VPM's
DR VN BRIMS, Thane
Programme: PGDM (2014-16)
Fourth Trimester (Mktg.)Examination September 2015

Subject	**Channel Strategy, Media and Integrated Marketing**		
Roll No.		**Marks**	**60 Marks**
Total No. of Questions	**7**	**Duration**	**3 Hours**
Total No. of printed pages	**3**	**Date**	**01.10.2015**

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) 20 Marks (Compulsory):

Read the case study and comment on the following:

Privately held by the DeVos and Van Andel families of US, Amway, short for American Way, was set up in 1959. Amway and its publicly traded sister companies supported 53 affiliate operations worldwide. About 70% of Amway's sales were outside North America.
Besides its extensive internal research efforts before entering India, Amway also conducted market research through agencies such as Pathfinders and ORG-MARG. Though prior to its entry into India, Amway did recognize the need for a special India-specific pricing strategy and eventually there were just a few marginal cuts in the prices, which were still almost 20% higher than those of the competing FMCG products.

The company began with appointing distributors in the country by adopting the 'NRI sponsored' by getting NRIs to rope in their friends/relatives in India into Amway distributorship. These distributors were duly provided with starter business kits containing products, training material, and sales literature. The company's introductory product range comprised four home care and two personal care products, made available to distributors at the Amway Distribution Centers (ADCs) or through tele-service.
In the beginning, Amway had to deal with the negative attitude of many Indians to direct selling. Direct selling was typically seen as unwelcome, an intrusion into one's privacy. This was true to a certain extent. Sales people often used a 'hardsell', the product quality was sometimes poor and most importantly, the salespeople were poorly trained and lacking in motivation.
However, Amway changed all this radically and a significant change was brought in the field. Amway was able to break the time tested and traditional distribution set-up of manufacturer-distributor-retailer-consumer. Within 11 months, Amway became the country's largest direct selling company and after two years of the commercial launch, Amway's distributor base crossed the 200,000 mark.
Its strengths were clearly manifested in the aggressive product launch plans, its products which claimed to exceed consumer expectations, the 'money back' policy, and a distribution network spread across 26 cities servicing more than 306 locations. In 1999, Amway reported a sales figure of Rs 100 crore. Reacting to reports stating this as a 'below-expectations' figure, company sources commented that the concept of network marketing had not been a constraint for Amway. The then CEO & MD Bill Pinckney commented, "The direct selling model is not new to India.

What's new is the structure. And while it's true that consumers do not rush in to buy an Amway product, network marketing works as a low-key approach and evolves over time." However, the problems like distributor attrition, a false 'premium' image and customer dissatisfaction soon began surfacing. Amway could not sit back and let competitors like Oriflame, Avon and Modicare take advantage of its weaknesses.

Though Amway had centralized marketing of all products worldwide, its Indian arm appointed category managers for individual product categories. Amway also decided to focus on the market in the smaller towns. Quick expansion of the distribution network to smaller towns was identified as a major tool to offset the impact of attrition.

The gameplan was to reach consumer homes all over directly by making the current distribution system more effective and decentralized. In early 1999, Amway realized that servicing distributors in 160 cities through its 13 locations was curbing growth due to unavailability of critical infrastructure like networked banks, toll-free phones and multi-service courier companies. The cost of making long-distance calls, the courier companies' refusal to accept cash and the time taken to deliver products were the three major hurdles that Amway faced.

The typical direct selling system comprised a central warehouse located close to the manufacturing locations, which sent the products to regional hubs like the metros and then on to the branch offices. As opposed to the traditional FMCG delivery setup, where the distributors or retailers carried inventory, here it was taken care of by the company warehouses and their region-specific distribution centers. Long distance calls and courier companies took care of distribution in cities where the company had no presence. However, with these facilities not being upto the mark, Amway decided that it had to effectively handle these issues and rapidly expand its offices in order to capture the growing direct selling clientele in the country.
The company also decided to give incentives to cost and freight agents (C&FAs) who could deliver parcels in the same city within 48 hours outside, in about 72 hours. Amway then planned to tap unemployed youth in smaller towns by subsidizing the entry fee for the starters' sales kit. Amway also offered to finance the sales kits through interest-free loans. It even gave free kits to visually impaired youth in Rajasthan. But media reports were skeptical about Amway's strategy to use localized strategies for its global products.

The very concept of network marketing was being threatened by the growing popularity of e-commerce and the Internet. Through the World Wide Web, manufacturers had the opportunity of engaging in one-on-one direct selling in an even simpler way. This posed a major threat to multilevel marketers. However, the real threat seemed to be the merging of telecom networks with the cable television operators.

1. Explain the channel strategies used by Amway. Do you think that Amway would have been more successful by using indirect marketing channel (Wholesaler/Retailer) **(10 Marks)**

2. Which are the disadvantages of Network Marketing **(5 marks)**

3. Network marketing is being threatened by the growing popularity of e-commerce and the Internet. Comment **(5 Marks)**

Attempt Any FOUR from the Remaining SIX Questions

Q2) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

- **a)** Define wholesaling? Explain types of Wholesalers
- **b)** Write a note on Intensive distribution
- **c)** Explain media characteristics of print and broadcasting

Q3) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

- **a)** Explain Channel management decisions
- **b)** How to evaluate channel performance? Explain
- **c)** Write a note on channel Design

Q4) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) Comment on Indian Retail structure
b) Write a note on Media Buying
c) Explain b2b marketing communication

Q5) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) Comment on applying marketing strategy to consumer media
b) Write a note on Advertising and ROI
c) Explain the importance of marketing channels

Q6) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) Give a brief on Marketing Channels
b) Write a note on retailing
c) Who are agent wholesalers?

Q7) ***Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks***

a) Write a note on Modern trade in India
b) Write your views on FDI in Indian Retail sector
c) Write a note on media matrices