

Conference Paper

Multilevel Marketing Strategy in PT. Oriflame Medan as a Basic Steps for Students of Business Studies

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Abstract

The marketing strategy is designed to determine the direction, marketing objectives in the business related to market segmentation and marketing mix elements. This study aims to determine the marketing strategy that includes market segmentation, product, price, distribution and promotion strategy. Network marketing (Multi-Level Marketing/MLM) is now getting a lot of interest by the people of Indonesia, especially in the city of Medan. From the results of the existing reality, researchers try to see marketing strategies undertaken by Multi-Level Marketing (MLM) at PT. Oriflame Indonesia in Medan city, where the purpose of this research is to know the marketing strategy applied by Multi-Level Marketing (MLM) at PT. Oriflame Indonesia in Medan city. The purpose of this research is to determine whether multi-level marketing strategy (MLM) affects the business beginners viewed from the number of members at multi-level marketing (MLM) PT. Oriflame field that holds the status as a student. Multi-Level Marketing (MLM) is a way or method of selling goods directly to consumers through a network developed by distributor members. Multi-Level Marketing that has products/goods to sell to consumers. The research method used is descriptive qualitative method approach that means the research produces descriptive data as data derived from the words result of interview with observed behavior. The observed behavior is none other than that of the members of Multi-Level Marketing PT. Oriflame Medan that acted as a population at the same time becoming a sample member of the company Multi-Level Marketing still bearing the status of Medan Students. The results show that if viewed from the marketing strategy of multi-level marketing (MLM), apply a structured marketing strategy with positive and significant influence of the landing that always given from the upline to its downline as a new member, the application discusses the overall strategy implemented in market products of PT. Oriflame so that the implementation has a significant influence on the beginner business who was cultivated member in Medan who status is of a student. This means the hypothesis is accepted.

Keywords: Multilevel Marketing Strategy, basic steps for business

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1. Introduction

Oriflame founded in 1967 by two brothers and their friends, today Oriflame has become an international beauty company with direct sales system in more than 60 countries around the world.

While in Indonesia alone, Oriflame was established since 1986 and has triumphed in Indonesia for 21 years. Oriflame has 12 branches and thousands of consultants spread all over Indonesia. Oriflame sells about 800 different types of cosmetic and skin care products, made from natural ingredients as well as safe for skin health.

MLM is a method of marketing goods and or services from a system of selling goods directly through marketing programs in the form of more than one level, where business partners earn sales commissions and sales bonuses from the sale of goods and or services that do own and members of the network within the group.

Nowadays students are supposed to learn to do business, not as workers in advanced companies. For, if so, the fate of this State will not change until the year, ten years or even twenty years. The state will not change will only send her foreign heroes (TKI) to various developed countries in the world.

So far most of the students prefer to be workers rather than learning to start a business. The reason is very classic, that is, no capital, fear of failure, fear of bankruptcy, no time, do not want to bother, and so forth. Yet if dive in further, becoming an entrepreneur that is something much more fun than to be a monotonous worker, any company working either in private or in SOEs.

The more advanced a State more and more people are educated, and many people are unemployed. Especially the scholars, the more it felt the importance of learning the world of Business.

Students are actually people who have a deeper ability to see business opportunities. Because, students have a brain that is considered more than others. With the ability of this more students are able to change the resources that have not ogled by the business world from other circles into something of high economic value.

In this context, the author would like to explain about the development of business networks that are always applied in a multilevel marketing business as well as other benefits contained in multilevel marketing business. It is very efficient for students who are eager to plunge into the business world, but have no idea in terms of, capital, production and networking.

Because in multilevel marketing there is a business system and entrepreneur who use pyramid network system. Where the system has the advantage that the guidance to the new member in terms downline given by the old member in Upline terms.

Where the success of the upline also depends on how the teachings and journeys of the downline as well. What will they do in their activities to build their own business that moves on the guidance of the Upline and also the facilities provided by multilevel marketing companies.

Formulation of the problem

The formulation of the problem in this article is, how the marketing strategy of multilevel marketing in PT Oriflame Medan as a basic step of the beginner business for students?

Aim

To achieve the purpose and objectives that have been determined then the expected is:

To know the marketing strategy of Multilevel Marketing at PT Oriflame Medan as a basic step for beginners business for students.

