

**PGDM, 2018-20**  
**Integrated Marketing Communication**  
**DM-535**  
**Trimester – V, End-Term Examination: December, 2019**

Time allowed: 2 hrs 30 min

Max Marks: 50

Roll No: \_\_\_\_\_

**Instruction:** Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Total Marks
A	Minimum 3 question with internal choices and CILO (Course Intended Learning Outcome) covered Or Maximum 6 questions with internal choices and CILO covered (as an example)	3*10  Or 6*5	30
B	Compulsory Case Study with minimum of 2 questions	20	20
			<b>50</b>

**Section A**

**Attempt all three questions. Each question carries ten marks.**

Q1. Television commercials are often developed that rely on unusual creative tactics and have very little relevance to the product or service being advertised. Creative personnel in agencies defend the use of the strange messages by noting that they are novel and provide a way to break through the clutter. Comment. (CILO 3)

**OR**

Q1. Develop a 15 second copy for the radio ad of a 'Energy Drink' as the product recently launched for the consumers and explain the logic of the creative content used for this campaign so as to make it effective to the target segment. (CILO 3)

Q2. While most traditional forms of advertising and promotion have been experiencing a decline in expenditures, outdoor has been an exception. Ad spending in outdoor has actually seen a gain over the past few years. Discuss with an example. (CILO 2)

OR

Q2. As the internet continues to grow in popularity, some marketers predict that the print catalogs will cease to exist, replaced by internet catalogs. Do you agree? Explain with reasons why this situation may or may not occur. (CILO 2)

Q3. Media Planning involves a trade-off between reach and frequency. Do you agree? Illustrate using suitable examples of when reach should be emphasized over frequency and vice versa. (CILO 1)

OR

Q3. Discuss the various reasons sales promotion has become so important and is receiving an increasing portion of marketer's promotional budget. Illustrate the same using a suitable example from industry. (CILO 1)

### **Section B (20 marks)**

#### **Case study (compulsory) (Combination of CILOs)**

# AMWAY'S DIRECT SELLING IN INDIA

## Entry and Growth

Amway India is the country's No. 1 direct selling, FMCG Company. It manufactures and sells many consumer products. Amway entered India in 1995. Amway India is a wholly owned subsidiary of US \$ 10.9 billion Amway Corporation, one of the largest direct selling companies in the world. It commenced commercial operations in May 1998. Amway has invested over ₹200 crore in India. Of this, ₹22 crore has been in the form of direct foreign investment.

Its sales were around ₹100 crore in 1999; it went up to ₹250 crore in 2000 and ₹500 crore in 2001. A decade after launching its India operations, Amway India has reported a turnover of ₹800 crore in 2007. It

recorded a sales turnover of over ₹2130 crore in 2011, up from ₹1790 crore in 2010. It has over 42 per cent share of the direct-selling market. It was no longer limiting its horizon to being No 1 among direct sellers; it overtook traditional firms like L'Oreal, Nivea and Kellogg by revenue in CY 2011.

## Manufacturing

Government guidelines in India insist that direct selling companies should either set up manufacturing units of their own in the country or source their products from the small-scale sector. Amway gets its products manufactured by three SSI units in the country. Amway has transferred its state-of-the-art manufacturing and process technologies to these units. It manufactures most of its products for the Indian market through manufacturing partners based at Hyderabad, Baadi, Daman, Chennai and Mumbai. Almost 85 per cent of the products sold by Amway India are now manufactured within the country through these contract (third-party) manufacturers. Two more have been added in more recent years. Using the network of these seven contract manufacturing facilities, Amway moves the SKUs to a central warehouse and from there to regional warehouses across the metros. Amway India has established a nation-wide presence of over 300 offices and 55 city warehouses and four regional mother warehouses. The distribution and home delivery network set up with the support of independent logistics partners is spread across over 5500 locations.

## Product Quality and Money Back Guarantee

All Amway products are backed by a customer satisfaction cum 100 per cent money back guarantee. The products match Amway's global quality standards. They carry a tamper-proof seal and a 'Money Back Guarantee'. If the consumer is not completely satisfied with the product, she can return it for a 100 per cent refund.

