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The University of Southern Mississippi

Sustainability of Direct Sellers in Marketing

by

Ashten Holloway

A thesis submitted to the Honors College of
The University of Southern Mississippi
in partial fulfillment of the requirements for the
Degree of Bachelor of Business Administration in the
department of accounting

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Abstract

This paper examines the characteristics of people who are a good fit for a career in direct selling marketing as well as the characteristics of those who are not. It is also an examination of the motivations to join direct selling and the different levels of “success” that some may find in their careers as direct sellers. Some of the motivators for success came from emotional drives while some were situational. Analysis of the questionnaires given to each participant led to the discovery of three common determinants of what does make a successful direct seller and four determinants of characteristics that are not conducive with success in the direct selling market. The determinants in favor of success were determination, teach ability, and confidence. The characteristics not in favor of success were laziness, lack of motivation, unwillingness to dedicate time to the business, and lack of consistency. There were also three emotional motivators that drive direct sellers to become successful and two situational motivators. These findings will help provide current and future direct sellers with important knowledge about whether or not this is a type of business that they could excel in, a better understanding of what it takes to be successful in this field, and what they can expect within a career of direct selling.

Key terms: direct selling, marketing, motivation, characteristics, success

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Chapter 1: Introduction

Have you ever been approached by a friend, colleague, or even someone you do not know about buying the “newest” or “most life changing” or “best product in the world?” What was your initial reaction? Was it to immediately jump on the opportunity, or were you maybe put off by the aggressive selling technique and over enthusiastic approach of this person? How about when they asked you to join their team and become a seller of their product as well, with amazing benefits that seem almost too good to be true? If you are like most, you keep calm and back away slowly until their over eager proposal fades away along with your opportunity to understand the business they were involved in all together. These people are engaged in a type of marketing called direct selling or multi-level marketing. Direct selling is a very unique way of doing business that is quickly rising in popularity by becoming more appealing to men and women who are tired of the standard nine-to-five work day or who desire to make residual income through their sales.

Multi-level marketing can be defined as “a marketing strategy in which the sales force is compensated not only for sales they generate, but also for the sales of the other salespeople that they recruit” (Xardel 1993, p. 285). Many people who join the direct selling path are inexperienced with almost no background in sales or business. Therefore, this study will address my following research questions:

1. What are the characteristics of direct sellers who remain in this market versus those who did not?
2. What motivations do direct sellers have to remain in multi-level marketing?

These questions are an important starting point in getting to know what direct selling is and why such an old form of marketing has become so popular. It is also important to explore what characteristics make one successful in this field and why some choose to stay and many choose to leave. To answer these questions, surveys were given to a group of direct sellers. These surveys were then coded and analyzed in order to find reoccurring trends and similarities. Results provide a better understanding of multi-level marketing and what is needed in order to be successful within it.

Disclaimer:

Something that should be addressed immediately are the perceived negative aspects of direct selling known as pyramid schemes. This study focuses on direct selling through established companies with a firm business plan and a clear outline of compensation, so should not be confused with these marketing scams. For this research, the company of Rodan+Fields will be used for data collection. This is a well-established company that has had legitimate and major success in the direct selling market. Rodan+Fields is a skincare company that began in department stores and was soon taken off shelves and placed in the hands of direct sellers in an attempt to make the products more personal as well as potentially reward the users of these products.

Chapter 2: Literature Review

In order to better accomplish the objectives of my research, many important areas of literature will be discussed. First, the purpose of direct selling will be thoroughly explained along with other terms that have been used for direct selling. Next, different popular direct selling techniques and ways to improve one's business will be discussed. It

is also important to address compensation and other such motivations for direct sellers.

Finally, the breakdown of “stayers” and “leavers” will be addressed to better outline the meaning of those terms.

Purpose of Direct Selling

In marketing, there are almost endless possibilities of how a business, product, or service can be marketed and presented to the world in order to gain recognition, increase sales, promote special offers, etc. Direct selling is the marketing and selling of products directly to consumers away from a fixed retail location. Modern direct selling includes sales made through the party plan, one-on-one demonstrations, and other personal contact arrangements as well as internet sales. In the processes of direct marketing, a direct action is usually taken by customers and then their responses and reactions are stored in a database over time. This data is used to estimate all kinds of things such as the number of responses that can be anticipated by a certain time and other such quantitative elements of direct selling (Chun 2012). The models and techniques that are used for marketing decisions can be the deciding factor in ultimate retail success (Olson and Chae 2012). Direct selling in marketing has been identified as one of the most effective marketing methods because of its purpose to increase the customer’s lifetime value. (Kim, Song, Kim 2009). With a larger number of people joining this field, the way retail business is being done is quickly evolving. Direct sale is a very common sale method due to its advantages: comfort ability, time and money saving (Bobalca, 2014).

