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Characteristics of Direct Distributors' Consumption Behavior and How do they Influence on the Finance

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Abstract: Direct distributor s' consumption behavior is important to direct distributors and direct selling enterprises, and it is different from general consumer behavior. But the research on it was relatively little. With questionnaire investigation, descriptive statistics and correlation analysis, this paper researched direct distributor's consumer behavior characteristics, and how do they influence on the direct distributors' financial situation. Characteristics of direct distributors' consumption behavior included: most of direct distributors were loyal consumers; a great majority of the direct distributors consumed products which themselves sold; a great majority of the direct distributors consumed more than 50 percent of products which company sold; repurchase rate is high; the majority of direct distributors liked products; most of direct distributors were satisfied with the products quality; direct distributors' consumption was with multiple operational motivations. The consumption characteristics influence on the direct distributor's finance. Monthly consumption expenditure was notable, positively correlation with age, years of work, consumption/performance rate, repurchase rate, and experience products. Monthly income was notable, positively correlation with consumption/company products rate, and repurchase rate. Monthly income was notable, negative correlation with consumption/performance rate. The conclusions can provide references for direct sellers, selling enterprises and researchers.

Keywords: direct selling, direct seller, consumer, consumer behavior, direct distributor

1. INTRODUCTION

Products can be selling not only in the store but also out the store. As a means of non-store selling, direct selling is face-to-face selling in place away from a fixed retail location. AVON Company entered Guangzhou province in 1990, this marked direct selling industry beginning to develop in China Mainland. Over the past 20-odd years, direct selling attracted many people to become direct distributors as a means of employment type and setting up a business with low barriers to entry^[1].

In the process of operating direct selling, direct distributors consumed products which they sold. Direct distributor's consumption behavior is different from general consumer behavior, and it is important to direct distributors and direct enterprises, it influences direct distributors' financial situation. This paper researched characteristics of direct distributors' consumption behavior and how they influenced on the direct distributors' financial situation based on following background.

First, a direct distributor is not only an operator but also a consumer, particularly, a large proportion of direct distributors are not active in operating business, and they are main consumers of the products themselves sold.

The second background is a developing market strategy of many direct selling companies is steady increasing number of direct distributors. If the direct distributors are active in operating business, they will be loyal consumers and will develop more and more market. If the direct distributors are not active in operating business, they still will become easily loyal consumers. A large number of loyal consumers are stable source of profit to many direct selling companies.

The third background is many people transformation role from consumers to operators in direct selling

industry^[2].

Fourth, direct distributors' consumption behaviors influence their financial. Many direct distributors' financial situation became worse because of their consumption behavior, but some direct distributors improved their marketing results and income^[3] because of their consumption behavior.

Direct distributors' consumption behavior is important to direct distributors and direct enterprises, but the research about it is relatively little. With questionnaire investigation, descriptive statistics and correlation analysis, this paper researched characteristics of direct distributors' consumption behavior, and how they influenced on the direct distributors' financial situation. The conclusions can provide references for direct sellers, direct enterprises and researchers.

2. A QUESTIONNAIRE INVESTIGATION OF DIRECT DISTRIBUTORS' CONSUMER BEHAVIOR

This paper put forward the research contents based theory of consumer behavior^{[4]-[7]} and characteristics of direct distributors' consumption behavior, they include: (1) characteristics of direct distributor's consumer behavior: satisfaction, loyalty, consumer motivation; (2) how do the consumption characteristics influence the direct distributor's financial.

Focusing on these contents, the author designed questionnaire and investigated direct distributors of a team of Amway China Company in Xi'an. The questionnaires for survey were given in random to direct distributors at a meeting, totally 400 questionnaires were sent out, and 185 effective questionnaires were received

The investigation showed information about demographic variables^[8]: 50% of those polled were males, 50% were females; 61.2% of those polled were twenties, 21.9% were thirties, so 83.1% were twenties or thirties; 57.4% of those polled were unmarried, 36.6% were married, 6.0% were divorced; 45.6% of those polled were bachelor or senior college degree, 29.4% were high school or professional school graduated; 61.1% of those polled operated direct selling less than one year, 84.3% operated less than three years. 37.9% of those polled monthly earned RMB 1001~3000, 28.2% monthly earned less than RMB 1001, 19.2% monthly earned RMB 3001~5000, 13.6% monthly earned RMB 5001~10000, 1.1% received more than RMB 100000; 83% of those polled were full-time direct distributors, 17% were part-time direct distributors.

The author investigated consumption/performance rate. The investigation showed, 1.6% of those polled sold all products, 62.5% sold most products, 32.6% consumed most products, and 3.3% consumed all products.

3. ANALYSIS OF CHARACTERISTICS OF DIRECT DISTRIBUTOR'S CONSUMPTION BEHAVIOR

3.1 Loyalty: most of direct distributors were loyal consumers.

(1) A great majority of the direct distributors consumed products which themselves sold. Investigated whether direct distributors consumed products which themselves sold, findings were: 58.0% of those polled consumed all products which themselves sold, 33.1% consumed most products, 6.1% consumed a small proportion of the products, 2.8% consumed a very few products. It thus can be seen that most of the direct distributors were loyal consumers, they consumed products which themselves sold.

