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DETERMINANTS OF CONSUMERS' SATISFACTION AND ACCEPTANCE OF DIRECT SELLING

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Track: Consumer Behaviour

Determinants of consumers' satisfaction and acceptance of direct selling

Abstract

This paper studies the factors that influence the consumers' satisfaction and acceptance of direct selling. Direct selling has been exhibiting in the last decade substantial growth in sales revenues and number of salespeople involved. Also the acceptance on the part of the consumers has been increasing; in spite of they show more and more demanding and informed. The literature reveals that the relationship between customer satisfaction and direct selling has not been sufficiently studied, yet. This paper, applying a quantitative approach attempts to provide some data on this relation. Results indicate that the consumer former experience is the major factor that leads to direct selling acceptance and satisfaction.

Keywords

Direct selling, Customer satisfaction, Consumer behaviour, Distribution channels

Introduction

Direct Selling is a method of distribution of consumer goods and services through personal contact between buyer and seller away from a fixed business location (Peterson & Wotruba 1996; Brodie et al 2002b, Wotruba et al 2005). 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 (Alturas 2003). According to the Direct Selling Association US, direct selling organizations (DSO's) in the USA grew in sales volume from $14,98 billion in 1993 to $29,55 billion in 2003, and the number of salespeople participating in this activity in the USA grew from 5,7 million in 1993 to 13,3 million in 2003 (Direct Selling Association US 2004). In the European Union sales reached 7597 euros ($9442) from the efforts of over 2,3 million (83% women) in 2003 (Federation of European Direct Selling Associations 2004). Worldwide sales by direct selling organizations reached $88,87 billion from the efforts of over 49 million salespeople in 52 countries (World Federation of Direct Selling Associations 2004).

Usually, direct selling organizations (DSO's) rely more on the selling skills of their sales force than on indirect communications such as advertising (Vander Nat & Keep 2002), but during the last decade DSO's are using the Internet more and more, either to communicate with the salespersons, either to promote the products and the business to the consumers (Alturas 2003). So, with the growth of an alternative sales channel, such as the Internet, and the continued opening of the worldwide marketplace, DSO's are faced with numerous options (Crittenden & Crittenden 2004).

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). DSO’s can be characterized by the organizational structure: multilevel (companies like Amway, Herbalife, Mary Kay and Oriflame), and single level (companies like AMC, Avon, Tupperware and Vorwerk).

A growing body of literature proposes models for consumer satisfaction (Oliver 1980; Woodruff et al 1983; Oliver & DeSarbo 1988; Bolton & Drew 1991; Schlesinger & Heskett 1991; Anderson & Sullivan 1993; Woodruff & Gardial 1996), and many of these studies have tried to identify factors that lead to consumer satisfaction. But in the literature that was studied we didn’t find all the factors, that determine the relationship between customer satisfaction and direct selling, therefore we propose to identify the factors that influence the consumers’ satisfaction and acceptance of direct selling.

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). At times, direct selling is improperly equated with undesirable manifestations like the pyramid scheme (Ella 1973; Vander Nat & Keep 2002), and frequently direct selling is confused with direct marketing (Bauer & Miglautsch 1992). Direct marketing is defined as an “interactive system of marketing which uses one or more advertising media to effect a measurable response and/or transaction at any location” (Sargent & West 2001). So we can find several methods of commercial distribution that are direct marketing but not direct selling, as teleshopping, mail order, etc. This proliferation of channels provides the consumer with the need to make channel choices as well as product or brand choices (Michaelidou et al 2004).

Direct salespeople are self-employed independent contractors, not company employees, and in that sense direct selling has some characteristics in common with franchising (Brodie et al 2002a; Stanworth et al 2004). As independent contractors, direct salespeople are essentially their own boss. They are free to spend whatever time they want as they see fit. Many participate in direct selling as a part-time activity, or as a supplement to other employment commitments, or as a temporary means for income until another employment opportunity is found (Wotruba et al 2005). Maintaining direct selling activity requires considerable initiative and self-motivation (Pratt and Rosa 2003). Financial compensation depends essentially on commission or incentive pay since there are no salaries (Coughlan and Grayson 1998). Usually the salespersons begin with high expectations but in many cases the work is harder than they think, leading to high sellers’ turnover (Wotruba & Tyagi 1991; Brodie et al 2002a).

