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A development of Network Marketing Business Model Based on Isan Culture

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The objectives of this study were to investigate network marketing business (NMB) regarding background, current situation, and problem to develop a suitable business management model for network marketing business based on lower northeastern region (Isan) culture. The research area was lower northeast (i.e., Nakhon Ratchasima province, Surin province, and Ubon Ratchathane Province)'s network marketing business. The main participants of this study 166 participants, which can separate into 3 groups consist of key informant group, casual informant group, and general informant group. A semi-structured interview as tool to collect data in this qualitative research. Regarding validity measurement using triangular method. The results indicated that network marketing business is one of business, which established as alternative way for people who want to increase their income and achieve work performance. Low cost strategy was used through social media communication channel and distributors for reducing advertisement cost. For current situation and problems, the subject concerning human resource management aspect (i.e., teamwork, distributors' self-confidence, time management, and conflict management) was main problem in NMB, and followed by financial management factor, and product and marketing management problems. To increase distributors' performance, the firm's managers should emphasize in creating a suitable activity and environment to support learning organization, teamwork, motivation system, and corporate governance especially. Moreover, an establishing proper key performance indicator is also key factor to increase their productivity and efficiency that fit for Isan cultural context.

Keywords: Network marketing, Isan culture, Independence business model

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Introduction

Network marketing business (NMB) is one type of business that important to Thailand's economic. Since the finance crisis in 1997, many companies and manufacturing industries faced trade and investment problems, and employment problems such as

decreasing wages and unemployment. Network marketing, direct sale, and multi-level marketing were promoted as alternative job to complement employee's salaries. Moreover, the NMB is used as a source of income to avoid being unemployed. The attractive of this business is that it provides income opportunities to low skilled workers (Franco & Gonzalez-Perez, 2016; Kummamuru, 2016). Amway (Thailand) Co., Ltd is an international network marketing company and achieved in internationalizing process, which the main key success factor is low cost strategy. Low cost strategy is used for NMB to reduce marketing cost and advertisement cost through via social media communication channels and a relationship between distributors and end of customers or their families, which a result of this strategy can increase the company's profit effectively. In the other hand, although the size of network marketing is increasing rapidly but lose rate of network marketing distributors is high failure around 99.6 percent (Taylor, 2001). Moreover, the distributors who fail in the network business lose their confidence, money, and time, which this is the main problem of the NMB especially international network marketing brand as Amway (Hiranpong, Decharin, & Thawesaengskulthai, 2016). Regarding different culture problem that effect on NMB, based on distributors job and firm's network marketing strategy abovementioned, the distributors have to understand customer culture and behavior to increase their income and meet achievement goal. The distributors or marketers have to modify suitable marketing activity generated in each country in a different cultural particularly (Goodrich & de Mooij, 2013). Chaney and Martin (2010) stated that to achieve in sale performance, the marketer need to understand a common or local language to communicate successively with customer in each region such as dialect of Thailand's lower northeast region (Isan zone). Therefore, the purposes of this study were to explore network marketing business regarding background, current situation, and problem to develop a suitable business management model for network marketing business based on lower northeastern region (Isan) culture. The study contributes to the network marketing literature for developing effective strategy that proper cultural difference. The rest of this study is administrated as follows. Section 2 represents literature of the concept of network marketing business and research process framework. Subsequently, section 3 explains research methodology. Research results are organized in section 4. Finally, section 5 reports conclusion, research implication, and future research.

The Concept of Network Marketing Business

Network marketing business can be defined as a form similar to “multi-level marketing” or “direct marketing”. Network marketing business is one of marketing method in the area of distribution strategy of goods and services, which independent agents serve a distributor of goods and services, and are encouraged to build and manage their own sale force by recruiting and training other independent agents (Hiranpong et al., 2016). Moreover, the producer or company employs a distributors’ network to sell its products and services to final user. The distributors sell products and services through interpersonal communication and earn income from their sale performance or generate a percentage of sales. Therefore, in this method can eliminate distribution cost, advertising cost, product testing cost, sales training cost per unit, human resource cost, and the cost involvement of retail store, and increase new entrepreneur (Adede, 2017; Franco & GonzalezPerez, 2016; Kummamuru, 2016). Recently, there were researchers and scholars have studied network marketing business fields such as Kummamuru (2016) represented corporate governance in network marketing organizations: the role of ethics and CSR. Hiranpong et al. (2016) studied a structural equation modeling of a potentially successful person in network marketing. Furthermore, with regarding technology approach and decision-making system to support network marketing business, Han(2009) adopted the application of fuzzy set theory to evaluate network marketing, and Rezvani, Ghahramani, and Haddadi (2017) created a research on electronic marketing, corporate culture and organizational performance. Based on the abovementioned literature, it was found that the previous researches have been investigated in many ways for network marketing business. However, there is a gap regarding how to develop network marketing business in a different cultural aspect. Therefore, this study is designed qualitative research method to construct the suitable business management model for network marketing business based on Isan culture particularly. The research algorithm process is provided as below (Figure 1)