The “Why”

To further elaborate on purpose from the seller’s point of view, a common term that reoccurred in the analysis of the questionnaires was the term “Why.” One participant

explained the “Why” as “*some people want a shoe-fund, some want to pay their car off, and some want to change the world.*” Another described the “Why” as, “*...what is important to the individual, it may mean the ability to provide a moderate income, to provide financial wealth, or simply achieving the goal of working with others and enlarging their borders of influence.*” The “Why” is what many participants described as the reason one decides to join the direct selling business and what keeps one going through the negativity of rejection or others disinterest in the business. In an interview, Nadine Thompson, founder of beauty company Soul Purpose, said, “Every brilliant business person I have read about...has these great resilience stories, where they've started these companies, lost them, and had to start all over again. That is so common for successful entrepreneurs. When you're in it, you feel really bad, but those who are successful tend to be resilient.” (Alleyne 2013). The “Why” was most commonly referred to by participants as “why” they continued to strive for success and be resilient with their business in Rodan+Fields even after failures and setbacks.

What Else Can Direct Selling Be Called?

Other terms that can be used for direct selling are multilevel marketing and relationship marketing. Relationship marketing is more focused on building and developing strong relationships with customers to better insure returned business and customer loyalty. Multilevel marketing is better defined as establishing strong relationships inside the distribution channels of a certain company (Constantin 2009). Some producers and companies use direct selling as a way to sell their products in near by markets, such as vendors of perishable items. This is because, first, the greater the distance from the origin of the product, the greater the problems of information

asymmetry between producers and consumers become, and secondly, producers are hampered by the lack of organization, logistics, and the availability of finance when operating in distant markets (Rapisarda and Scuderi 2015). This can be what gives direct sellers the advantage of being the direct line between product and customer.

Direct Selling Techniques

With the rise in use of social media, this type of marketing has become ever more present because of the wide range of consumers that can be reached through various social media sites. There are a few different techniques that can be used when employing direct selling into a business marketing strategy. For example, there is the RFM (recency, frequency, and monetary) method. This method provides a simple way to categorize retail consumers and the types of motivations that are used to increase sales to these groups (Olson and Chae 2012). There are also many types of theoretical models that are used in testing different products or markets for the possibility of successful direct selling. The point of this is to see what stimuli lead to more production that benefits the operation as a whole. (Agbo, Rousseliere, and Salanie 2014). Some of the qualitative models for direct marketing are measure by customers' geographic, demographic, lifestyle, and socio-graphic characteristics. Another type of data that is valuable to marketers is customer's interactive behavior with the marketers such as transaction records, feedback, internet browsing, et cetera (Bose and Chen 2008).

How to Improve Your Direct Selling Business

Communication plays the biggest role in the success or failure of a direct selling strategy. The communication lines between the direct seller and the prospective customer must be clear and easily understood in order to facilitate a successful sale. As one would

assume, the direct seller is the one who initiates the conversation and begins the process of forming a relationship with the customer; the better the salesman knows his customer, the more likely he is to make a sale (Omar 2014). However, direct sellers are not required to use face-to-face strategies for pushing their products. Within social media, direct sellers have also developed websites and other resources which can be used to continue the selling process after the initial face-to-face contact (Liao, Yin-Ju, Hsin-Hua 2011).

Where Does the Money Come in?

Another aspect of direct selling that needs to be addressed is the method of compensation for the direct sellers because this is one of the main motivators for success found in the research. The most common types of compensation come from commissions and personal sales volumes as well as a percentage of the net commission that was earned by ones “downline” for the period. The downline consists of everyone that a direct seller recruited into the company as a member of their team. The net commission that can be earned by everyone on the team is determined by how efficient the team was at selling their products for that period and can be the main motivators for a portion of the salesmen. The more you sell, the more you make (Coughlan and Grayson 1998). Since all of a direct seller’s income is based on the amount of product one sells, it is important to know what factors can increase the consumer’s willingness to pay for the product. Willingness to pay for a product has traditionally been defined as the price for an offering at which a customer is indifferent between purchase and non-purchase and heavily relies on the value that the customer believes he or she can find from the product (Geiger, Dost, Schönhoff, and Kleinaltenkamp 2015).