DSO's can use personal selling or group selling. 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). The products that are successfully marketed through direct selling should (ideally) possess some form of distinctiveness, require some demonstration, and generate repeated sales (Peterson & Wotruba 1996). Several types of products can be sold by direct selling. The products can be "big ticket" or "low ticket" products. Apart from big ticket direct sales such as vacuum cleaners, where DSO's tend to use well-trained, full-time direct sellers, most DSO's rely on those whom direct selling is a part-time occupation (Berry 1997).

DSO's operate under two major types of organizational structures, called 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 downline and whose sales generate compensation for the recruiter. In a single level (SL) organization, salespeople do not build an organization via recruiting and training but rather devote all efforts to selling and achieve all compensation based on their own sales. Recent evidence shows that salespeople in these two types of direct selling firms have some specific differences in personal characteristics, attitudes, and behavioral measures. For instance, MLs show significantly greater organizational commitment than do SLs while SLs place greater importance on job characteristics that involve proving themselves to others when compared with MLs (Brodie et al 2002b).

Several authors have undertaken research on 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 a model for the determinants of consumer's satisfaction and acceptance of direct selling.

The concept of satisfaction

Satisfaction is considered a post choice evaluative judgment concerning a specific purchase selection (Oliver 1980; Soscia 2002), however there is no common definition of customer satisfaction, but most researchers agree that satisfaction (and dissatisfaction, respectively) is the result of a complex psychological comparison between expected and received product performance levels. The concept of customer satisfaction describes the emotional reaction to the degree in which a product meets a buyer's expectations (Oliver 1980; Swan & Trawick 1981; Helm & Höser 1995). A customer is satisfied if perceived performance clearly exceeds his expectations. He is dissatisfied if perceived performance clearly does not come up to his expectations. Within a "zone of indifference", where the gap between expectations and perceived performance is too small to arouse an emotional reaction, neither satisfaction nor dissatisfaction arise (Churchill & Surprenant 1982; Woodruff et al 1983; Helm & Höser 1995).

We can find two kinds of expectations: normative expectations that define with precision how the product should behave, and predictive expectations that indicate the away that we think the product will behave (Wotruba & Duncan 1975). Some idealized advertising images increases consumer's expectations (Richins 1995), and the disconfirmation of expectations affect perceived quality, and the perceived quality affects satisfaction and behavioural intentions (Gotlieb et al 1994). However the expectation is not the only factor that influences satisfaction towards a product, also the effort taken to buy the product influences satisfaction that could be bigger when the consumer made a considerable effort to get the product, and lower when the consumer made a modest effort (Cardozo 1965). Also the consumer preferences change depending on the degree to which anticipated satisfaction is evoked. This shifts in preferences arise because, compared to choice, anticipated satisfaction elicits a mental-imaging processing strategy that is both more effort intensive and qualitatively different (Shiv & Huber 2000).

Perceived risk influences consumer satisfaction and has been applied by a number of authors to the study of consumption of consumer goods and services. Studies of innovative channels of retailing such as telephone shopping (Cox & Rich 1964) and catalogue shopping (Jasper & Ouellette 1994) found that consumers perceive higher risks in new channels. Research undertaken in the United States, shows that buying from direct selling is perceived as less risky than other non-store shopping modes such as telephone shopping (Peterson et al 1989). A recent work shows that there is a negative correlation between perceived risk and direct selling acceptance (Alturas & Santos 2004).

A growing body of literature proposes models for consumer satisfaction (Oliver 1980; Woodruff et al 1983; Oliver & DeSarbo 1988; Bolton & Drew 1991; Schlesinger & Heskett 1991; Anderson & Sullivan 1993; Woodruff & Gardial 1996). In the literature reviewed we just found a study where the satisfaction toward direct selling is analyzed (Wotruba & Pribova 1996), but we haven't found, however, any empiric study that presents a conceptual model evidencing the relationship between direct selling and the consumer's satisfaction. The models already known to explain the satisfaction of the consumer face the other distribution channels are not completely valid in this case, given the peculiar characteristics of direct selling. This way, the interest of the present investigation relapses on the construction and validation of a conceptual model that it explains the relationship between the determinants of direct selling in the decision of choice of this channel and between this and the consumer's satisfaction.

