



brand-building

Brands, and we have a few powerful ones, are intangible assets. Developed and nurtured, they can become significant assets. Our commitment to creating brand awareness and brand value underscores our vision to be more innovative, progressive and dynamic.

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During the year, the country's electoral outcome had elicited positive overall reaction, consumer sentiment was steadily growing and projected GDP for 2004 was over 7%. These external factors helped to provide a conducive environment for Distributors' retailing efforts. Internally, the Company embarked on several strategic initiatives to ensure that Distributors were well-supported to capitalize on the favourable conditions. In a multi-pronged approach, the Company expanded its infrastructure, enhanced its Sales Incentive Programmes (SIPs) and Non-Cash Awards (NCAs) to motivate Distributors, rolled-out an unprecedented brand-building campaign for one of its power brands as well as introduced new products and promotions to excite the field. Due to these initiatives, the Company successfully achieved its objectives of generating higher sales, producing more Distributors who qualified for incentives and creating more awareness for NUTRILITE™, Amway's leading brand of food supplements. The Company's thrust behind these capital investments was reciprocated by increased Distributor activity and productivity, sending positive signals that these initiatives were helping them do their business better amidst a more competitive environment.

INVESTING IN INFRASTRUCTURE

To bring Amway's products closer to Distributors and potential customers, the Company opened two more Regional Distribution Centres (RDC) in 2004, thus taking the total number of RDCs in Malaysia and Brunei to 12. Distributors from Sibü and Melaka and the surrounding areas were filled with anticipation and excitement on May 10 and July 3 respectively as Amway opened its door and brought the Business Opportunity closer to them. Even leaders from other States lent their support with their presence at the openings, a strong testimony of their loyalty and commitment to Company events. The new RDCs also saw an increase in Distributor activities and a revival for

some who were motivated by the physical presence of Amway in their midst to build their business further.

Mere physical presence is not enough. One of the major components of the Amway Business Opportunity is the service level accorded to Distributors. By providing an experience that is second to none that includes ease in transaction and speed in service, the Company hopes to attract more Distributors through its doors. This is the premise upon which the Company embarked on a series of service-enhancement projects to its Petaling Jaya RDC, a large contributor to overall sales. Renovations were done to include a queue system for a more orderly environment, waiting lounges were air-conditioned for comfort and night shifts were introduced to ensure orders are picked and ready for delivery to Distributors.

INVESTING IN DISTRIBUTORS

The SIPs and NCAs were developed to reward Distributors for business growth and consistency and to help in increasing the productivity and profitability of Distributors. This in turn, has contributed to making the Amway Opportunity more attractive to many Malaysians and this is reflected in the 161,000 strong Core Distributor Force, a rise of 2% from the previous year.

Fiscal year 2004 saw 18 new Diamonds and higher Qualifiers, consisting of 1 Crown Direct Distributorship, 3 Double Diamonds, 2 new Executive Diamonds, 4 Founders Diamonds and 8 new Diamonds. The Company also saw more qualifiers across the board for the SIPs. There is also a record number of Distributors who have qualified for the Amway Leadership Seminar (ALS) to Tokyo scheduled for December 2004. With more than 790 Distributors who qualified for the trip, this is a 5% increase over the previous year's ALS in South Africa.

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The annual Amway National Convention held in Stadium Putra, Bukit Jalil drew 18,000 Distributors and their prospects. Demand for ticket sales was so overwhelming that the future challenge to the Company is to find an indoor venue that can hold a bigger crowd. This is a clear indication that many people are still attracted to the Business Opportunity offered by Amway. Even the smaller Regional Conventions in Kuantan and Kuching drew crowds of almost 1,000 people in each town.

With the increasing number of people joining the business, there is a need for Distributor leaders to understand and respond to Distributors' needs better. Through the Relationship Management tool, the Company is putting in the hands of these leaders, segmentised information and reports that will help them do their business better by knowing how and when to approach Distributors with specific needs or wants.