Be A Go Getter!

In direct selling, it is crucial to have the ability to lead and motivate oneself in order to make the business as successful as possible. When compensation is directly related to hard work, it takes tenacity and determination to be able to profit from such an arrangement. Some key practices of successful direct sellers come from “thought self-leadership” which employs the practices of constructive thought through specific mental strategies that include the use of positive self-talk, mental imagery, and evaluation of dysfunctional beliefs and assumptions (Panagopoulos and Ogilvie 2015).

Stayers and Leavers

For the sake of terminology, “stayers” is defined as those who remained in the direct marketing game long enough to reach whatever goals had been set or whatever determined success for them. Alternatively, “leavers” is defined as those whose expectations were different from their actual experiences as direct sellers and chose to leave the market after joining. In one study that was conducted to examine this very aspect, it was said, “it is the comparison between expectations and experience, not either one alone, that influences one's propensity to quit the job or stay.” (Wotruba and Tyagi 1991). This is to say that when one's expectations are not fully met or realized, the likeliness to withdraw from the entire situation increases substantially. Expectations also play a major role in how people define job satisfaction. As stated in another study, the met expectations hypothesis hinges on three things: “(a) the expectations held by new recruits are almost always inflated, (b) turnover rates among newly hired employees are typically much higher than among employees with greater tenure in an organization, and (c) RJP (realistic job previews) have been shown to lower expectations and modestly increase job survival” (Wanous, Poland, Premack, Davis 1992). When expectations are

inflated, disappointments can also increase. By providing the RJP, employers can quickly manage any unrealistic expectations and therefore weed out those who would have wasted money and resources by going through training and implementation and then leaving as soon as expectations were not met. This contributes hugely to the theory that those who manage expectations, work hard with what they are given, and stay goal oriented are most likely to remain in the business and to make the most of the experience. When new employees are not fully prepped and prepared for the job they are pursuing, it is logical to assume that they will have very low job satisfaction and therefore become more likely to leave without fulfilling their employer's, or in this case team member's, expectations or their own. This is to further elaborate on what is meant within the research question of characteristics of direct sellers who remain in this market versus those who did not.

Chapter 3: Methodology

A qualitative research design will be used in order to answer the research questions. Questionnaires were sent to business owners of Rodan+Fields through email to gather exploratory research for the purpose of this study. The resulting data was analyzed following the method outlined by Spiggle (1994). This method is appropriate because of the use of qualitative data. Spiggle's fundamental operations of categorization, abstraction, and comparison best organized data, extracted meaning, arrived at conclusions, and confirmed conceptual theories described by the data. Since the study is descriptive in nature, Spiggle's method proved most useful for coding and analyzing the data.

Participants

Since the research deals with the characteristics and motivations of direct sellers in the marketing field, gathering data from those directly involved in multi-level marketing seemed most effective in collecting materials to answer the research questions. Questionnaires (Appendix A) were used to gather information from 10 business owners in Rodan+Fields. Each participant has been a business owner in Rodan+Fields for a minimum of 1 year. Participants were chosen from personal contact and all reside in the southern United States.

Table 1: Description of Sample Participants

ID	Gender	Over 18	Years with Rodan+Fields	Members in downline
A	Female	Yes	4	300
B	Female	Yes	6	20
C	Female	Yes	4	10
D	Female	Yes	4.5	2,900
E	Female	Yes	4	5,300
F	Female	Yes	6.5	1,000
G	Female	Yes	4.5	5,000
H	Female	Yes	2	10
I	Female	Yes	1.1	37
J	Female	Yes	3	130