Research question and conceptual model

We derive our basic research question: which factors are the most important for a consumer to choose buying a product by direct selling and which factors influence the subsequent consumer' satisfaction?

The empiric research that we proposed was built after the literature research, followed by the exploratory phase. Our construct assumes a direct relationship (i.e. not mediated by any effects) between the consumer acceptance to buy a product by direct selling and the satisfaction, and also between the factors that influence the consumer and the acceptance and with the satisfaction. Those variables are in fact dimensions because each one is actually made by several variables, once that this model is based on the assumption that many different variables are intervening in the supposed causal relations.

Figure 1 shows our graphic model in which the rectangles represent the independent variables and the circles represent the dependent variables.

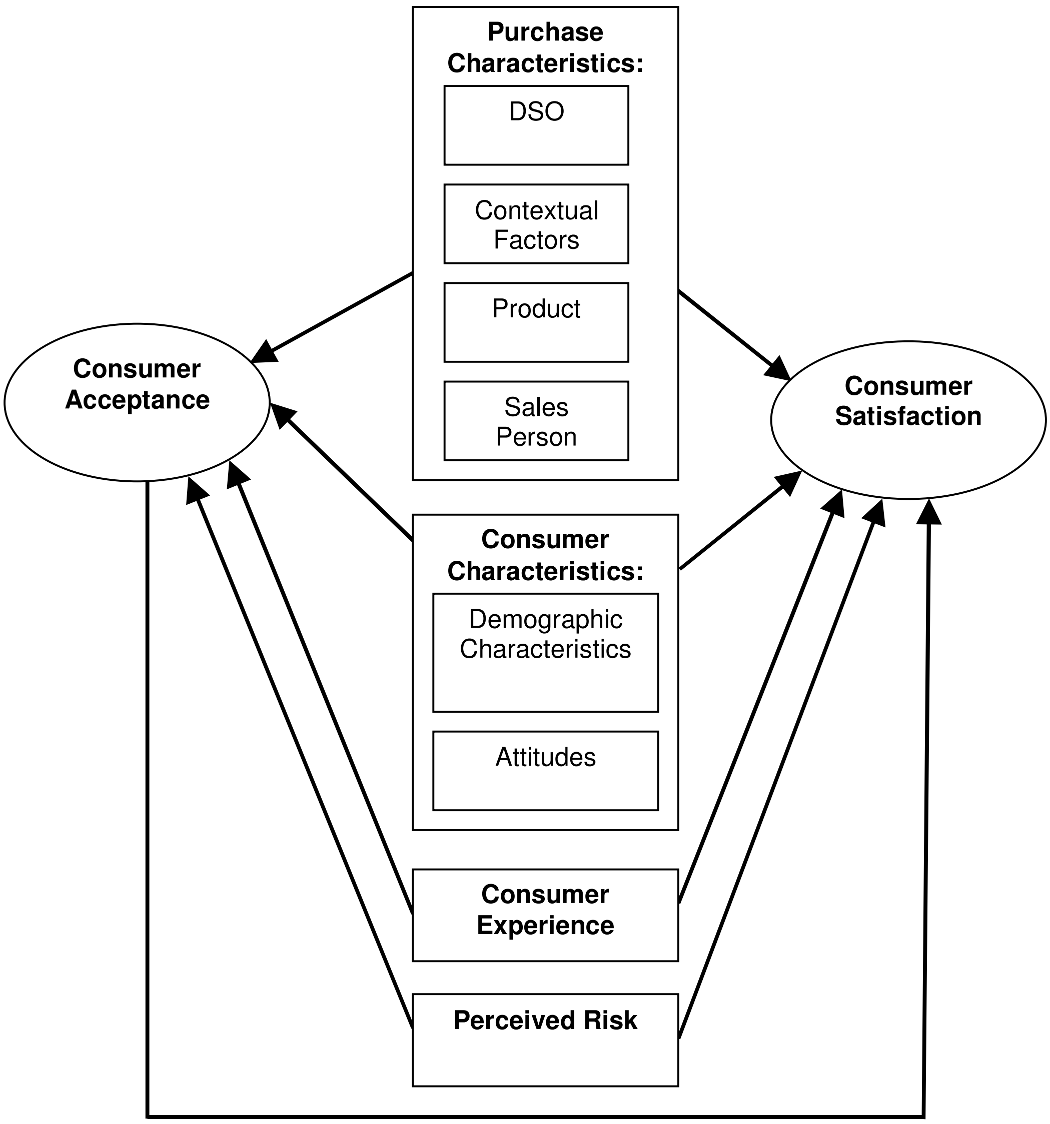

Figure 1 – Factors that influence direct selling acceptance and consumer satisfaction

We decided not to derive any hypotheses because, although hypotheses have the advantage of forcing researchers to think systematically about what they want to study, they exhibit a potential disadvantage because they may divert a researcher's attention too far away from other interesting facets of the collected data (Bryman & Cramer 2001, p.4).

Methodological considerations

In order to find the factors that influence the consumers' satisfaction and acceptance of direct selling, we designed a two-phase research methodology:

Exploratory phase, including interviews with a sample of 11 managers of DSO's (from the 36 that we found operating in Portugal) and interviews with salespersons and costumers of the same DSO's.

Empiric phase, based on a questionnaire developed through the contribution of the literature review and the interviews of the previous phase. In this questionnaire we made questions to verify the purchase frequency, the intention to buy, the characteristics of the purchase, the consumer characteristics and also we include some questions to compare direct selling with other forms of non-store retailing. The theoretical universe for this research is the adult Portuguese consumer from the urban metropolitan area of Lisbon. To collect data we use two different ways: cooperation was obtained from students of a Lisbon high school who applied the questionnaire on their family and neighbours; and through our colleague professors from our University. We obtained a sample of 378 responses to the questionnaire from a total of 1200 potential respondents (response rate of 31.5%).

