrity is vital to <https://assignbuster.com/marketing-analysis-of-the-amway-corporation-marketing-essay/>

our business success. Success is not only measure in economic terms but its measured by the respect, trust and credibility we earn. Amway offers status for the credibility of an individual's earned.

Personal worth is everyone deserves to receive fair treatment, opportunity to reach the fullest extend of their potential and respect of their unique qualities. For instance, Amway has different nationality, religion, gender and ethnic background of employees because everyone is unique. In addition, achievements are to encourage individuals for their continuous improvement and create innovation. For example, the Amway diamond status is an individual's achievement which recognise globally of his or her contribution and efforts. Moreover, personal responsibility is a vital because individuals are responsible to help people to achieve personal, corporate and goals. Amway keep carry on this practise in order to achieve its vision. Lastly, Amway advocates freedom and free enterprise to enhance the standards of living worldwide. Thus, economic advancement of individuals have achieved in a free market economy.

Amway's corporate identity is represented by multi-coloured circles that symbolize brand categories and business opportunity with stakeholders. The blue circle represents the positive differences of Amway's home products such as e-springs, glister and so on. However, the red represents the women's beauty products such as the Artistry touches women's lives and builds their inner confidence. The green ripples represent the nutrition products such as Nutrilite to maintain healthy. Lastly, the platinum ripples are shining and strong which represents the protection, commitment and

business opportunity for employees and IBOs of their efforts to create a positive difference in lives and global communities.

Besides that, employees and IBOs have to behave well-mannered and follow the rules and regulations that set by Amway. They have to dress elegantly which means neat and tidy whenever they have appointment or meetings with clients, prospects or business partners because to maintain one's reputation and to be respected by them. Last but not least, Artefact is where Amway encourages communication between IBOs and employees to be teamwork. For instance, One By One campaign was greatly successful because of their team works.

Corporate Governance

Year

Number of Board of Directors

2007

8

2008

8

2009

8

Year

Number of Non-Executive Independent Directors

Number of Non-Executive Non-Independent Directors

2007

3**3**

2008

3**3**

2009

3**3**

A good corporate government involves risk management and internal control, accountability to stakeholders and other shareholders and operating business in an ethical and effective way. Amway as a public-listed company was recognised as one of the Top 10 best companies in Asia and has been acknowledged to be the top 100 public-listed companies in Malaysian Corporate Governance Index 2009 with good corporate governance and effective management.

The Board of Directors of Amway have committed to ensure that good governance is carried out to maximise shareholders value. It formed number of eight members, consist of six Non-Executive Directors, included the Chairman and two Executive Directors. Meanwhile, three out of six Non-Executive Directors are independent. They had satisfied the requirement of

the Code for Independent Non-Executive Directors to constitute at least one third of members in Board.

To maintain good corporate governance, the company should have sufficient size of board to fulfil their responsibilities and duties. Thus, internal control is taking part in an organization. For instance, the responsibility between the Chairman and the Managing Director is to ensure the balance of authority and power. Managing Director applies the policies and decisions of the Board, supervise the operations and business development. In addition, He also involves the responsibility of clarifying, reporting and communicating issues to the Board.

On the other hand, Non-Executive Independent Directors also contribute notably in the areas of policy, monitoring performance and allocation of resources and improvement of the controls and governance. They bring to put up with objective and independent view or judgement on diverse issues with the Board. Hence, they play a vital role in establishing good governance practices in the associations of the Group through their involvement in the Audit, Remuneration and Nominating Committees.

Amway recognises the importance of being accountable to its investors and financial community in order to maintain actively and construct communication policy that enables the Board to communicate effectively with its investors. Therefore, Amway has placed an Investor Relations Policy for its shareholders, investors and stakeholders giving them a clear image of its company's performance and operations. The purpose is to ensure

shareholders' investments, consumer interests and its company's assets are secured.