INVESTING IN NEW PRODUCTS AND PROMOTIONS

Product innovation is the key to topline growth. Fiscal Year 2004 saw the introduction of 18 new products and product revisions. Coupled with attractive promotions, these went down well with Distributors. Reflecting Distributors' reception to the new products and promotions and consistent support for NUTRILITE™ products, the Nutrition & Wellness core line saw an increase of 17.5% over last year's sales. Four new products were launched in Fiscal Year 2004 - NUTRILITE Bilberry Plus, a herbal supplement to improve vision; NUTRILITE Black Cohosh and Soy, a product specially formulated with nutrients to nourish the body during menopause; NUTRILITE Protein Drink Mix (Mixed Berries Flavour), a tasty nutritious protein drink and NUTRILITE CoEnzyme Q10 Plus, a product for the optimal support for health. NUTRILITE CoEnzyme Q10 Plus, a long-awaited product, managed to perform well



▲ Mr Low Han Kee (right) presenting a memento to Dr Sam Rehnborg in appreciation of his presence at the launch, while Mr Paul Yee (left) looks on.

◀ Mr Paul Yee, Dr Sam Rehnborg and Mr Low Han Kee watering a plant, signifying the launch of the NUTRILITE™ Brand Building Campaign.



◀◀ Guests who filled the ballroom on the day of the launch, listening intently as Dr Sam Rehnborg spoke of the rich history behind NUTRILITE™.

◀ Guest of Honour Dr Sam Rehnborg, President of Nutrilite Health Institute addressing guests at the launch.

above expectations as Distributors eagerly purchased the product and retailed it aggressively due to its efficacious effect on health. Three major promotions were implemented for Nutrition & Wellness and each managed to exceed forecast significantly. Attractive high quality premium items were the key factors for Distributors and customers in their purchase decision.

ARTISTRY™, representing the cosmetic and skin care core line, unveiled the much-anticipated ARTISTRY TIME DEFIANCE™ Intensive Repair Serum, a product that had caused ripples of excitement among the Distributors way before it made its presence in Malaysia because of the response to the product in other markets like Korea and Thailand. When it was launched in Malaysia, first day sales alone reached RM1 million. IRS undoubtedly was the best-selling item in the ARTISTRY stable of products with sales contributing about 9% to overall ARTISTRY sales. Providing further retail excitement was the yearly seasonal Colour Collections. The ARTISTRY Spa Collection in December 2003 featured the ARTISTRY Christmas Coffret which comprised of two deluxe body products with exquisite and refreshing fragrance. The Christmas Coffret served as a wonderful gift during the year-end festivities. The ARTISTRY Fall Collection, inspired by Paris fashion trends, comprised a collection of lips, eyes and nail colours which offered Distributors and customers plenty of glamour and panache from ARTISTRY. The ARTISTRY “Flights of Fancy” Spring Collection offered early in the year provided vibrant, trendy and exciting colours of spring.

The Personal Care core line was further enhanced last fiscal year with three further additions to the SATINIQUE™ range of salon-quality hair-care products. The SATINIQUE Dandruff Control shampoo, Volumising Cleanser and Volumising Detangler increased the product range which contains the exclusive Ceramide Infusion System to a total of 12 products to suit various hair types and lifestyles. These strong additions helped push Personal Care sales 7.4% over FY03.

Meanwhile, the Home Tech core line was buoyed by the success of the AMWAY™ Water Treatment System 1 (WTS1) trade-in program which was brought back by popular demand for a third consecutive year. It grew 12.5% compared to the previous year. Additionally, a locally-produced Home Alarm System featuring a wireless security system that can be easily and quickly installed was introduced to drive sales further in Home Tech.

The Home Care business line saw an addition to the LOC™ brand of household cleaners. The launch of LOC Plus Kitchen Cleaner was met with strong sales. Distributors and customers' pent-up demand for ZOOM™, a popular but discontinued product, was successfully realised with the LOC Plus Kitchen Cleaner, a similar product with significant improvements in cleaning abilities.