In order to evaluate the importance of the purchase characteristics respondents were asked to rate a set of 40 items (9 about the DSO, 14 about the contextual factors, 7 about the product and 10 about the sales person) in a 5-point Likert scale anchored by 1 (not important at all) to 5 (extremely important). Also a 5-point Likert scale was used for the intention to buy (from 1 "absolutely yes" to 5 "absolutely no") and for the satisfaction (from 1 "not satisfied at all" to 5 "extremely satisfied"). Respondents were also asked to answer about some demographic characteristics. We choose four characteristics used by Wotruba & Pribova (1996): gender, age, education and monthly household income, and we add other three: occupation, marital status and location of residence. Also we asked about the consumer attitudes as a buyer with a set of 9 items in a 5-point Likert scale (from 1 "never" to 5 "always") and 17 items about their experience with direct selling also in a 5-point Likert scale (from 1 "I disagree completely" to 5 "I agree completely"). Finally, in order to evaluate the perceived risk, respondents were asked to rate a set of 8 non store purchasing methods (4 direct selling modes: One-on-one at home, Sales party at home, One-on-one at workplace, Sales party in other place than home. And 4 not direct selling modes: TV shopping, Telephone shopping, Mail order and catalogue shopping, Internet shopping) in a 5-point Likert scale anchored by 1 (not risky at all) to 5 (extremely risky).

Findings

The preliminary results show that 13.5% of the respondents will for sure (absolutely yes) buy some products by direct selling in the next 12 months, and 19.3% will most probably buy some products. Also 38.6% will probably buy some products, 20.4% will not most probably buy any product and finally 7.7% will not buy any product.

After the data collection we found the mean value of the perceived risk for each one of the modes, and the results were the following: One-on-one at home (2.60), Sales party at home (2.61), One-on-one at workplace (2.76), Sales party in an other place than home (2.87), TV shopping (3.49), Telephone shopping (3.89), Mail order and catalogue shopping (3.07) and Internet shopping (3.36). With these results we can take the same conclusion of other previous studies (Gillett 1976, Peterson et al 1989) that buying from direct selling is perceived less risky than other no-store shopping modes.