Besides, risk management practices are the responsibility of the board to identify, evaluate and manage the risks faced by the company to pursue its objectives and strategies throughout the financial period. They had provided assurance report to the Audit Committee and Board to support its system on internal control. Variety of committees can manage the company to uphold the long term possibility and ensure shareholders value is secured. At the same time, Amway has placed code of Ethics for Board and employees to ensure the standard of corporate governance and corporate behaviour at the workplace. Board of directors have participated in proficient programmes commanded by the regulators to ensure company upholds high levels of obedience and ethical is carried out with the Amway's fundamental values.

In conclusion, Amway upholds the standard of corporate governance to ensure the highest level of integrity, accountability and responsibility to shareholders and stakeholders.

Social Responsibility

Corporate Social Responsibility is defined as public and visible business practices that are based on ethical values and respect for the employees, community, environment and stakeholders. It is proposed to convey sustainable value to society at large. Amway believe that its reputation is as vital as its brands. Therefore, they recognise corporate social responsibility as vital part in overseeing their business, creating value for their stakeholders and enhancing the long-term sustainability. Amway has been

proposed the corporate social responsibility since its vision is to help to better people lives.

First and foremost, Amway's employees came from different gender, nationality, religion or ethnic background. The company provide professional training for them as a support in their career. At the same time, Amway has tried very hard to enable and support the compatibility and balance between family and work. For instance, flexible working-hours method has fulfilled the needs and wishes of employees as the number of women working in management positions are getting higher. To maintain employees' well-balanced and healthy lifestyle, Amway offers several plans and activities for them. Other than that, the company's employees donate their time to be volunteered in social works when they having day-off. For Amway, treating its employees with respect is the right way because it shows the satisfaction and longevity of its employees.

Besides that, Amway's vision is to help people better their lives and they take it as important task. For instance, One by One campaign is to help children to live a better life. The company supports a variety of projects to promote education, health and cultural advancement among children. Hence, Amway received the Corporate Citizenship Award since the year 2005. Amway's employees and IBOs contributed 839. 000hours volunteering for social projects. In addition, Amway in Europe developed a partnership with United Nations Children's Fund (UNICEF). They have donated about 4million Euros for UNICEF to help children in distress.

On the other hand, IBOs play an important role by providing good customer service and quality. Amway offers fair and interesting business opportunities for IBOs to establish their own businesses. This allows them to decide about their working hours and places on a flexible basis. However, Amway's business terms and conditions to ensure the cooperation remain fair for both sides. For instance, every IBO gets the same starting position and no requirement to purchase a minimum amount of products

Simultaneously, the trust and satisfaction of customers is vital for the company's success. Amway always treats customers fairly on ethical basis without any offences. As the member of World Federation of Direct Selling Associations, the company must provide truthful information on products to customers because of customers' protection. Amway offers a voluntary Customer Satisfaction Guarantee for its company. For instance, if a product did not meet the customer's expectation, it may be returned at any time without giving any reason. In that case, customers are entitled for a refund of the purchasing price.

At the same time, Amway takes its environmental responsibilities consciously. As its multi-purpose cleaner Liquid Organic Cleaner (L. O. C™) was a biodegradable concentrate and Amway today is continually to improve its products in order to fulfil its ecological responsibility. Indeed, its SA8™ laundry detergent is totally shipped in boxes that made from 100% recycled paper. Additionally, Amway Nutrilite Farms is its own farm to produce food supplements with standards of certified organic farming as relevant in each location. The company rely on renewable energies and natural ingredients in manufacturing process to prevent hazardous substances. Thus, Amway has <https://assignbuster.com/marketing-analysis-of-the-amway-corporation-marketing-essay/>

recognised and received many international awards for its loyalty to the environment.

Amway's achievements are not only financial result but it's the respect, trust and confidence that shown towards its employees, IBOs, customers, communities and environment. The company has done a great job on its corporate social responsibility.