Procedure

The primary researcher served as the sole receiver and reviewer of the questionnaires distributed. Once questionnaires were returned, they were printed out to

provide the primary researcher with better methods of comparison and analysis of reoccurring themes. The list of questions used were designed to be open-ended, allowing the participant to elaborate as much or as little as desired. However, the questions were outlined in a way that a definite answer could be derived regardless of expansion or lack thereof. Questionnaires were distributed through email and 8 out of the 10 were collected through email with 2 being hand delivered. The questions were designed to gain a better understanding of the characteristics of a person that do versus do not contribute to success in direct selling as well as the motivations for maintaining success. Business owners were first asked about characteristics they look for in prospective team members and what characteristics make successful direct sellers. Participants were then asked about what they considered success and how they motivate self and team to achieve success. Lastly, participants were asked to provide reasons they were given by others about not wanting to join Rodan+Fields as well as characteristics and reasons of those who left Rodan+Fields soon after joining. The questionnaire and email script can be found in Appendix A.

Analyses of the Research

Once the questionnaires were coded, the analysis followed Spiggle's (1994) three processes: categorization, abstraction, and comparison. In the categorization and abstraction process, each questionnaire was first coded to find independent themes. This was done to identify characteristics and motivations of the type of direct seller identified in the question. Answers that seemed to indicate each theme were underlined on individual questionnaires. After this process was followed with all questionnaires, the goal was to combine all samples to examine similarities and differences. This is done in

order to find the emergent themes that go beyond the identification of the common themes (Spiggle 1994). Following this method, only after individual themes had been discovered could emergent themes be found within the data as a whole. Multiple reviews of the data were conducted to see if emergent themes occurred and to employ the principles of logic in making inferences from the data (Spiggle 1994). This uses a grounded theory approach, meaning, to build theories that are grounded in data (Strauss and Corbin, 1990; Spiggle, 1994).

Results of the analysis of characteristics of those who do make successful direct sellers show three emergent themes: determination, teach ability, and confidence (table 2). Of these three, 80% of participants said that having determination was a major contributor as to whether one would be successful in direct selling or not. Confidence was a close second with 70% of participants saying that it is a contributor to success. As addressed in the literature review, this theme of determination was tied back to the “Why” 50% of the time.

Table 2: Characteristics of Successful Direct Sellers

Characteristic	Presence
Determination	80%
Teach Ability	40%
Confidence	70%

Results of the analysis of those who display characteristics of unsuccessful direct sellers show four emergent themes: laziness, lack of motivation, unwillingness to dedicate time to the business, and lack of consistency (table 3). While not every questionnaire displayed all of these themes, all questionnaires addressed at least one of

the four emergent themes. Analysis showed that laziness was the strongest theme with 70% of participants identifying it as major factor in lack of success.

Table 3: Characteristics of Unsuccessful Direct Sellers

Characteristic	Presence
Laziness	70%
Lack of Motivation	40%
Unwillingness to Dedicate Time to Business	50%
Lack of Consistency	50%

When analyzing the motivations for achieving and maintaining success, results showed five emergent themes. Three of these themes were emotionally driven and two were driven by situation. As shown in Table 4, the strongest emotional motivator was acknowledgement/appreciation with 70% of participants saying this factor keeps them motivated towards success. Participants also listed: adding value to the lives of others and reaching their own personal goals as emotional motivators towards success.

Table 4: Emotional Motivations Toward Success

Description	Quote from Participant	Presence
Acknowledgement/Appreciation	“People do not like to be manipulated, used, or taken advantage of; people like to be appreciated.”	70%
Add Value to Lives of Others	“A person is considered successful when they are adding value to the people’s lives that they are doing business with.”	50%

Reaching Personal Goals	“Some people join to make \$500, and once they achieve their goal, that is successful”	60%
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The strongest situational motivator was the need for income, having 70% of participant agreement. Not far behind was the want for company incentives (trips, cars, bonuses, etc.) as a situational motivator with 60% of participants listing this as a propeller towards success (Table 5).

