

Distributors perception towards marketing of direct selling products with special reference to herbalife

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Abstract

Herbalife product is a leading brand having wider market share. The brand is familiar to most of its prospective consumers. The study deals with pros and cons of Herbalife products and measures the effectiveness and expectation, which will facilitate the dealers and manufacturers to understand the preference of the consumers. It also helps to identify the factors influencing the dealers to choose Herbalife distribution business. An attempt is made to study the factors influencing the distributors/dealers in selecting Herbalife product distribution as their business and also the problems in marketing the same.

Keywords: herbalife, marketing, distributors, consumers, business, distributors/dealers

Introduction

Herbalife International is a multi-level marketing company that sells nutrition, weight management and skin-care products. The company was founded in 1980, and it employs around 6,200 people worldwide. Herbalife reported net sales of US\$ 4.072 billion in 2012, an 18% increase over 2011, and net income of \$477.19 million, a 16% increase over 2011. Incorporated in the Cayman Islands, its corporate headquarters are in Los Angeles, California, United States.

The company distributes its products in 88 countries through a network of approximately 3.2 million independent distributors, some of whom earn profit on product sales and additional commission from a multi-level marketing (MLM) compensation structure. Marketing Herbalife products through multilevel marketing can be very challenging. Multi-level marketing is a system for selling goods or services through a network or distributors. The success of marketing the products with the acceptable quality depends on the methodology adopted in taking the products to the ultimate user, where in multilevel marketing, adopts the methods of direct selling. Multi-level marketing is also called network marketing, relationships marketing and multi level direct selling.

Objective of the study

- To analyse the factors influencing the distributors/dealers in selecting Herbalife product distribution as their business

- To find out the problem faced by the Herbalife product marketers in selling the product.

Research Methodology

The present study is based on both primary as well as secondary data. The primary data were collected through questionnaires.

Frame work of analysis

The data collected from primary sources were arranged in an orderly form to form simple tables. The data distributed in these tables were systematically analysed with the aim of some statistical techniques. The following statistical tools have been used to analyse the data with reference to the selected objectives of the study:

- Simple percentage analysis
- Kendall's Co-efficient of concordance (W)
- ANOVA

Limitations of the study

- The study is confined only to the Herbalife products distributors and consumers in Coimbatore.
- The sample is limited to 100 dealers in Coimbatore, so the sample size may not accurately represent the total population.
- The respondents' responses may be biased.

Analysis and interpretation

Table 1: Percentage Analysis

| | | No of respondents | Percentage |
|---------------------------|---------------------|-------------------|------------|
| Age | Below 20 yrs | 0 | 0 |
| | 20-30 yrs | 14 | 33.3 |
| | 31-40 yrs | 6 | 14.3 |
| | 41-50 yrs | 12 | 28.6 |
| | Above 50 yrs | 10 | 23.8 |
| Gender | Male | 20 | 47.6 |
| | Female | 22 | 52.4 |
| Educational qualification | No formal education | 1 | 2.4 |
| | School level | 4 | 9.5 |

| | | | |
|---------------------------------------|-------------------------|----|------|
| | Graduate | 20 | 47.6 |
| | Post graduate | 14 | 33.3 |
| | Others | 3 | 7.1 |
| Occupation | Student | 5 | 11.9 |
| | Business | 18 | 42.9 |
| | Professional employment | 8 | 19.0 |
| | Others | 11 | 26.2 |
| Family monthly income | Below Rs.20,000 | 4 | 9.5 |
| | Rs.20,000 – Rs.30,000 | 8 | 19.0 |
| | Rs.30,001 – Rs.40,000 | 11 | 26.2 |
| | Above Rs.40,000 | 19 | 45.2 |
| Nature of the family | Joint | 18 | 42.9 |
| | Nuclear | 24 | 57.1 |
| Year of experience as the dealers | Less than 1 year | 5 | 11.9 |
| | 1-2 years | 26 | 61.9 |
| | 3-4 years | 9 | 21.4 |
| | More than 4 years | 2 | 4.8 |
| Monthly sales turnover of the dealers | below Rs.5,000 | 15 | 35.7 |
| | Rs.5,000-Rs.10,000 | 19 | 45.2 |
| | Rs.10,001-20,000 | 4 | 9.5 |
| | above Rs.20,000 | 4 | 9.5 |
| Monthly commission earned | LessthanRs.1000 | 12 | 28.6 |
| | Rs.1000Rs.2000 | 15 | 35.7 |
| | Rs.2001Rs.3000 | 6 | 14.3 |
| | more than Rs.3000 | 9 | 21.4 |

- 33.3% of respondents were in the age group of 20-30 years.
- 52.4% of the respondents are female.
- 47.6% of the respondents are Graduates.
- 42.9% of the respondents are business persons.
- 45.2% of the respondents have a family monthly income above Rs. 400000.
- 57.1% of the respondents live in a nuclear family.
- 61.9% of the dealers have an experience for 1-2 years as a dealer of the Herbalife products.
- 45.2% of the respondents have a monthly turnover ranging from Rs. 5000-Rs.10000.
- 35.7% of the dealers earn a monthly commission of Rs.1000-Rs.2000.