## Products Offered

Amway India started with three product lines—home care products, personal care products and laundry products. Soon, two categories—nutrition and wellness, and cosmetics—were added. It started with five products and soon made it to 25. At present, it offers over 130 products in five categories. The categories are Personal care, Home Care, Nutrition & Wellness, Cosmetics and *Great Value Products*. Amway bets high on beauty, nutrition products. Most products and containers are manufactured in India.

## Nutrition and Wellness Products do Well in Recent Times

In India, in the past, cosmetics were stealing the show in direct selling followed by home products. In recent times, however, nutrition and wellness products (like protein powder and health supplements) have been emerging as a major segment for direct selling. It has been contributing more than 33 per cent of the total turnover of direct selling industry. For Amway, it has formed over 50 per cent of the total business. Its Nutrilite protein powder, launched in year 2000, is now a 250-crore brand, and Nutrilite tablets are a 200-crore brand, having grown 34 per cent last year. Glister toothpaste, too, crossed ₹100-crore turnover in 2011. Nutrilite is the world's No. 1 selling Vitamins and dietary supplements brand.



## Launches Products in the Lower Priced Range as Well

Amway has launched low priced FMCG products labelled *Great Value Products*. Amway felt that, in India, it made sense to be available in both premium and mass categories. The new line includes mass categories, such as coconut oil, hair oil, shaving cream, disposable razors, toothbrushes, etc. and is priced 20–30 per cent lower than the existing range.

## Selling

Amway Products are sold through a network of Amway Business Owners (ABOs) across the country. Amway recruited more than 34,000 sales persons-cum-distributors in the very first year of its operations. The number of distributors now runs into over to 550,000. The products are delivered to its distributors across 360 locations through offices in 53 centres, manned by 180 full-time employees. There is no joining fee for the Amway business – any adult can enrol as an Amway distributor, without any payment.

## Multi-level Marketing

Amway practises what is known as the multi-level marketing (MLM) model. Details of the model are provided in the section that follows.

## Supporting Enterprise and Self-employment

Amway, like all other direct sellers, claims credit for promoting individual enterprise through its direct selling. Amway has provided income-generating opportunities to over 550,000 active independent Amway Business Owners.

**Hamara Apna Business/the Amway Business Opportunity** Amway calls the endeavour *Hamara Apna Business*. It generates employment for housewives. Seventy per cent of its distributors are women who prefer to work part time.

## Convenient to Operate

The model is designed to enable the 5Es of convenient operation: Ease of Ordering, Ease of Delivery, Ease of Payment, Ease of Return and Ease of Information.

## Advertising

Amway learnt that while it might have been built on a model of minimal mass media advertising and maximum direct selling, for further growth, advertising in larger measure projecting individual brands would be needed. Many brands in these categories are image driven. Any premium that a brand can charge depends on the brand message it sends across. So, soon, Amway started looking at mass communication for its individual brands.

**Amway Had to Act Like an FMCG Company** Amway also learnt that to make an impact, it will have to follow the FMCG companies and project each product as a brand with its own character and personality. The company started doing category advertising to educate customers about the brand as many of them didn't know. Taking a leaf out of the FMCG sector again, Amway introduced, for some of its products, smaller pack size including single use sachets to generate trials among customers and get them interested. It thought that the strategy would work with Indian consumers who are price sensitive.

## Brand Experience Centres

Further, to get customers to 'touch and feel' the products, the company opened 'brand experience centres'. These centres situated within shopping malls and high streets allow customers to look at the product range. The centres are manned by consultants who provide information on the products on display. However, these centres don't sell; the company policy is that selling happens only through the ABOs (distributors). The retail format is not a point of sale; it should not be allowed to cannibalise the core business operation. Customers can try the products at the experience centres and the staff there will help them get in touch with the ABO in the area they live to buy the products.

## Training

Amway provides a lot of training to its ABOs (distributors). The job here being one-to-one marketing, it is important that ABOs know about the product they are selling. Only through sound product knowledge can they grow their business. So far, it has conducted training sessions covering more than 1.5 million people. In the absence of advertising, Amway also resorts to customer education through training sessions of small groups of potential customers.

Source: Amway India website [www.amway.in](http://www.amway.in) and reports in the Press, in particular, the report in the *Economic Times*, November 17, 2010 and February 10, 2012.

## ? Discussion Question

Can Amway continue its growth path in India with its MLM model? Do you see any impediments coming in the way? What suggestions would you offer to Amway on the mass media advertising front?