

The Strategy of Multilevel Marketing Companies When Facing up the Business Competition (Study Case on Oriflame Indonesia)

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Abstract:- This research's purpose is to find out and analyze kind of strategy that have been used at Oriflame Indonesia . Current Methods that used is Descriptive Qualitative Method with using SWOT analysis. Data collection techniques using literacy methods and others documentation from several sources. The results show that Oriflame Indonesia's corporate strategy is carried out by direct sales and multilevel marketing system that focuses on its strengths, which namely 1) people and culture, 2) brand and product, 3) network marketing / multilevel marketing and 4) world class service.

Keywords:- Corporate Strategy, Multilevel Marketing, SWOT Analysis.

I. INTRODUCTION

The development of technology today is growing rapidly With increasingly advanced technology development.Those companies are competing with each

other in their business activities . To survive on this competition, companies must be able to plan strategies accordingly. One of strategic innovation in the business world is multilevel marketing systems. Marketing with MLM strategy has its own attractiveness. The Factors that become attractiveness namely prospective markets, relatively low investment, low promotional costs, and simple working mechanism. Another factor that attracts this business is it does not require a large amount of money, time is flexible / and could be controlled alone, has a lot to do with consumers and quite small risk.

One company that applies a multilevel marketing system is PT Orindo Alam Ayu through Oriflame beauty products. Oriflame could be considered as a market leader in a network company field in cosmetics. In Indonesia Oriflame has survived for 34 years and currently has hundreds of branches and thousands of consultants (members) who are widespread throughout Indonesia. And these days Oriflame is number one independent cosmetics company in Indonesia.

Numb	Years				
	2015	2016	2017	2018	2019
1	The Body Shop	The Body Shop	Wardah	Oriflame	The Body Shop
2	Oriflame	Wardah	The Body Shop	Wardah	Oriflame
3	Mustika Ratu	Oriflame	Mustika Ratu	The Body Shop	Mustika Ratu
4	Wardah	Mustika Ratu	Bali Ratih	Mustika Ratu	Wardah
5	-	Herbolist	Oriflame	Dove	Dove

Table 1: - Ranked of Skin Care Products for the 2015 - 2019 Periods
Source: Top Brand Award (2020)

Table 1 presents that the rating data of famous cosmetic products that most demanded by Indonesians from year 2015 - 2019. In the 2015 - 2019 periods, Oriflame was always in the top 5 cosmetic products that were in great demand and used.Taken from the Top Brand Award website (2020), Oriflame skin care products in 2015 were at the level of 16.5%, in 2016 fell to 9.7%, in 2017 and its also decreased by 3.7%, which was surprising at in 2018 Oriflame skin care products rose by 16.8% and the peak was in 2019 by 19.4%.

Those phenomenon could be more interesting because based on the article from the 5 beauty products, there's only Oriflame who was distributed and sold through the MLM system. Therefore, the authors were interested to discussing

about the company strategies that applied on Oriflame Indonesia.

II. THEORITICAL REVIEW

A. Strategy Management

According to David (2011:14) he stated that The Strategy management could be defined as an art and knowledge in formulating, implementing, and evaluating cross-functional decisions that enable for organization to achieve its goals. Meanwhile, according to Stephen P. Robbins - Mary Coulter (2014: 267) strategic management is what managers do to develop organizational strategies. Then Wheelen and Hunger (2012: 53) conveys that The Strategic management is set of managerial decisions and it

took long-term decision for making actions within a company.

B. Strategic Planning

Rangkuti (2013: 183) argues that the strategy is a comprehensive master plan, which explains how the company will achieve all the goals that have been set based on the mission that has been set previously. According to Pearce II and Robinson (2008: 2) it said that the strategy is a large-scale plan with future orientation and in order to interacted with competitive conditions to achieve the goals. Furthermore Umar (2003) stated that the strategic planning is a planning carried out by organizational leaders with a focus on vision, mission, philosophy, and strategy of organization to achieve the organizational goals.

