

DIRECT SELLING: FROM DOOR TO DOOR TO E-COMMERCE

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Track indication: E-Business and E-Commerce

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ABSTRACT

Direct selling is exhibiting substantial growth in sales revenues and number of salespeople involved. Also the acceptance of consumers is growing. During the last decade direct selling organizations (DSOs) are using the Internet more and more, either to communicate with the salespersons, either to promote the products and the business to the consumers. This research is aiming to contribute to a better understanding of how DSOs are using the Internet, for that we have interview 11 managers of DSOs operating in Portugal. Results show that DSOs use the Internet as a support to their main business. We then discuss aspects of importance for further extensions.

KEYWORDS

Direct Selling, Direct marketing, E-commerce, E-business, Distribution channels

1. INTRODUCTION

Direct Selling is defined as “face-to-face selling away from fixed retail location” (May 1979; Peterson & Wotruba 1996; Brodie et al 2002b; Alturas 2003). According to the Direct Selling Association US, direct selling organizations (DSOs) in the US grew in sales volume from \$16.5 billion in 1994 to \$25.6 billion in 2000, and the number of salespeople participating in this activity in the US grew from 6.3 million in 1994 to 11.0 million in 2000 (Direct Selling Association US 2001). Worldwide sales by direct selling organizations reached \$78.65 billion from the efforts of over 43 million salespeople in 49 countries (World Federation of Direct Selling Associations 2002).

Direct Selling typically includes home selling situations such as door-to-door solicitations, appointments, referrals and product parties, as well as catalogues and the Internet to disseminate information. By design, direct selling firms rely more on the selling skills of their sales force than on not personal communications such as advertising (Vander Nat & Keep 2002). Direct salespeople “are usually independent contractors, not company employers, and opportunities with direct selling companies are open to persons from all backgrounds, experience levels, and personal characteristics. Clearly, direct selling is a business activity of significant importance both in financial and human terms” (Brodie et al 2002b, p.67).

Although the consequences of marketing to the Internet are not clear yet (Peterson et al 1997), there is a consensus concerning the different environment for marketing activities that Internet represents (Ruiz & Soriano 2002). All companies want to be present in the Internet, and so there is not surprising that even the DSOs that rely mainly on personal relationship to obtain sales are including the Internet as part of their marketing strategy. In fact, during the last decade DSOs are using the Internet more and more, either to communicate with the salespersons, either to promote the products and the business to the consumers. This research is aiming to contribute to a better understanding of how DSOs are using the Internet.

2. BODY OF PAPER

2.1 A view of direct selling

Despite being the oldest method of commercial distribution known to mankind, direct selling is not well understood (Albaum 1992; Peterson & Wotruba 1996). Frequently direct selling is confused with direct marketing (Bauer & Miglautsch 1992), at times; direct selling is improperly equated with undesirable manifestations like the pyramid scheme (Ella 1973; Vander Nat & Keep 2002). Almost all direct selling organizations (DSOs) use self-employed independent contractors who undertake the selling function, typically on a part-time basis. Usually the salespersons begin with high expectations but in many cases the work is harder than they think, and is that way that direct selling companies face high turnover (Wotruba & Tyagi 1991; Brodie et al 2002a).

The influence of the salesperson on the consumer satisfaction is quite important because direct selling can be defined as “the obtaining of orders and the supply of consumer goods to private individuals away from normal retail premises, usually in their homes, or place of work, in transactions initiated by a salesperson” (Berry 1997, p.xxi).

Major modes of direct selling include one-on-one selling at home, one-on-one selling at a workplace, a sales party at a consumer’s home, and a sales party at a workplace, church, or other location (Peterson et al 1989). In way to products are successfully marketed through direct selling, they should (ideally) possess some form of distinctiveness, require some demonstration, and generate repeated sales (Peterson & Wotruba 1996). The products can be “big ticket” or “low ticket” products. We say “big ticket” when a direct sold consumer transaction for a single item is in excess of 125 €, and “low ticket” in less of 125 €. Apart from big ticket direct sales such as vacuum cleaners, where DSOs tend to use well-trained, full-time direct sellers, most DSOs rely on those whom direct selling is a part-time occupation (Berry 1997).

DSOs can use two types of organization structures, identified as multilevel and single level (Biggart 1989; Peterson & Wotruba 1996; Berry 1997; Brodie et al 2002a, 2002b). “In a multilevel (ML) organization (also called network marketing organization); direct salespeople recruit, train, and supervise other direct salespeople who become part of the recruiter’s organization. In return, the recruiting salesperson receives compensation on the sales of organization members as well as on his or her sales. In a single level (SL) organization, the salespeople do not build their own organizations via recruiting and training, but rather focus their efforts on selling and achieving compensation based on their own sales” (Brodie et al 2002b, p.67)

Several authors have made research about direct selling, either on the DSO’s side (Crawford & Garland 1988; Wotruba 1990; Wotruba & Tyagi 1991), or on the consumer side (Peters & Ford 1972; Cunningham & Cunningham 1973; Gillett 1976; Taylor 1978; Darian 1987; Frenzen & Davis 1990; Sargeant & Msweli 1999); some studies found advantages and disadvantages of direct selling for the consumers (Peterson et al 1989; Barnowe & McNabb 1992; Kustin & Jones 1995; Wotruba & Pribova 1996), but in the literature reviewed we don’t find any research that presents the relationship between Internet and direct selling.