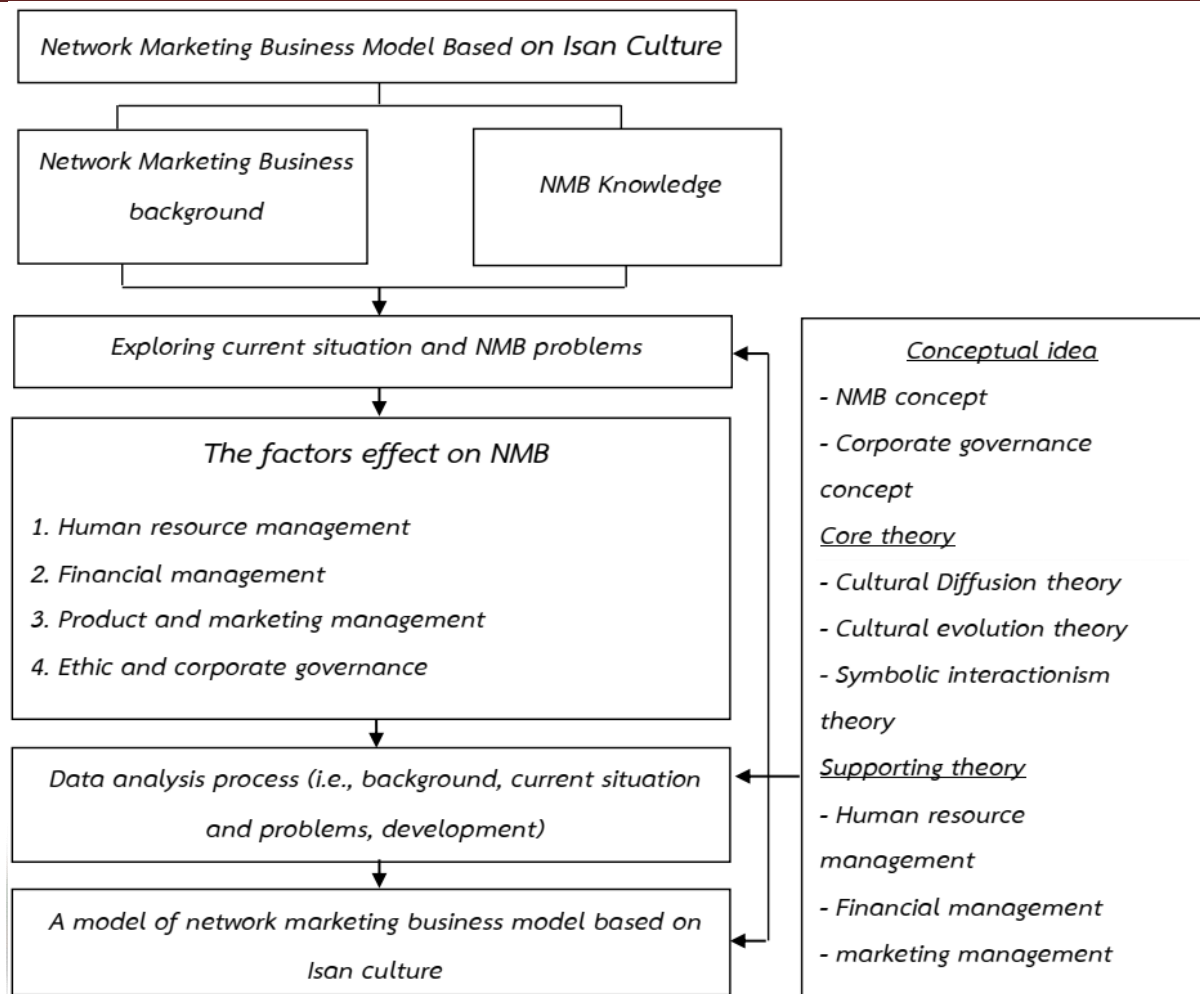


Figure 1 research algorithm process

Research Methodology

Qualitative research was conducted in this study to understand network marketing business background, and illuminate current situation and problems of network marketing business based on Isan cultural foundation context particularly. A semi-structured interview as tool guide to collect data through interviewing 166 related persons' network marketing business, which were interviewed regarding their attitude and experience with network marketing business. According to measure validity or trustworthiness of this study, triangular method was employed, which integrating more than one technique approach to collect data such as documents from literature reviews, interviews, and observations.