2. Literature Review

Marketing Strategy, Promotion and Promotion Purpose

2.1. Marketing strategy

Marketing by the American Marketing Association is the process of planning and executing pricing plans, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational goals.

For the sake of achieving company goals, each company needs to be aware of the factors that determine the success and failure in its journey toward business competition. Factors can be sourced from within the company (internal) or from outside the company (external).

In preparing the marketing strategy should pay attention to the marketing environment. The internal environment includes resources owned by each company

either from human resource capability, machine tools, company policy and so on. The external environment includes consumer conditions, government policies, competition. Strategies are planned on the basis of the objectives to be achieved so that in achieving a strategic goal gives a picture how to achieve those goals. Companies established must have a purpose and a different process although the basic objectives of each company is the same, that is both trying to generate maximum profit or profit from the exchange of goods or services company. If the purpose of the company is to maximize the maximum profit then the purpose of the company's marketing activities is to make excessive sales by understanding the consumer as well as possible so that producers are able to produce products or services that fit and sold by itself.

Enterprises to achieve excess capacity, each company has different marketing strategies. Marketing strategy is the marketing logic used in business units to achieve a marketing objective. Determination of this strategy can be done by marketing managers by making three kinds of decisions that is, which consumer will be addressed, what kind of satisfaction desired by the consumer and the marketing mix whether used to give satisfaction to the consumer.

Stages in designing and formulating marketing strategies are:

a. Target consumer (target consumer)

The first stage in the formulation of marketing strategy that is by determining the intended consumer. Marketing efforts will be more successful if they are directed only to certain consumers, rather than to society as a whole. The intended consumer is the individuals who must be served by the company satisfactorily.

b. Determining consumer desires

An effective marketing strategy requires a knowledge of the consumer's wants directed toward the merits of the goods.

If the company has determined who becomes the consumer audience then the next stage is to determine or know what the consumer wants and hope for a product. Marketing strategy will be successful and sales of its products will be lifted when in producing the product, the company first find information about the wishes of prospective buyers. To know what to become needs, desires and expectations of consumer audiences can be pursued by marketing research. Adjustment of product provision to

the needs of consumers due to more maximize the sales activities of the company's products, so that will be able to suppress the failure rate of products sold in the market.

c. Marketing mix (4P)

Marketing mix is a set of variables about product, price, distribution and promotion and is policy variable in marketing mix. The marketing mix is a set of tools that marketers can use to shape the characteristics of the goods or services offered to customers. Jerome Mc-Carthy in Fandy Tjiptono formulates the marketing mix to be 4P (Product, Price, Promotion and Place)

2.2. Understanding multi-level marketing

Multi-Level Marketing comes from English, where multi means a lot, level means level, while marketing means marketing. So Multi-Level Marketing is a multi-tiered marketing. Marketing is a social and managerial process whereby individuals and groups get what they need and want by creating, offering and exchanging valuable products with others. Marketing can also be interpreted as efforts made in order to facilitate the occurrence of sales or trade. Multi-Level Marketing or MLM is also called Network Marketing, Multi Generation Marketing, and Uni Level Marketing. However, of all these terms, the most popular is the term Multi-Level Marketing. Understanding Multi-Level Marketing or abbreviated MLM is a modern marketing system through a permanently built distribution network by positioning the company's customers as well as marketing personnel. In other words, it can be argued that Multi-Level Marketing is a tiered marketing through a distribution network built by promising consumers (customers) as well as marketing personnel.

MLM is also called as network marketing. So called because members of the group more and more, thus forming a network (network) which is a marketing system by using a network of a collection of many people who work doing marketing.

Some people also mention MLM as a direct selling business or direct selling. This opinion is based on the implementation of MLM sales conducted directly by the salesman to the consumer. The sales activity is done by a seller with explanation, percentage and product demo. In Indonesia today direct sales or direct selling both single-level and multi-level join in an association of the Direct Selling Association of Indonesia (APLI). This organization is a member of KADIN, part of the World Federation Direct selling Association (WFDSA).

MLM is a concept that provides an opportunity for consumers to become involved as a seller and gain benefits and benefits in the line of partnership. In MLM terms, members may also be referred to as distributors or commercial partners. If a commercial partner invites another person to become a member so that the customer or market network is getting bigger or bigger, that means the merchant partner has contributed to lift the company's turnover. On that basis then the company is grateful for the form of giving some of its profits to commercial partners who are meritorious in the form of bonus incentives, whether monthly bonus, annual, and other bonuses.