C. Multilevel Marketing

David Roller (1996:3) defines that Multilevel Marketing as a system through the name of a parent company distributing goods or services through the network of independent business people and these people then promote to other people and help distribute goods or services. Suhwardi (2004:187) said that MLM is one of method of marketing goods and or services from direct goods sales system through a marketing program in the form of more than one level, where business partners get sales commissions and sales bonuses from the sale of goods and or services that they do themselves and network members in that group. While Tracy (2005) defines that MLM as one of specific marketing variety and its compensation design involves a number of levels of group organizing and commission payments, and could apply to all sales methods such as traditional direct sales, party plans, or mail orders.

D. SWOT Analysis

According to Rangkuti in Rahman (2014:285) tells that SWOT Analysis is the systematic identification of various factors to create a company's strategy. Based on Riadi (2013) SWOT Analysis has function to determined any information about the condition and divide into main internal problems (strength and weakness) and main external problems (opportunity and threats). Furthermore, According to Keller (2009) said that the benefits of SWOT Analysis is to increase the knowledge and understanding about the organization therefore it could identified and divide which factors would be strength, weakness, opportunity and threats in organizational to determined the right strategy to use.

III. METHODOLOGY

This research uses descriptive qualitative method using SWOT analysis to determine the company's long-term plans. The data collection techniques using literacy methods with documentation from several sources.

IV. DISCUSSION

Oriflame is one of the fastest growing cosmetic products in the world. In Indonesia itself, The Oriflame could reach out all regions. Oriflame Indonesia's success in reaching those remote areas was inseparable from its sales strategy that using unique and different from others retail systems in general. Oriflame products are offered through Direct Selling and Multilevel Marketing systems. Oriflame has a vision to become the number 1 direct selling company which engaged in the beauty field. The mission that Oriflame carries out is to realize dreams by realizing fundamental values, namely 1) togetherness, 2) spirit, and 3) passion. To live those fundamental values, The Oriflame holds 5 principles that must be followed:

➤ *The Simplicity and Cost efficiency*

This principle of simplicity built by Oriflame is to use a direct approach to develop activities in all fields. One of them is cost, The Oriflame always tried to pressed the amount of costs incurred to help pressed the product prices and benefitted the consumers.

➤ *Respect to surround Environment*

Oriflame opposed the use of animals as experimental material for the basic ingredients of their products, and approaches system in their business.

➤ *Focus on consumers*

Oriflame would listens carefully to the opinions of people who bought their cosmetic products, like listening to people who bought through the business opportunities they offered so they could continue to compete and adapted with change.

➤ *Giving Attention to people*

Oriflame has a strong focus on providing encouragement, training and personal development for each employee and consultant.

➤ *Capability to continue to survive*

To continue to survive, The Oriflame focuses on their business strategy for continued growth and its stability.

A. *Oriflame Indonesia's Business Strategy*

The strategies implemented by Oriflame Indonesia are to focus on its strengths, which namely:

➤ *People and Culture*

Oriflame Indonesia always employs qualified people according to their work and has a good attitude. Oriflame Indonesia has always instilled a strong corporate culture so that can be infused by all employees in accordance with the culture and values of Oriflaeme. To be able to create a corporate culture as its expected, things would done include reating a conducive work atmosphere, fostering a sense of togetherness between employees, and give an appropriate awards for employees who excellents so they could feel motivated to work better.

➤ *Brand and Product*

Oriflame Indonesia has creates price perception by creating good quality products at affordable prices also environmentally friendly. Oriflame Indonesia also makes differentiated products with 4 categories which namely fragrance, toileteries, color, and skin care. Oriflame Indonesia creates products that can be used by various groups and various ages.

➤ *Network Marketing*

Oriflame Indonesia use direct selling with a network marketing system to market its products. The Oriflame provides special prices for its members / consultants so as to create financial opportunities to its partners by selling products according to the catalog. Oriflame provides support for all independent consultants by conducting training as well as providing support to the upline to manage the consultants under it.