Key Financial Data Review

AMWAY (M) HOLDINGS BERHAD

FINANCIAL STATEMENTS AS AT YEAR 2007- 2009

2007

2008

RM ' 000

RM ' 000

SALES

584, 251

645, 458

OPERATING PROFIT (EBIT)

120, 312

129, 249

INTEREST EXPENSE

32, 400

34, 154

NET INCOME(NET PROFIT)

87, 912

95, 095

CASH

201, 623

222, 241

CURRENT ASSETS

267, 766

292, 411

CURRENT LIABILITIES

81, 895

113, 577

TOTAL DEBT

72, 819

107, 119

TOTAL EQUITY

225, 914

234, 725

NET TANGIBLE ASSETS

221, 132**229, 943**

CASH FLOW FROM OPERATIONS

76, 689**95, 912**

CASH FLOW FROM INVESTING

19, 520**(17, 379)**

CASH FLOW FROM FINANCING

(61, 664)**(59, 538)**

Comment:

The table above shows the financial statement of Amway for the year 2007-2009. The company's sales have constantly increasing from year 2007 and 2009. The operating income to sales uses to measure company's profitability. In year 2007, it gives a return of 20. 6% on sales. Continually, the company had made 20% on sales in year 2008 and 14. 9% on sales in year 2009. This shows that the company's profitability is not optimistic and decreased through this 3years. Return on assets using net profit to total assets to measures overall profitability from company's investment in assets. The total assets exclude the intangibles assets because it cannot manage for overall rate of return. In year 2007, 29% returns on assets while in year 2008, it gives 36% return on assets. However, in year 2009 it decreased the

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percentage of return on assets to 20.8%. This shows that in year 2007 and 2008, the company has eliminated unneeded equipment and spend more wisely on equipment purchases. In year 2009, it decreased because the company had sold out unneeded equipment between the year 2007 and 2008. Thus, the company does not have any unneeded equipment to sell off.

Debt to Equity is the ratio of total debt to total equity. It compares the fund provided by creditors to the funds provided shareholders. In year 2007, 32.2% of company's resources are in the form of debt while 45.6% in the year 2008. This shows that the use of debt can help to improve earnings because we get deduction of interest expenses on the tax return. This can maximise company's profits but risk will be involved. In year 2009, 39.5% of

company's resources are in the form of debt. It shows that it decreased from the year 2008. Times interest earned is the number of time that company earnings to cover its interest expenses. It represents its margin of safety in making fixed interest payments. In year 2007, the company able to cover its interest expense 3.7 times with operating income while 3.78 times in year 2008. However, the company able to cover its interest expense 3.76 times

with operating income in year 2009. If the ration is higher, it able to make fixed interest payments in margin of safety. Current Ratio is current assets divided by current liabilities. In year 2007, 3.27 times more current assets than current liabilities while 2.57 times in year 2008. However, the company has 2.41 times more current assets than current liabilities in year 2009. If the current ratio is low, this would imply possible bankruptcy problems. Yet,

if the current ratio is high, this might imply that management is not investing working assets productively. Acid Test Ratio measures company's ability to meet current obligations based on the most liquid assets. The company has <https://assignbuster.com/marketing-analysis-of-the-amway-corporation-marketing-essay/>

RM5. 73 in liquid assets for each RM1. 00 in current liabilities on year 2007 while RM 4. 53 in year 2008. In year 2009, the company has RM4. 03 in liquid assets for each Rm1. 00 in current liabilities. In year 2007, the company able to meet current obligations based on its RM5. 73 in liquid assets. Last but not least, the cash flow from operations, investing and financing are not stabilize in this 3years.

Opinion:

In my opinion, the company's sales will continue grow and increase in year 2010-2011 because there is economic recession on the year 2008 but its does not affect the sales of the company. This shows that the company's reputation is strong and stable. In addition, the company gives trust and satisfaction for its customers. However, the company's profits will continue grow and increase gradually because the operating expenses have increased due to the economic recession. Indeed, the company will not face any bankruptcy because their products are environmental friendly and health consciousness. In the 21st century, health and beauty products are essential for this generation.