MLM is a marketing that done many levels or levels, which is usually known as the up line (top level) and down line (lower level). Up line and down line generally reflect relationships at different levels vertical and horizontal. Therefore someone will be called up line if it has had down line, either amounting to one or more. MLM businesses use network systems, although each distributor company calls with different terms.

Promoter (upline) is a member who has obtained membership right in advance, while subordinates are new members who register or are recruited by the promoter. In MLM there is known member terms, that is, people who are meritorious in selling the product company indirectly, by building a network formation. Position members in this MLM network, cannot be separated from two positions:

1. Direct Buyer, when a member, he makes direct purchase transactions, either to the company or through distributors or stock centers.
2. Realtor, because he has become an intermediary through the recruitment he has done for others to become a member and buy the company's products. This is the practice that occurs in the MLM business that calls multilevel marketing, or refrigeration business.

In the MLM system, there are points that can be obtained by members if there is a direct purchase of the product being marketed, or through indirect purchases through the membership network. But sometimes points can be obtained without the purchase of a product, but seen from many and at least members that can be recruited by the person, which is often called the *pemakelaran*.

B. Miscellaneous multi-level marketing

Broadly speaking, the various MLM of which are as follows:

1. Binary Plan System

Binary Plan system is prioritizing the development of the network only two legs only and prioritize the balance of the network. The more balanced the network and business turnover in an MLM company like this, the more bonus it receives. But if not balanced then the bonuses flow into the company. Usually Binary Plan system is carried by MLM companies made by the people of Indonesia. Usually the development of corporate networks that use the Binary Plan system is relatively fast. The partners quickly get a big bonus. In order to make it easier to earn money, partners from such companies apply the rules of earning money as bonuses from the recruitment of their sponsored partners. This means they are just like trafficking in a subtle way. This system usually provides a big bonus early in the career just as the lure that run MLM business binary system is very easy. In fact this binary system creates the conclusion that the beneficiaries are the partners who join in the beginning. Therefore, MLM with this system never get sharia certification for the system.

2. Matrix System

Matrix system is the development of its network using the concept of only 3 frontline only and so further down. This type of system appears to outsmart the binary systems that are considered money games.

This network development system prioritizes width. The more frontlines, the greater the bonuses are received. But the disadvantage is that an agent has to take care of everything himself. The system also allows the downline to exceed its upline. Bonus earned partner is usually small at the beginning, but big in the top rank. Due to member bonus early in his career is small, then usually companies like this rely on the lure of recruitment bonuses. With us know the business plan marketing system offered by the company, as well as the belief of success that allows to be achieved by agreeing to all terms and compensation. So work to raise the MLM business that we choose can be more well directed.

C. How multi-level marketing works

MLM is to sell or market directly a product either in the form of consumer goods or services so that the cost of distribution of goods sold or marketed is very minimal even to the point of zero, which means that in this MLM business is not required distribution costs. MLM also eliminates the promotional costs of goods to be sold because distribution and promotion is handled directly by distributors with tiered system.

The operational mechanism on this MLM is, a distributor can invite others to participate also as a distributor later, others can also invite others to join. And so on, all that is invited and participated is a group of distributors who are free to invite others again to an unlimited level. This is one of the differences in MLM with a conventional distribution that is single level. In a conventional distribution, an agent invites multiple people to join the group to become a salesperson or a salesperson or a 'salesperson'. In this single level system, the salespeople even invite their friends, just a reference giver who is not organizationally under coordination but released. They are aligned equally as distributors.