(2) A great majority of the direct distributors consumed more than 50 % of products which company sold. Investigated consumption/company products rate, according to the surveys, 17.9% of those polled consumed all products which company sold, 45.7% consumed most products, 17.4% consumed half products, 18.5% consumed a small proportion of the products, 0.5% consumed a very few products or consumed scarcely products. It thus can be seen that most of direct distributors consumed more than half the products, they were loyal consumers.

Investigated products types which direct distributors consumed, according to the surveys, 89.0% of those

polled consumed nutritious health products, 83.0% consumed products of everyday use at home, 82.4% consumed high-tech durable products, 63.7% consumed cosmetics products, 53.3% consumed personal care products.

(3) Repurchase rate is high. Investigated repurchase rate of direct distributors, results showed: 71.4% of those polled repurchased all products, 25.8% of direct distributors repurchased most products, 0.5% repurchased half products. It thus can be seen that repurchase rate of direct distributors is high.

(4) The majority of direct distributors liked products more. Investigated the likeness degree of direct distributors to products, results showed: 73.4% of those polled liked their products a lot, 22.8% of those polled liked their products more, 2.7% of those polled liked their products, 0.5% of those polled didn't like products too much, 0.5% of those polled didn't like any of the products. It thus can be seen that direct distributors liked products more.

3.2 Satisfaction: most of direct distributors were satisfied with the products quality

Investigated the consumers satisfaction, results showed: 72.7% of those polled were satisfied very much with the products quality, 22.4% were satisfied relatively, 3.3% were satisfied, and 1.6% of those polled were satisfied badly. It thus can be seen that most of direct distributors were satisfied with the products quality.

3.3 Consumer motivation: with multiple operational motivations and experience products were paid adequate attention

Investigated consumption motivations of direct distributors, results showed: 89.0% of those polled were to meet life needs, 82.9% of those polled were to experience products, 26.5% were to set an example for the subordinates, 15.5% were encouraged by superiors, 9.9% of those polled were to dispose of overstocked products. Motivation of direct distributors to meet life needs was not different from general consumers', but other motivations were associated with operation, all that motivations were named operational motivations. It thus can be seen that direct distributors' consumption motivations include multiple operational motivation. According to the investigation, 74.4% of those polled experienced products seriously, 23.9% experienced products relatively seriously, 1.7% of those polled experienced products without different from other products.

4. HOW DO THE CHARACTERISTICS INFLUENCE THE DIRECT DISTRIBUTORS' FINANCE?

4.1 Monthly consumption expenditure of 90% direct distributors was less than RMB 3000

Investigated monthly consumption expenditure of direct distributors, results showed: 44.2% of those polled had monthly expenses of RMB1001~2000 to consume direct selling products, 28.7% had monthly expenses of below RMB 1000, 17.1% had monthly expenses of 2001~3000, 6.1% of those polled had monthly expenses of RMB 3001-4000, 1.7% of those polled had monthly expenses of RMB 4001-5000, 2.2% had monthly expenses of over RMB 5000.

4.2 More than half of direct distributors increased their expenditures because they consumed products which themselves sold

Comparing consumption expenditure of direct distributors with their consumption expenditure when they had not operator direct selling, results showed: 32.6% of those polled considered their consumption expenditure to be much more than before, 32.6% of those polled considered their consumption expenditure to be more than before, 13.6% of those polled considered their consumption expenditure to be less than before. It thus can be seen that more than half of direct distributors increased their expenditures because they consumed direct selling products which themselves sold.

4.3 99% of direct distributors considered their income rising because of consumption

What does the consumption influence on the direct distributors' income? According to the investigation, 43.0% of those polled considered their income increased more because of consumption, 33.5% of those polled

considered their income increased very much, 22.9% of those polled considered their income increased a little more. It thus can be seen that 99% of direct distributors considered their income increased because of consumption.

5. CORRELATION ANALYSIS OF BETWEEN CONSUMER BEHAVIOR AND FINANCIAL

5.1 Correlation analysis between consumption expenditure and demographic variables

(1) Analyzing correlation between consumption expenditure and demographic variables by spearman's correlation coefficient [9],[10], results showed in the table 1. Results of test of significance of spearman's correlation coefficient indicated, significance at 1% level, monthly consumption expenditure was notable correlation, positively and weak correlation with age, correlation coefficient was 0.301; significance at 1% level, monthly consumption expenditure was notable, positively and weak correlation with years of work, correlation coefficient was 0.204. Monthly consumption expenditure was not notable correlation with education degree.