Then we computed a principal components factor analysis to reduce our data and we found three composites about the importance of the DSO: Credibility (Cronbach Alpha of 0.74), Availability of Products (Cronbach Alpha of 0.86) and Company Image (Cronbach Alpha of 0.66); four composites about the importance of Contextual Factors: Purchase in Group (Cronbach Alpha of 0.86), Product Selection (Cronbach Alpha of 0.88), Convenience (Cronbach Alpha of 0.75) and Flexibility (Cronbach Alpha of 0.68); two composites about the importance of the Product: Value for Money (Cronbach Alpha of 0.75) and Specificity of the Product (Cronbach Alpha of 0.63); three composites about the Sales Person: Professionalism (Cronbach Alpha of 0.89), Pressure to Buy (Cronbach Alpha of 0.80) and Trust (Cronbach Alpha of 0.73). We also found three composites about the consumers' attitudes: Hetero-information on the products (Cronbach Alpha of 0.71), Auto-information on the products (Cronbach Alpha of 0.68) and Importance of the promotions (Cronbach Alpha of 0.69); four composites about the consumers' experience: Experience with the DSO (Cronbach Alpha of 0.62), Experience with direct selling (Cronbach Alpha of 0.76), Experience with the products (Cronbach Alpha of 0.62) and Experience with the sales person (Cronbach Alpha of 0.85). Finally we found two composites of perceived risk: Risk with direct selling (Cronbach Alpha of 0.92) and Risk with other non-store shopping modes (Cronbach Alpha of 0.89). We also found two composites of satisfaction: Satisfaction with direct selling (Cronbach Alpha of 0.81) and Satisfaction with other non-store shopping modes (Cronbach Alpha of 0.76).

To validate the empiric model, two binary logit models was used, and for that we have transformed the dependent variables "acceptance of direct selling" and "satisfaction with direct selling" in binominal variables with only two values: 0 and 1. This type of logit model has been used with success in several studies (Hensher & Johnson 1981), having already been used in another study to evaluate the consumers' choice (Abramson et al 2000). In the first binary logit model we used the 27 composites obtained as independent variables and "acceptance of direct selling" as dependent variable and the results show an R-squared of 0.42 (results are shown on table 1). In the second binary logit model we used the same 27 composites plus "acceptance of direct selling" as independent variables and "satisfaction with direct selling" as dependent variable and the results show an R-squared of 0.29 (results are shown on table 2).

Table 1 reports the observed results of the binary logit model among the constructs that we computed in order to found the factors that influence the consumers' acceptance of direct selling. As we can see the most significant factor is experience with direct selling, fallowed by convenience, marital status, specificity of the product, experience with the sales person, purchase in group, trust and gender.