➤ *World Class Service*

Oriflame Indonesia always try to provide the best service for customers including its independent consultants. The services provided give an easily access to registering and become a member, buy products and payment processes.

B. Oriflame Indonesia 's SWOT Analysis

The following SWOT analysis on Oriflame Indonesia:

➤ *Strength*

- Have More than 40 years of experience in the field of beauty.
- The products offered are varied for all groups.
- Have a unique marketing strategy.
- Competitive product prices compared to competitors.
- Having a company culture with a high spirit of team work and familiness.
- Oriflame Indonesia already has a website which can be used by consultants to make purchases online, get the latest news about the products, promotions and events held by Oriflame Indonesia, also any information about Oriflame Indonesia and its policies.

➤ *Weakness*

- Employee training procedures didnt complete yet developed.
- There is still lack of professional employee recruiters
- All Services that need to be improved.

➤ *Opportunity*

- A huge enough market share for beauty products.
- Public perception is already good enough for Oriflame Indonesia products
- Growing public demand for Oriflame Indonesia products.
- Growing interest in Indonesian society (mostly women) to earn income by becoming an Oriflame consultant.
- Technological progress rapidly

➤ *Threat*

- The entry of new competitors offering quality products at lower prices.
- Growing demand and supply for substitute products.
- Slower economic growth that causes a decline in market demand.
- Unstable foreign exchange rates. All Oriflame products come entirely from abroad so if there has changes in exchange rates it could affect the selling prices of Oriflame products in Indonesia.
- The negative view from publics towards MLM.

C. The Success Factors of Oriflame Indonesia

The success of Oriflame's business will not occur if it is not supported by good direct selling system so that it could trigger rapid market development, especially in Indonesia. For sales, Oriflame basically has two ways: first, by direct purchase of consumers in salespeople, and also orders-based purchases via an online catalog. Broadly speaking, there are five determinants of Oriflame's success factors namely:

➤ *Local Management Factor*

The company decided to give a shoot to local people than expatriates even though they have good knowledge and reliable experience both in terms of company products and local culture. In each country, companies would recruit local managers and staff, and invest considerable time during interviews to explain the nature of the free market economy, direct selling methods, and company marketing plans.

➤ *Company Marketing Plan*

The marketing plan is considered as one of the main assets of the company. Some of elements such as support, guidance and training were provided from Brussels. Company staff invest a lot of time trying to help the local market. This marketing plan is called "The Success Plan", this plan is similar for all countries with only few adaptations as needed.

➤ *Public Relations Business and Company Advertising*

Oriflame always considers Public Relations as one of the important elements in the company's operations. Many companies allocated to those activities above the lines with the aim of increasing public awareness. The company uses a combination of advertisements on TV, print media, and billboards.

➤ *Prices and products*

Oriflame products are made from natural ingredients with concern to quality while controlling prices at a reasonable level. The objectives of the company are explicitly stated as follows: our goal is to provide products at prices below international competitors.

➤ *Distribution*

The company built several service centers in cities with high sales potential. The company try to meet a maximum time of 48 hours to service all regions of the

country. While for the capital region, the policy of order fulfillment was implemented in less than 24 hours. This is so important because many companies rely on the direct selling system

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V. CONCLUSIONS

Oriflame Indonesia's company strategy is hugely dominated by strategies which related to the direct selling system and network marketing / multilevel marketing. Oriflame has the largest direct selling system in Indonesia. Oriflame is known not only to offer and sell products but also to foster salespeople (Oriflame members) to approach consumer prospects in a subtle way. They're trained not to force the consumers to buy products, consumers were also given free skin analysis as well as personal advice about skin problems they had and after buying the products, the members are also encouraged to provide after sales services for free.

With Oriflame Indonesia's achievement as the number 1 direct selling company in Indonesia and number 2 in the world, the company still needs to find the right strategy to maintain Oriflame Indonesia's survival. The right strategy is also needed to reach better achievement for Oriflame Indonesia.

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