Participants

The research area was lower northeast (i.e., Nakhon Ratchasima province, Surin province, and Ubon Ratchathane Province)'s network marketing business. The main participants of this study 166 participants, which can separate into 3 groups consist of key informant group, casual informant group, and general informant group. Key informant group

was 14 organizational leaders (i.e., chief executive officer of Thai Direct Selling Association and Government office's leader), managing director, and managers who work for network marketing business such as Amway (Thailand) Co., Ltd., respectively, which they have a strong corporate background and network marketing business experience in Thailand's lower northeastern region. Casual informant group was 110 stakeholders' network marketing business such as successful Amway business owners. General informant group was 15 persons that stayed in Nakhon Ratchasima province, Surin province, and Ubon Ratchathane Province and did not work in network marketing business. For general informant group, purposive sampling technique was used to understand the main reason and problem that they do not want to work in network marketing business. Interviews allowed individuals for sharing their experience and understanding about background, current situation and problem of network marketing business based on Isan cultural context.

Data collection

An interview process was designed to meet the research objectives through using semi structured interview. The elaborate tools to gather data was created from literature review, documents, and previous research on the topics of network marketing performance and efficiency, which used as interview guide for collecting data process. The interviewees were asked regarding network marketing business and management field consists of human resource management, financial management aspect, product and marketing approach, and corporate governance dimension that suitable for network marketing business based on Isan cultural context. Moreover, to increase interview quality and efficiency, the general atmosphere was designed proper for interview. In addition to their ability in interview process, each interview was administrated around 30 minutes and very casual, which it is a suitable time for interviewees to concentrate the interview. During interview process, interview was recorded using digital audio recorder then the recorded data files were transcribed verbatim by researcher professionally.

Data analysis

The purpose of this section is to identify the background, current situation and problem of network marketing business of the participants point of views. Triangular method was employed to ensure trustworthiness of this study. The raw data was transcribed then returns to each participant to review and ensure the data accuracy of interview. With regarding data analysis using content analysis technique and constant comparative approach, which the interviewed data were compared with documents and observation

data. The constant comparative results were counted and created tabular qualitative output (Bryman, 2004; Fletcher & Arnold, 2011).

Research Results

Amway's Background

Amway is a direct-selling or network marketing (direct seller of household, personal care, nutrition, and cleaning items). Atco manufacturing was the first name of company then changed to Amway manufacturing and relocated the new plant. The Amway headquarters is located in Ada, Michigan in the United States of America, which the business was established by DeVos and Van Andel families. With regarding Amway business concept, the company is created on family values by taking care of its people, community and environment. For cost reduction using its direct selling business strategy model, it has and is supporting over three million distributors worldwide. Amway's objective is to create a sustainable business and corporate responsibility that people trust – day-in, day-out, which this the heart of their business model. Many businesses struggled during the economic downturn in Europe and the political turmoil in the Eurozone. The Amway business entered Thailand in 1987 the headquarter on Ramkhamhaeng Road in Bangkok. The Amway business expanded into 83 branches of Thailand and included more than 1200 products which are divided into 4 categories which include; 1) “Myself” products which include beauty and cosmetic products, 2) “My Health” product group which include healthcare products, 3) “My Home” product group which includes household products and 4) “Personal Shopper Catalog” group which include products from Amway and Thai products.

Current Situation and Problems

The current situation and problems of NMB based on Isan culture through collecting secondary data literature and theoretical foundations and primary data using qualitative research of this study include:

Human resource management

Based on the research's findings from interviews made according to coding table results, which the seller or distributor will achieve in sale performance when customer possesses a certain level of information on the products and services. The independent distributor presents and introduces the information of products and services to customer and they charge a commission in return for selling. Moreover, the distributor also can introduce the business to other distributor, and primary distributor also charges an amount as commission in return for secondary distributor's scale. According to the interviewed of

Suthep Cusakul, Amway business owner stated that “the important factor for increasing and preserving distributor or network marketing member is team leader, which the leaders have to introduce and suggest the member for understanding regarding business objective, goal, job responsibility, and business benefit clearly”. Moreover, Chatchai Chaleaychit said that “there are many reasons regarding the entering to NMB of new member for instance unemployed, freelance, or continue their parent’s business etc., which the team leader has to create suitable activity and training for changing their attitude and understanding regarding goal and NMB process system”. The problems of human resource management problems, the NMB member or distributor did not understand the important of training, teamwork, lack of self-confidence, lack of commitment to work, time management problem, and conflict management, which these problems are main obstacle of NMB member to achieve in sale performance.