2.2 Direct Selling and the Internet

The Internet is growing at a high speed. Firms are investing millions into online presences to gain competitive advantage (Gervey & Lin 2000). Almost every company has a web site these days. The problem is that it often ends there: many companies create a web site just to be present on the Web (De Wulf et al 2002). A study made in 1995 found that 90% of web sites are developed without asking customers what they want (Korgaonkar & Wolin 1999). If all companies want to be present in the Internet, also the DSOs are including the Internet as part of their marketing strategy, either to communicate with the salespersons, either to promote the products and the business to the consumer.

Looking at the DSOs web sites we found that these companies use the Internet by different ways. A curious example is Tupperware, which made sales directly to the consumers by the Internet in the USA. When the company begin doing these, happened some protests by his distributors (direct sellers) that acclaim that the company are doing concurrence to them. That means that a company that relies on personal relationship to obtain sales have to be very carefully in including E-commerce in her marketing strategy. But, besides the Tupperware example, almost any other DSO makes sales by the Internet to the consumers. Some DSOs sell only to his distributors and the majority use the Internet to give information, coaching the direct sellers, promote the products, etc.

So the Internet is changing the world — including the world of people-to-people marketing. A paradigmatic case is Quixtar, an website create by Amway to permit his IBOs (Independent Business Owners) from USA and Canada to made his purchases on-line and also show the products and the business opportunity to their clients and candidates. With Quixtar, that world of opportunity just got bigger. Launched with great fanfare on September 1, 1999, Quixtar is a revolutionary Internet portal that provides unprecedented opportunities to people of all walks of life (Barefoot 1999). The Devos and Van Andel families, who owned the Alticor group that includes Amway and Quixtar, saw the need for a strikingly new business model, and their vision captured the imagination of such business giants as Microsoft and IBM. But more important, with Quixtar thousands of people are taking advantage of the incredible new opportunities the Internet offers. The success obtained by Quixtar was such that today Amway almost works only with Quixtar on USA and Canada, and the website becomes one of the top ten selling sites on the web. Also in the UK Amway launched a similar site called Amivo that will be used by IBOs from several European countries.

The success obtained by Quixtar relies mainly in two factors: personalisation of the web site for which IBO; and the use of an earlier organization of Amway IBOs that drive to loyalty to the website once that Quixtar is always referred to new users by someone in which they trust.

Personalisation measures the extent to which an e-commerce site takes into account his personal needs and desires and is viewed as an important aspect of the e-commerce environment (Eighmey & McCord 1998). “Quixtar can be your home away from home, your home within a home, your online home. Millions of people have already found it to be a very special place” (Reynolds & Reynolds 2001).

In general, consumers attach importance to the opinion of others, like family, friends, colleagues, shop assistants, and consumers associations while making purchase decisions. With the arrival of the Internet as a new medium to communicate and interact, it is interesting to find out how consumer behaviour is affected by those with whom the consumer closely associates (De Valck et al 2002). As the user is being more and more familiar with a website he tends to be more loyal, because a consumer familiar with the shopping environment may find it extremely legible and adopt an epistemic strategy of relying on prior knowledge of the shopping environment to locate desired products (Ruiz & Soriano 2002). We also have to take into account that the consumer first decides about purchasing the brand, and later if the purchase will be done through the web site (Peterson et al 1997). If the consumer perceives that the web site is simple and user friendly, than he may chose to buy on the web site (Srinivasan et al 2002).

2.3 Methodological considerations

In order to understand the way in which DSOs intend to use the Internet, we designed research methodology including in-depth interviews with a representative sample of 11 DSOs managers (from the 36 DSOs that we found operating in Portugal: response rate of 30%). In these interviews we made questions to encourage the DSO managers to talk about their opinion about the relationship between direct selling and the Internet. We interviewed managers from: Amway, Avon, Crediverbo, Cristian Lay, Herbalife, Homcare, Mary Kay, Milvendas, Oriflame, Rainbow and Vorwerk. The results showed as follow:

- 8 DSOs have they own website
- 4 DSOs have a website with contents in Portuguese
- 11 managers stated that e-commerce would never replace direct selling because the personal contact will be always necessary to sale some products
- 6 managers stated that the Internet is a complementary channel to his main distribution channel
- 8 managers stated that the Internet it was a good opportunity to promote her main business
- 7 managers stated that the Internet would be of great importance in the contact between the company and the salespeople

3. CONCLUSION

This research paper represents a first step towards the study of the relationship between Internet and direct selling. We are in the early stages of the research and we have focused our study on a particular group of individuals: i.e. DSOs managers. This choice inevitably limits the possibility to generalize results beyond the target group.

Results show that DSOs use the Internet as a support to their main business, but not as an alternative distribution channel. The research will continue with a quantitative study that will consist on using a questionnaire applied to a large sample of Portuguese direct sellers, mainly on the urban area of Lisbon; with the objective of know the opinion of direct sales people: Do they think Internet is going to help them? Or they think Internet will be an alternative to them? We will construct a model and run linear regressions and factor analysis to verify the relationship between the variables. The validation of the model could show the possibility and the utility of incorporating the past research in Internet and the past research in direct selling into a broader model that shows that relationship. These empirical evidences could be relevant for DSO's who seek better marketing strategies including the Internet, and also understanding and predict post consumption behaviours. In summary, we need to expand the scope of this research in order to test the reliability and external validity of the present results.

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