Table 5: Situational Motivators Towards Success

Description	Quote from Participant	Presence
Need for Income	“Earning any income is a success in direct sales. If you can earn some, surely you can earn more.”	70%
Company Incentives	“Incentives are a win-win situation for the downline. We receive pay for our work and the incentive is an added bonus.”	60%

Chapter 4: Discussion and Contribution

The research conducted in this study is meant to contribute to the general knowledge of multi-level marketing, especially in the area of characterizing successful direct sellers as well as motivations for direct sellers to become successful. However, this research is a preliminary attempt to delve into the complexities of the direct selling market and what it takes to succeed there. The purpose of this study is to provide insight into a rapidly developing means of income. With the rise in usage of social media by all ages, companies are always looking for new ways to pursue marketing and consumer engagement (Brock, 2010). Even though direct selling in marketing has had positive

reviews from some parties, there are also those that detest this method of marketing because of the negative connotation it has been given through multiple types of direct selling scams. One of these such scams, pyramid schemes, are illegal because they are fraudulent and focus on recruitment instead of product. (Koehn 2001). While this research did not discuss in detail the Rodan+Fields business plan, this is a well-established company that has had legitimate and major success in the direct selling market. In the questionnaires that were given to participants, 100% expressed somewhere in their responses that Rodan+Fields was a life changing venture. When evaluating the characteristics of those who did not succeed in Rodan+Fields, one participant said, “*People quit because they lack determination, belief, and self worth. People play a tape in their head convincing them that ‘They can’t do it,’ or ‘You’re failing,’ or ‘just give it up!’.... when in reality they just quit way too soon.*” This aligned with the findings of “determination” being the most common attribute needed for success in multi level marketing.

With all participants being business owners for at least a year, there can be derived a sense of loyalty to their business and their brand. This loyalty contributes to the business owner’s success as well as their attempt to develop customer loyalty. Bobalca (2014) proposed four dimensions of loyalty. The first is cognitive loyalty, exemplified by consistent use of the same product from the same company without searching for promotions. The second dimension of loyalty is affective loyalty. This is when one is not only happy with the products but also by the relationship with the consultant selling the product. Thirdly, there is the conative loyalty. The client at the conative level of loyalty wants to repeatedly buy from the same company. Lastly, there is behavioral loyalty. This

is the customer who buys products every month or at least once in three months, always speaks with the same consultant, and pays for the order on time. This type of client may also recommend the company's products to their own network of people and speaks nicely about the company to them. Direct sellers sometimes use these measures to group their clientele into loyalty levels. The highest groups in those levels might be singled out for promotions or special offers or to spread the word about new products (Bobalca, 2014).

One deterrent not discussed in the research is the cost of starting up a direct selling business. In most cases, one is required to buy a "kit" when they enroll with the company and that kit can cost hundreds of dollars. One participant included in the survey that some that had chosen not to join Rodan+Fields cited the cost as the determining issue. Concerns about product quality and the return policy may prevent the customer from buying the product (Li, Xu, and Li, 2013). However, most legitimate multi-level marketing business offer a trial period or return policy that is satisfactory to both consultant and customer. For example, Rodan+Fields grants a "60 day, empty bottle" return policy to its customers, further proving their dedication to customer satisfaction (Narayandas, Roberts, and Kind, 2013).

When prospecting new customers or team members, direct sellers should be conscious of the type of person that is being prospected. As seen in the research above, some do not have the appropriate character traits that lead to a successful venture in multi-level marketing. One participant stated, "*...some of those traits are imperceptible, so one has to go on experiential discernment or instinct in assuming the prospect to possess those traits.*" The research question focused on the characteristics of successful

versus unsuccessful direct sellers and based on answers from a few of the participants, many of the characteristics can only be unveiled once a deeper relationship is formed.

Chapter 5: Limitations and Future Research

The current research conducted here can be expanded upon in many ways, which makes room for future opportunities for improvement. A larger sample size could greatly contribute to findings in this study. With a larger number of participants, outliers are easier to eliminate and margins are widened between characteristics, making it easier to discern true emergent themes.

Secondly, it may have been beneficial to create two groups of participants separated by length of time spent with the company or by downline size. Both of these factors contribute to the way a direct seller runs his business and the types of incentives he can offer as well as promotions. A direct seller with only 10 members in its downline has less opportunity to engage in riskier business tactics because it lacks the security of a direct seller with 5,000 members in its downline. Likewise, someone who has been engaged in multi-level marketing for many years would have the advantage of experience over a new member. By conducting research with multiple groups separated by one of the two methods proposed, one could observe the business strategies used by those more secure in their businesses and how they affect the type of team that leader has.