Financial management

According to the interviewed code data table, network marketing can make sale performance rapid increasingly and seek to force the customer for sale goods and services, which it means that the distributors obtain their achievement target faster. On the other hand, the distributors’ money supply also high that relate to high sale performance. Therefore, cost reduction is one factor that effect on NMB in Financial management, which the main problem of this section is financial planning and risk evaluation plan for NMB. Moreover, contingency plan is also an important function for NMB distributor members to reduce financial risk and money supply problem.

Product and marketing management

According to interviewed data table indicated that regarding the NMB’s current situation on product and marketing management, customer relationship management is used as effective tool for NMB, which the management technique is useful for introducing goods and services to customer effectively. Distributors or venders provide information to acquaintances (i.e., friend, colleague, neighbor) and their family through verbally assisting them (face to face selling or man to man marketing) and suggestion that how can they use goods and services. Regarding problems of product and marketing management approach, new distributors do not understand products and services information clearly and completely, which effect to their sale performance and opportunity cost.

Corporate governance factor (CG)

Based on the research's findings from interviews made according to coding table results, Good CG enhances the reputation of a corporation and contributes to its growth. CG is the way a corporation monitoring itself. CG is intended to bring in and increase the accountability across all levels of organization so as to avoid likely major issues or problems that may come up with time. The general principles of CG of NMB include and are related to shareholder recognition, stakeholder interests, clear board responsibilities, and ethical behavior. The NMB as Amway (Thailand) Co., Ltd.'s strategy, the strategies were created to support sustainable business through working closely with its stakeholders such as consumers, employees, distributors, and policy makers of different geographies where they operate. Moreover, the company focuses an importance thing to listening to the views of its stakeholders and how it is performing for them. The subjects include workplace, people satisfaction, environmental protection and their commitment to helping local communities. Amway has a transparent process for handling complaints and management the business. Regarding problems of corporate governance aspect, the business members or distributors were not respect on the good governance in their business; for examples they put up merchandises for sale or put merchandises at front windows, introducing the prospective cross-line business network members, or cross-line business merchandise sale, and ignoring standard regulation for sale such as giving the special price for the customer less than another distributor, which will effect to entire network marketing business in the future.

A development of NMB

The development of the business model for network marketing relies on personal development skills such as human resources management, financial management, marketing and sale, and technology that suitable for NMB. the business owner and other business owners within their group should regularly attend group business functions, meetings and training as much as possible to increase business and management skill effectively. The success of the NMB model relies on duplicating the success of other successful business owners in their group and attending the various events will create an exchange of knowledge and direct learning from business leaders. The business owners must also learn how to systemize their business, have good practices in financial management and good teamwork.

Conclusion and Suggestion

This study contributes to academic implication by finding the important of the main reason that effect to NMB in Isan cultural context. In conclusion, network marketing is a group business in which the members share a unified support system of trust, belief and duplicating the success of their up-line members. Successful management of network marketing business relies on trust, belief in their up-lines, equality, sincerity, compassion and high regards of each other. Moreover, according to the results, human resource management, financial management, product and marketing aspect, and corporate governance factor are important factor that effect on NMB. To increase NMB effectiveness, the NMB leaders should also have empathy, acknowledge and practice their expertise continuously. Moreover, to increase distributors' performance, the firm's managers should emphasize in creating a suitable activity and environment to support learning organization, teamwork, motivation system, and corporate governance especially. Moreover, an establishing proper key performance indicator is also key factor to increase their productivity and efficiency that fit for Isan cultural context.

Recommendation for Future Research

This study investigates the background, current situation, and problems of NMB based on Isan culture, which may have some bias to the research results. Therefore, for the further research should ascertain the results extending to survey research or quantitative research, and carry out on larger population samples for improving a reliability of research.

The research area of this study is in Thailand's lower northeast region only 3 provinces (i.e., Nakhon Ratchasima province, Surin province, and Ubon Ratchathane Province), which for future research should extend research area to other Thailand's region for ensuring suitable results for NMB context.

NMB is focused on management activities such as human resource management, financial management, product and marketing approach, and corporate governance aspect, which it is possible that further research should explore on how the various factors that possibly on other aspect such as leadership, customer relationship management, total quality management factor etc.

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