Share Price Monitoring

a) AMWAY'S DAILY SHARE PRICE ON THE MONTH OF APRIL

Date

Opening Price

Closing Price

Volume

1-Apr-10

7.35

7.36

10,100

2-Apr-10

7.40

7.40

1,000

5-Apr-10

7.40

7.40

700

6-Apr-10

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7. 40

7. 40

4, 000

7-Apr-10

7. 40

7. 40

13, 600

8-Apr-10

7. 36

7. 40

9, 000

9-Apr-10

7. 40

7. 40

9, 000

12-Apr-10

7. 35

7. 35

10, 500

13-Apr-10

7. 35

7. 29

16, 200

14-Apr-10

7. 30

7. 35

51, 300

15-Apr-10

7. 35

7. 35

12, 000

16-Apr-10

7. 35

7. 35

21, 000

19-Apr-10

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7. 30

7. 35

3, 200

20-Apr-10

7. 32

7. 35

3, 000

21-Apr-10

7. 31

7. 31

0

22-Apr-10

7. 35

7. 35

3, 500

23-Apr-10

7. 35

7. 40

3, 000

26-Apr-10

7. 40

7. 39

7, 500

27-Apr-10

7. 35

7. 45

45, 100

28-Apr-10

7. 45

7. 45

1, 000

29-Apr-10

7. 45

7. 45

3, 000

30-Apr-10

7. 45

7. 45

9, 200

b) KUALA LUMPER COMPOSITE INDEX (FBM-KLCI) ON THE MONTH OF APRIL

Date

Opening Index Value

Closing Index Value

Volume

1-Apr-10

1319. 79

1329. 84

90, 968, 800

2-Apr-10

1329. 28

1335. 94

60, 418, 400

5-Apr-10

1339. 30

1341. 75

66, 001, 400

6-Apr-10

1342. 64

1334. 37

101, 900, 100

7-Apr-10

1345. 92

1345. 09

96, 155, 200

8-Apr-10

1342. 31

1332. 93

114, 846, 800

9-Apr-10

1333. 77

1333. 98

86, 192, 200

12-Apr-10

1336. 39

1339. 61

112, 168, 300

13-Apr-10

1340. 85

1334. 52

84, 707, 400

14-Apr-10

1334. 18

1335. 89

84, 715, 200

15-Apr-10

1338. 64

1338. 83

100, 534, 600

16-Apr-10

1340. 34

1332. 77

75, 909, 000

19-Apr-10

1329. 73

1326. 67

83, 487, 800

20-Apr-10

1329. 53

1335. 90

76, 536, 000

21-Apr-10

1338. 07

1333. 64

93, 977, 200

22-Apr-10

1334. 24

1337. 01

75, 428, 400

23-Apr-10

1337. 07

1336. 78

56, 413, 400

26-Apr-10

1336. 50

1340. 07

54, 767, 400

27-Apr-10

1339. 58

1339. 72

89, 002, 000

28-Apr-10

1330. 53

1333. 17

86, 258, 800

29-Apr-10

1332. 81

1335. 86

77, 970, 800

30-Apr-10

1338. 32

1346. 38

133, 424, 400

c) AMWAY'S SHARE PRICE PERFORMANCE

The performance of share prices of Amway increased in the month of April.

On 14th April, the opening price of the company is 7. 30 and closing at 7. 35.

Thus, the volume is highest in the month of April which has 51, 300. If the share price is high, the company's equity is gained. The price of the stock is to achieve and maintain the equilibrium between buyer and seller. If the seller exceeds to buyer, the price will fall. To achieve and maintain the equilibrium, either the seller leave or buyer enters. On 13th April, the share price decreased because of shareholders sell off their shares to stabilize their financial status or maybe they invest to other companies. However, the share prices increased back in the next day.