Lastly, having two or more researchers could have proven helpful in the data analyses and collection. Generally, a second researcher is used to determine reliability of the data and findings and minimize risk of human error. Having two researchers also could have been helpful in recruiting more participants for the study. Since data has been collected and stored, an expansion upon these findings can still be conducted through the

correct methods. A starting point can be set from this research into the characteristics and motivations of successful direct sellers.

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Appendix A:

Dear Participant,

My name is Ashten Holloway and I am a senior in the Honors College at the University of Southern Mississippi. Part of my completion of my degree through the Honors College requires that I conduct research and compose a thesis. I have chosen to do my thesis on the Sustainability of Direct Sellers in Marketing.

I am aware that you are a business owner through Rodan + Fields and I would like to request that you complete a survey that will contribute to my research. All of the answers that you provide will be confidential and your name will never be released as a participant.

With the direct selling market growing at such an amazing rate, I feel that my research can greatly benefit and increase the public knowledge of direct selling and what it takes to be successful in such a demanding field.

I hope that you choose to participate and I look forward to collecting data that could immensely benefit my research. Please let me know what your intention is (to participate or not to participate) as soon as possible. If you do choose to participate I will send you a follow up email with the survey attached. I ask that you return the survey by email in a timely manner, but do not rush since the more specific your answers are, the better I can use them for data in my research.

Thank you for your consideration,
Ashten Holloway

Ashten Holloway
Senior Honors Thesis
Sustainability of Direct Sellers in Marketing

Name: _____

Date: _____

Are you over 18 years of age? Yes No

How many years have you been with Rodan+Fields? _____

Approximately how many members are in your “downline?” _____

Below I will ask you a series of questions about your business and your team. I ask that you be as specific and provide as much detail as possible. There is no set length for your responses but, since I am using this for research, I ask that you provide as much information as you can. Some of these questions will target the positive aspects of your business and in some questions I will ask you to elaborate on some of the perceived difficulties of your business. I know some of the questions seem harsh but all of this research is submitted confidentially and none of your names will be used.

Thank you for your participation and for your contribution to my research.

1. When you approach someone to tell them about Rodan+Fields, are there certain things that you look for in that person to decide if they would be a good team member? If so, what are they?

2. What characteristics do you think make someone a successful direct seller in Rodan+Fields once they begin their business?

3. At what point in a direct seller's business do you deem them successful? If you think there are multiple points or multiple definitions of success, please elaborate.

4. What are some ways that you motivate your team to keep pushing and achieving their goals? Do you help them set goals or leave that to them?

5. Please describe some of the reasons people give for not wanting to join your business.

6. For those that joined your business and then left soon after, please describe their reasons for leaving.

7. In your opinion, what are personality traits that you have come across in those who left the company that are not in line with success in direct selling?

Appendix B:



INSTITUTIONAL REVIEW BOARD
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NOTICE OF COMMITTEE ACTION

The project has been reviewed by The University of Southern Mississippi Institutional Review Board in accordance with Federal Drug Administration regulations (21 CFR 26, 111), Department of Health and Human Services (45 CFR Part 46), and university guidelines to ensure adherence to the following criteria:

- The risks to subjects are minimized.
- The risks to subjects are reasonable in relation to the anticipated benefits.
- The selection of subjects is equitable.
- Informed consent is adequate and appropriately documented.
- Where appropriate, the research plan makes adequate provisions for monitoring the data collected to ensure the safety of the subjects.
- Where appropriate, there are adequate provisions to protect the privacy of subjects and to maintain the confidentiality of all data.
- Appropriate additional safeguards have been included to protect vulnerable subjects.
- Any unanticipated, serious, or continuing problems encountered regarding risks to subjects must be reported immediately, but not later than 10 days following the event. This should be reported to the IRB Office via the "Adverse Effect Report Form".
- If approved, the maximum period of approval is limited to twelve months.
Projects that exceed this period must submit an application for renewal or continuation.

PROTOCOL NUMBER: 16112104
PROJECT TITLE: Sustainability of Direct Sellers in Marketing
PROJECT TYPE: New Project
RESEARCHER(S): Ashten Holloway
COLLEGE/DIVISION: College of Business
DEPARTMENT: Accounting
FUNDING AGENCY/SPONSOR: N/A
IRB COMMITTEE ACTION: Exempt Review Approval
PERIOD OF APPROVAL: 01/31/2017 to 01/30/2018
Lawrence A. Hosman, Ph.D.
Institutional Review Board