In MLM, there are elements of service. This we can see in the presence of a distributor who sells goods that are not hers and he gets a wage from the percentage of the price of goods. In addition, if he can sell the goods in accordance with the targets set, then he gets the bonus set by the company. Basically the way marketing work with MLM strategies is oriented to the achievements of each member or distributor. Distributors are required to sell products on target and build the widest network. As for how the marketing work with MLM strategy is:

1. First of all you will be sponsored by an MLM company distributor. Your sponsor is the first distributor to join the MLM company. Your tasks include selling MLM company's products and finding new business partners as much as possible to join a distributor, to form a wide network.
2. Pay the registration fee. To be registered as a member or distributor, each person is required to pay a specified amount of money. This registration fee will usually be submitted to the nearest stockiest along with the registration form that has been filled by prospects or prospective distributors. After paying the fee a new distributor will get various facilities such as manuals, membership cards, corporate literature, periodicals, regular leaflets, product information, order forms, business advice, and product examples.
3. Sign an agreement or contract. A member/distributor who has paid the starting fee, will then sign a contract that is binding on the distributor and the company. A distributor must comply with established rules, while the company is obligated to provide products, provide bonuses or commissions, provide services as promised in the company's marketing plan, and guidelines for distributors to run their business properly. Each member is entitled to obtain products from the company at the distributor's price or wholesale price.

4. Implement product sales activities. The distributors then do the activities of selling the company's products to consumers. Most direct selling is a personal selling/face to face, beginning with a recommendation or a direct approach. The distributors usually give explanations about the company's products and assure the benefits, excellence, or quality that people are willing to buy them.
5. Develop a network. In addition to the task of selling products directly to consumers, each distributor must also develop the sales network as wide as possible. To be able to build a network, each distributor must seek prospects. There are several strategies to get the prospect, which is to expand the widest network, explore the entire market, meet the people where prospects depend on, and appear as agents. If the distributor succeeds in developing the network, then the company will provide various rewards in the form of bonuses, rebates, and other incentives. MLM strategy rests on the development of the network, so that more and more a distributor managed to recruit new members then the income or bonus is greater.

3. Methods

The research method used to analyze the data is survey method. According Sugiyama (2008: 135) survey is 'research by asking questions to people or subjects and recording the answers to be analyzed critically'. This research is a qualitative research by using survey method, that is primary data collection method obtained directly from original source or using tool, in the form of questionnaire taken from a sample in population.

According Sugiyama (2008: 31) qualitative research is the procedure of a study that collects data in the form of written or oral words of people and behavior that can be observed descriptively

Population which means the population comes from the English word population. According Sugiyama (2008: 115) Population (population/universe) is "a collection of individuals who have certain characteristics set by researchers." In this study the population set is all members of PT Oriflame who has the status as a student.

4. Results and Discussion

4.1. Strategy for each position business

In the present and future, the marketing strategy adopted by a company must be tailored not only to the consumer’s goals but also to competitors who target the same target market. The company before setting and executing the strategy should first perform SWOT analysis (Strength, Weakness, Opportunity and Threat) is to see and analyze the strengths, weaknesses, opportunities, and threats that own and also owned by its competitors

TABLE 1

Strategy For Each Position Business	REACTIVE	PROACTIVE
LEADER	<ul style="list-style-type: none"> - Reply - Price competition 	<ul style="list-style-type: none"> - Market Development - Research and Development
CHALLENGER	<ul style="list-style-type: none"> - Follow the leader - Me too 	<ul style="list-style-type: none"> - Challenge - Attacking - Development of new product
FOLLOWER	<ul style="list-style-type: none"> - Status Quo - Me too 	<ul style="list-style-type: none"> - Find a new market - Find new market segments - Market niche

The competitive strategy depends on the size and position of each company in the market. Large companies are able to implement certain strategies, which obviously cannot be done by small companies. But only with large scale is not enough, because there are strategies for big companies that can guarantee their success, but there are also strategies that can harm themselves. And it is not a rare thing that a small company with its own strategy is able to produce the same or even better rate of return than a large corporation.

In relation to the size of the business, it can be divided into four business groups, namely:

1. Market Leader controls 40% of the market
2. Market Challenger controls 30% of the market
3. Market Follower controls 20% of the market
4. Market Nicher holds 10% of the market

5. Conclusion

Based on the aforementioned description we can conclude that the MLM network can be a benchmark in starting a new business, with the network already established in

MLM it will make it easier for beginners to find what steps they want to take as a first step to start the action in implementing their business.

Companies that are victorious and able to maintain and improve sales again in the midst of its competitors is a company that has successfully set its marketing strategy and compete strategy appropriately.

The determination of competitive strategy should be done with consideration to the size and position of each company in the market. Because large companies may be able to implement certain strategies that obviously cannot be done by small companies. Similarly, it is not so rare that small firms with their own strategies are able to produce the same or even better profit levels than large companies.

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