Mean Ranking

Table 2: Problems faced by dealers in selling the products

| Product | Mean rank | Actual rank |
|--|-----------|-------------|
| Poor Communication | 5.39 | VI |
| Lack of advertisement | 3.51 | II |
| Problem due to travelling | 4.12 | III |
| Tough competition | 4.95 | IV |
| Indifferent attitude of customers | 3.19 | I |
| Poor convincing ability | 5.88 | VII |
| Hesitation to approach | 6.07 | VIII |
| Procrastination(postponing) by the customers | 5.07 | V |
| Problems of product replacement | 6.81 | IX |

From the above mean rank table it is stated that most of the dealers have faced ‘indifference attitude of customers’ and hence they have rank it as number one (mean rank 3.19), followed by ‘lack of advertisement’ for the product (mean rank 3.51) and ‘problem due to travelling’ (mean rank 4.12) as rank two and three respectively. ‘Tough completion’ in selling the products is given fourth rank (mean rank 4.95), followed by ‘procrastination (postponing)’ by the customers (mean rank 5.07) and ‘poor communication’ as sixth rank (mean rank 5.39). ‘Poor convincing ability’ (mean rank 5.88) is assigned as seventh rank, followed by ‘hesitation to approach’ (mean rank 6.07) and ‘problems of product replacement’ (mean rank 6.81). ‘Indifference attitude of the customers’ has been assigned

the first rank among the problems faced by the dealers in selling the products.

Kendall’s co-efficient of concordance

Kendall’s Co-efficient of concordance (W) has been applied to find the extent of similarity among the respondents in assigning the ranks to the given items. ‘W’ ranges between 0 and 1. Higher the value of W, more will be the similarity among the respondents.

Kendall’s co-efficient of concordance

Kendall’s W .198
The calculated value of W for the given items is 0.198. Hence, there is less similarity among the respondents in assigning ranks for the problems faced by the dealers in selling the product.

ANOVA

ANOVA technique is used when multiple sample cases are involved. ANOVA is to test for differences among the means of the population by examining the level of factors influencing to become Herbalife distributors within the each sample.

H₀: There is no significant difference in factors influencing the respondents to become herbalife dealer classified based on their age, educational qualification, occupation and family monthly income.

Table 3: Personal factors Vs. Factors influencing to become Herbalife distributor

| | | Factors influencing to become Herbalife dealer | | | F | Table Value | Significant/ Not Significant |
|---------------------------|-------------------------|--|--------|-----|-------|-------------|------------------------------|
| | | Mean | S.D. | No. | | | |
| Age | Below 20 yrs | 0 | 0 | 0 | 1.993 | 2.83 | NS |
| | 20-30 yrs | 3.8254 | .41737 | 14 | | | |
| | 31-40 yrs | 3.4259 | .19138 | 6 | | | |
| | 41-50 yrs | 3.7222 | .38050 | 12 | | | |
| | Above 50 yrs | 3.5889 | .32731 | 10 | | | |
| Educational qualification | No formal education | 3.8889 | .0 | 1 | .419 | 2.60 | NS |
| | School level | 3.5000 | .26450 | 4 | | | |
| | Graduate | 3.7167 | .38570 | 20 | | | |
| | Post graduate | 3.6984 | .43238 | 14 | | | |
| | Others | 3.5556 | .19245 | 3 | | | |
| Occupation | Student | 4.2000 | .28760 | 5 | 4.835 | 2.83 | S* |
| | Business | 3.6605 | .38201 | 18 | | | |
| | Professional employment | 3.5694 | .34343 | 8 | | | |
| | Others | 3.5657 | .23546 | 11 | | | |
| Family monthly income | Below Rs.20,000 | 4.2500 | .27778 | 4 | 6.242 | 4.31 | S** |
| | Rs.20,000 – Rs.30,000 | 3.6250 | .29659 | 8 | | | |
| | Rs.30,001 – Rs.40,000 | 3.4545 | .27869 | 11 | | | |
| | Above Rs.40,000 | 3.7193 | .35403 | 19 | | | |

Source: Computed NS-Not Significant S*- Significant at 5% level S** - Significant at 1% level

Inference

- It is inferred that personal factors such as age and educational qualification has no significant difference in the factors influencing to become dealers of Herba Life. Hence, the null hypothesis is accepted at 5 per cent level of significance.
- With the F value it is concluded that there is a significant difference in the factors influencing the respondents to become dealers classified based on their occupation. Hence, the null hypothesis is rejected at 5 per cent level.
- It is concluded that there is significant difference in the factors influencing the respondents to become dealers classified based on their occupation. Hence, the null hypothesis is rejected at 5 per cent level.
- It is found that there is significant difference in the factors influencing the respondents to become dealers classified based on their occupation. Hence, the null hypothesis is rejected at 1 per cent level.

Suggestions

- Distributors are find it difficult to approach the customers and convince them to purchase the products, so proper training should be given by the company to the distributors about the how to market the products.
- Product replacement guarantee should be given by the company, so that the distributor will find it even more easy to market the product.

Conclusion

Herbalife is encouraging everyone to celebrate the immeasurable rewards of the products. It offers a complete solution for weight management, targeted nutrition, energy and fitness and personal care. But in years to come definitely the demand for this product will increase. As demand would increase the company will also try to satisfy those demands. In the process, the manufacturer could take into consideration the consumer requirements, so that it would be highly successful by satisfying the customers.

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