Besides that, the share market Malaysia also known as Bursa Malaysia. The line graph above shows that the closing index value is zig zag form which means that the share price going up and going down. On 8th April, the index value fell 12. 16 points to close at 1332. 93 after opening 2. 78 points lower at 1342. 31. This is because the overnight losses on Wall Street over

concerns that US interest rates impossible to maintain at the current low level much longer and effect the local market reaction. Therefore, investors are conscious to pick up stocks on good deal activities and approximate purchasing which could limit losses. FBM KLCI is expected to maintain a level above 1. 250 for investors to see any opportunity or weakness in the market.

Environmental Analysis

Environmental analysis is one of the inputs to the strategy-making process. It helps the company to understand what is happening both internal and external of an organization. If a company develop organizational strategies, it will reflect its environment and increase its profitability. From the past till now, Amway was being environmental friendly as its objective is to help people to better lives. The company uses the PEST analysis method for its organization. Those factors are political-legal, economic, social-cultural and technological.

First and foremost, the political and legal include the factors such as health and safety, environment, marketing and sales, company law and employment law which Amway concern with it. Amway is being aware of health conscious. Thus, its products are made from natural resources and been investigated by few thousand professional scientists in order to provide safety and secure while using its products. Furthermore, Amway is the member of World Federation Direct Selling Association which was to protect its consumers. For instance, consumers have the rights to return the products which did not meet their expectation and refund for its purchasing price. This process is developed through private and confidential.

Additionally, Company law is where board of directors are responsibilities for <https://assignbuster.com/marketing-analysis-of-the-amway-corporation-marketing-essay/>

their duties. Amway's board of directors take responsibility to overseeing company performance and provide reports because the company is responsible to give a clear image of its company performance for the stakeholders and shareholders. Amway's employees came from different nationality, religion and ethnic background. The company set a rule to treat everyone fairly because everyone is equal. The impact of using political and legal factor can influences government demand on legislation, tax reliefs or subsidies. If a company operates very well, the government will decrease the tax reliefs. This could lead to the company's expenses slightly increased.

Besides that, economic can affect the purchasing power of potential consumers and the company's cost of capital. Factor of economic is economic growth and. Amway's economic growth gradually increased because it provides low-cost and low-risk business opportunity for IBOs based on selling quality products because Amway's vision is to help people better their lives but not to destroy their lives. The impact of using economic factor can influences the consumers to purchase more and the company's cost of capital will be increased.

On the other hand, social factors such as health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety include the PEST analysis. These factors affect the consumer's needs and the size of the potential market. Amway is being aware of health consciousness. The company all sort of products which are harmless to our health. It can prevent pollution to the environment. However, the population growth rate is increasing because more and more consumers purchase its products

especially nutriline and artistry. For the age distribution, women are being

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conscious of their beauty. Therefore, artistry products are harmless to our skin and no artificial colours include. Amway provides flexible working hours and places for employees and IBOs to ensure that they have good behaviour in their career and provide good customer services for its customers. At the same time, safety is a vital important for communities. The company produce products which are safe and good quality for its customers. Impact of social factors influences the company's reputation. If the company satisfy the communities, the goodwill of company will be strong and stable.

Last but not least, technology factors such as research and development activity, and rate of technological change can decrease barrier to entry and influence outsourcing decisions. Amway did many researches on how to manage teamwork in company in order to achieve its vision. For instance, One By One Campaign is so successful because of the team work between IBOs and employess. They treat each another fairly and equally. Amway's technology changes in a way of its system. For instance, stakeholders and shareholders have to meet IBOs, employees or board of directors to get more information of its company. Amway today has developed a website for its stakeholders and shareholders' convenience purposes. The impact of technology factors influence the outsourcing decision because outsourcing can bring the benefits of economies of scale. For instance, Amway may conduct research into new technologies that benefits a number of their customers. The company's website can decrease the barrier to entry which convenience for its stakeholders and shareholders.

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