Personal Shoppers Catalogue performed well in the year under review with 13 promotions and 10 Easy Payment Plans (EPPs), which contributed about 30% to total Catalogue sales. New products and line extensions numbering 31 for the year contributed another 30% to total sales. Notable new introductions in the October 2003 Festive Supplement were the Emma Page costume jewellery collection, Fargo water heater with pump and Prestige fragrances (Calvin Klein and Davidoff). From the March 2004 main catalogue, the Noxxa Induction Cooker and Fagor Pressure Cooker received good sales. Total sales of mooncakes, a favourite seasonal item, increased marginally from the previous year, with most of the sales coming in September of the new fiscal year as the Mid-Autumn Festival fell at the end of the month.

INVESTING IN BRAND-BUILDING

With a 28-year history in Malaysia, staying relevant in a market environment that is constantly changing will ensure the continuity of that legacy. We have to keep innovating to stay ahead, and the Company's unprecedented

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brand-building campaign for one of its power brands, NUTRILITE, certainly reflects a break-away approach by a direct selling company. A global brand that celebrates its 70th year this year and is sold in more than 60 countries and territories, NUTRILITE has been one of the major revenue contributors since the first product was introduced in Malaysia in 1979. Over the years, it has grown into a multi-million ringgit business in Malaysia. This is a testimony to the efficacy of the brand that is time-tested and fully trusted by Amway Distributors and their discerning customers for its quality and recognized role in enhancing good nutrition and health through its philosophy of using the Best of Nature, Best of Science in its products.

In embarking on an extensive brand-building campaign, Amway wanted to articulate the brand strengths to connect with Distributors and their customers' experience with the aim of enhancing brand loyalty. We also wanted to advance our brand equity beyond Distributors by extending the recognition and demand for NUTRILITE to a broader base of consumers. Officially launched in May by the President of Nutrilite Health Institute, Dr Sam Rehnborg, the NUTRILITE brand-building campaign set in motion the wheels of creating greater awareness for the world's leading brand of vitamins, minerals and dietary supplements. To capture the imagination of new customers and take advantage of new forms of communication for a non-store brand, an integrated approach of advertising, sponsorship and public relations was used to build a compelling story for NUTRILITE, the brand. From television and outdoor-advertising to newspaper pull-outs and article placements in major national newspapers to event sponsorships, the whole gamut of branding opportunities were utilized to elevate brand awareness and create brand equity for NUTRILITE. Initial feedback from Distributors showed that they were excited by the Company's move to publicize the brand as

increased recall from customers and mounting awareness for the brand-name helped them in their retailing efforts. Going forward, there will be an emphasis on outdoor-advertising as brand visibility virtually 24 hours a day through this medium has proven to be very effective in creating awareness. Testimony of this is the overwhelming response from Distributors and their customers to the two huge billboards currently erected along strategic stretches of the North South Highway and the New Klang Valley Expressway (NKVE). In the pipeline are plans to have more billboards featuring the NUTRILITE brand in the rest of the country.

The year also saw the commemoration of NUTRILITE's 70th anniversary through the NUTRILITE Health Carnival which was held at Dataran Merdeka. The Carnival which was kicked off by Dr Sam Rehnborg and Managing Director Low Han Kee with a 5-km jog, attracted 6,000 NUTRILITE enthusiasts who recognized and celebrated Optimal Health.

Also for the first time in Malaysia were NUTRILITE Mini Brand Experiences (MBEs) which were held in Kuala Lumpur, Penang and Johor Baru. Attended by a total of about 4,000 Amway Distributors, the MBEs exposed Distributors to the art of marketing and merchandising NUTRILITE products while educating them on their own health and fitness. Trainers from the Nutrilite Health Institute were specially flown in for these Experiences which proved so successful that plans are in the pipeline to conduct more of such Experiences.

NUTRILITE's branding campaign is expected to incur an investment of RM10 million over three years beginning from Fiscal Year 2004. However, Amway believes that branding will help to create a stronger value for the Company by generating and securing customer demand, which in turn, will help Distributors in their retailing efforts.