Table 1. Correlation between consumption expenditure and demographic variable

			consumption expenditure	age	education degree	Years of work
Spearman's rho	consumption expenditure	Correlation Coefficient	1.000	.301**	.004	.204**
		Sig. (2-tailed)	.	.000	.962	.006
		N	181	180	177	181

** There is notable correlation at 1% level (2-tailed).

(2) Analyzing correlation between consumption expenditure and consumer behavior characteristics by spearman's correlation coefficient, results showed in the table 2. Results of test of significance of spearman's correlation coefficient indicated, significance at 1% level, monthly consumption expenditure was notable correlation, positively and weak correlation with consumption/company products rate, correlation coefficient was 0.348; significance at 1% level, monthly consumption expenditure was notable, positively and weak correlation with repurchase rate, correlation coefficient was 0.204; significance at 5% level, monthly consumption expenditure was notable, positively and weak correlation with experience products, correlation coefficient was 0.158; monthly consumption expenditure was not notable correlation with likeness degree and satisfaction degree.

Table 2. Correlation between consumption expenditure and consumer behavior characteristics

			consumption expenditure	consumption/ company products rate	repurchase rate	likeness degree	satisfaction degree	experience products
Spearman's rho	consumption expenditure	Correlation Coefficient	1.000	.348**	.204**	.112	.143	.158*
		Sig. (2-tailed)		.000	.006	.134	.055	.037
		N	181	181	179	181	180	174

*There is notable correlation at 5% level (2-tailed). **There is notable correlation at 1% level (2-tailed).

5.2 Correlation analysis between monthly income and consumer behavior characteristics

Analyzing correlation between monthly income and consumer behavior characteristics by spearman's correlation coefficient, results showed in the table 3. Results of test of significance of spearman's correlation coefficient indicated, significance at 1% level, monthly income was notable, positively and moderate correlation with consumption/company products rate, correlation coefficient was 0.438; significance at 1% level, monthly income was notable, positively and weak correlation with repurchase rate, correlation coefficient was 0.395; significance at 1% level, monthly income was notable, negative and weak correlation with consumption/performance rate, correlation coefficient was 0.366. Monthly income was not notable correlation with repurchase rate, likeness degree, satisfaction degree and experience products.

Table 3. Correlation between monthly income and consumer behavior characteristics

			monthly income	consumption /performance rate	consumption /company products rate	repurchase rate	satisfaction degree	consumption expenditure
Spearman's rho	monthly income	Correlation Coefficient	1.000	-.366**	.438**	.040	.104	.395**
		Sig.(2-tailed)	.	.000	.000	.601	.171	.000
		N	177	176	177	174	175	174

**There is notable correlation at 1% level (2-tailed).

6. CONCLUSIONS AND AFFORDANCES

6.1 Conclusions

(1) Direct distributors that were surveyed were with following characteristics of demographic variables: most full-time and a few half-time direct; 64.1% of those polled sold products mostly, 35.9% of those polled consumed mostly; gender balance in direct distributors; most direct distributors were young, 45.6% of those polled were bachelor or senior college degree; 84.3% of those polled operated direct selling less than three years; only 14.7% of those polled monthly earned more than RMB 5000.

(2) Characteristics of direct distributors' consumption behavior included: most of direct distributors were loyal consumers; a great majority of the direct distributors consumed products which themselves sold; a great majority of the direct distributors consumed more than 50 percent of products which company sold; repurchase rate is high; the majority of direct distributors liked products more; most of direct distributors were satisfied with the products quality; direct distributors' consumption was with multiple operational motivations such as experience products, setting an example for the subordinates, encouraging by superiors or disposing of overstocked products, and experience products were paid adequate attention.

(3) The consumption characteristics influence on the direct distributor's finance. Monthly consumption expenditure of 90% direct distributors was less than RMB 3000. More than half of direct distributors increased their expenditures because they consumed direct selling products. 99% of direct distributors considered their income increased because of the consumption.

(4) Monthly consumption expenditure was notable, positively correlation with age, years of work, consumption/performance rate, repurchase rate, and experience products. Monthly income was notable, positively correlation with consumption/company products rate, and repurchase rate. Monthly income was notable, negative correlation with consumption/performance rate.

6.2 Reference value of this paper

(1) Reference value for direct distributors. Most of direct distributors didn't earn high income; only less than 15% of direct distributors monthly earned more than RMB 5000. Thus, when people decide to enter direct selling industry, they should make a rational decision. When direct distributors operate the business, they became consumers of products which they sold. Consuming products not only increased direct distributors' expenditures, but also make their income increased. References for direct distributors increasing income are: improving consumption/company products rate, improving consumption expenditure but decreased consumption/performance rate.

(2) Reference value for direct selling companies. Direct distributors' consumption is with multiple operational motivations, thus they became the most loyal consumers, and the large number of loyal consumption is stable source of profit to many direct selling companies. So the references for direct selling companies are: direct selling companies should recruit continually further quantity direct distributors; use every stratagem to lower turnover and make direct distributors to work longer years; direct selling companies should improve income of the ordinary direct distributors to raise competitive position of direct selling industry.

(3) Reference value for researchers. Direct distributors' consumption behavior is different from ordinary consumers, it is with many characteristics which is deserving to study. It is an effective marketing measure to improve consumption quantity by shaping direct distributors to loyal consumers.

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