INVESTING IN INFORMATION TECHNOLOGY

Throughout the fiscal year, the Company's IT infrastructure was widely upgraded to provide a higher level of service to Distributors. Many systems were introduced and upgraded to lend technical support to the Company's operational initiatives to help Distributors conduct their business more efficiently. One such example is the successful roll-out of certain enhanced features to the Amway2u.com e-commerce website such as the on-line e-debit payment in collaboration with MayBank (Public Bank is the other e-payment partner) and the on-line TNA (Temporarily Not Available) information by RDCs. The Amway2u.com website has been gaining popularity with Amway Distributors and the Malaysian public, receiving about 198.0 million hits and web orders valued at RM226.0 million for the year, or approximately 50% of annual national sales, compared to 29% in the previous year. This clearly reflects the confidence that Distributors have in performing transactions over the net for the ease, convenience and round-the-clock accessibility in doing their business.

INVESTING IN OUR PEOPLE

Of all the pathways to growth, investing in people is the most important. If our people grow, our Company grows. Hence, the Company's goal is to continue attracting, retaining and developing talents who understand our unique business and embrace our culture and who can help us fulfill our growth potential. That is why the Company has invested in a two-year programme focused on enhancing employees' skills in the areas of excellent customer-service. We recognize that a dynamic, customer-oriented and results-driven team of people will take the Company to the next level of growth.

INVESTING IN THE FUTURE

Going forward, we will continue to enhance our infrastructure in areas that will maximize

operational efficiency. There are plans to open an RDC in Alor Setar to bring our Business Opportunity to more people. We will continue to explore opportunities to make our products more accessible to Distributors.

The new fiscal year will also see the extension of NUTRILITE's brand-building campaign into its second year where the NUTRILITE brand-name will be further enhanced through an integrated approach of advertising, public relations and sponsorship. We will also roll out a branding campaign for ARTISTRY, which has the potential for greater growth and market presence. As one of the major contributors to overall sales revenue, ARTISTRY is well-positioned as an established cosmetics and skin-care brand to create a more visible presence among women in Malaysia. In both the branding exercises, our target is to make NUTRILITE and ARTISTRY house-hold names in the manner of Amway. Already major contributors to the Company's sales revenue, we hope that the branding exercises will translate into higher sales for NUTRILITE and ARTISTRY, reinforcing your Company's emphasis in the area of beauty and wellness.

Another key initiative for Fiscal Year 2005 is to increase the number of Distributors through a targetted approach of attracting more Bumiputra entrepreneurs to the Business Opportunity. A significant amount of resources will be allocated for this as this segment of the market has tremendous growth potential for your Company.

All these initiatives are investments that the Company is putting in place to support the business and defend our market share. This will certainly create an upward pressure on our operating expenses but this is a necessary move to strengthen our fundamentals so that we can achieve further growth going into the future.



corporate social responsibility

At its most basic level, corporate social responsibility is about caring for people. By creating, finding and supporting a cause that positively promotes the mental health of children, we are working to better the lives of children, One By One.

corporate social responsibility

REACHING OUT ONE BY ONE

Globally, a new community initiative was rolled out in late Fiscal Year 2003. The focus of the campaign named One By One was children. In Malaysia, our philanthropic legacy has always guided our unwavering commitment to helping people lead better lives. Under the One By One banner, the Company deliberated at length before finally deciding that it would focus on a children's cause that has received prior little attention but requires a long-term commitment. Based upon that premise and underscored by a nation-wide research that showed 1 in 5 Malaysian children will have a tendency for low moods, self-esteem and depression, the thrust of Amway's corporate social responsibility is promoting positive mental health amongst children. Working with a team of psychologists, Amway soft-launched a series of workshops aimed at equipping children and parents with the

knowledge and skills to achieve *"Happy, Healthy Minds"*, the theme of the workshops. An official launch in the new fiscal year will spearhead more of such workshops which we hope will reach more and more children and parents, including teachers and care-givers. With staff and Distributor participation as volunteers expected during these workshops, we hope to collectively make a difference in the lives of children, one by one.

BAG DONATIONS

Apart from promoting children's positive mental needs, the Company also looked into meeting their physical needs by donating about 9,000 bags to more than 10 schools in East and West Malaysia. Worth more than RM135,000, the bags were the Company's simple and sincere gesture to ease the burden of school-going children and their parents.







our people

Uniquely embodying our business, the formidable combination of dedicated staff and determined distributors display the kind of resolve and commitment that will fertilise the future growth of the company.