Dependent Variable: **ACCEPTANCE OF DIRECT SELLING**
Method: ML - Binary Logit
Date: 10/19/04 Time: 20:58
Sample(adjusted): 1 378
Included observations: 170
Excluded observations: 208 after adjusting endpoints
Convergence achieved after 6 iterations
Covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
CREDIBILITY	-0.362437	0.538325	-0.673268	0.5008
AVAILABILITY OF PRODUCTS	0.144230	0.316914	0.455109	0.6490
COMPANY IMAGE	0.036280	0.453146	0.080063	0.9362
PURCHASE IN GROUP	-0.759840	0.395071	-1.923300	**0.0544**
PRODUCT SELECTION	0.229250	0.291705	0.785898	0.4319
CONVENIENCE	0.886659	0.356936	2.484087	**0.0130**
FLEXIBILITY	0.536319	0.371545	1.443485	0.1489
VALUE FOR MONEY	-0.426817	0.726351	-0.587618	0.5568
SPECIFICITY OF THE PRODUCT	-0.954475	0.480294	-1.987270	**0.0469**
PROFESSIONALISM	0.418422	0.583281	0.717358	0.4732
PRESSURE TO BUY	-0.071551	0.221151	-0.323540	0.7463
TRUST	-0.577601	0.313365	-1.843224	**0.0653**
GENDER	-0.950319	0.586250	-1.621013	0.1050
AGE	0.090131	0.279833	0.322089	0.7474
EDUCATION	0.188402	0.267681	0.703829	0.4815
OCCUPATION	-0.051729	0.140978	-0.366932	0.7137
MARITAL STATUS	0.334598	0.164023	2.039947	**0.0414**
LOCATION OF RESIDENCE	1.314208	1.066982	1.231706	0.2181
MONTHLY HOUSEHOLD INCOME	0.064673	0.165504	0.390763	0.6960
HETERO-INFORMATION ON THE PRODUCTS	0.357722	0.363943	0.982905	0.3257
AUTO-INFORMATION ON THE PRODUCTS	-0.356852	0.331102	-1.077769	0.2811
IMPORTANCE OF THE PROMOTIONS	-0.420993	0.329168	-1.278959	0.2009
EXPERIENCE WITH THE DSO	0.369643	0.363910	1.015754	0.3097
EXPERIENCE WITH DIRECT SELLING	1.588237	0.481535	3.298282	**0.0010**
EXPERIENCE WITH THE PRODUCTS	0.008914	0.299753	0.029738	0.9763
EXPERIENCE WITH THE SALES PERSON	0.633237	0.326135	1.941637	**0.0522**
PERCEIVED RISK	-0.126614	0.354821	-0.356839	0.7212
C	-4.818022	3.330023	-1.446843	0.1479

Mean dependent var	0.582353	S.D. dependent var	0.494628
S.E. of regression	0.392956	Akaike info criterion	1.123467
Sum squared resid	21.92683	Schwarz criterion	1.639951
Log likelihood	-67.49466	Hannan-Quinn criter.	1.333050
Restr. log likelihood	-115.5186	Avg. log likelihood	-0.397027
LR statistic (27 df)	96.04788	McFadden R-squared	0.415725
Probability(LR stat)	1.14E-09		
Obs with Dep=0	71	Total obs	170
Obs with Dep=1	99		

Table 1: Acceptance of Direct Selling - Results of Binary Logit Model

Dependent Variable: **SATISFACTION WITH DIRECT SELLING**				
Method: ML - Binary Logit				
Date: 10/20/04 Time: 00:31				
Sample(adjusted): 1 377				
Included observations: 152				
Excluded observations: 225 after adjusting endpoints				
Convergence achieved after 5 iterations				
Covariance matrix computed using second derivatives				
Variable	Coefficient	Std. Error	z-Statistic	Prob.
CREDIBILITY	-0.984438	0.714507	-1.377786	0.1683
AVAILABILITY OF PRODUCTS	-0.541625	0.340410	-1.591098	0.1116
COMPANY IMAGE	0.447041	0.559231	0.799385	0.4241
PURCHASE IN GROUP	0.584560	0.492594	1.186698	0.2353
PRODUCT SELECTION	-0.199633	0.361248	-0.552621	0.5805
CONVENIENCE	-0.319357	0.428717	-0.744913	0.4563
FLEXIBILITY	-0.321453	0.453335	-0.709085	0.4783
VALUE FOR MONEY	0.579309	0.746852	0.775668	0.4379
SPECIFICITY OF THE PRODUCT	0.041803	0.518728	0.080587	0.9358
PROFESSIONALISM	-0.030773	0.550745	-0.055875	0.9554
PRESSURE TO BUY	-0.156028	0.263185	-0.592846	0.5533
TRUST	0.178478	0.373020	0.478467	0.6323
GENDER	-1.736001	0.607745	-2.856463	**0.0043**
AGE	0.030157	0.299135	0.100816	0.9197
EDUCATION	-0.451792	0.312467	-1.445889	0.1482
OCCUPATION	-0.048773	0.152576	-0.319662	0.7492
MARITAL STATUS	0.087595	0.181948	0.481430	0.6302
LOCATION OF RESIDENCE	1.682759	1.719286	0.978755	0.3277
MONTHLY HOUSEHOLD INCOME	0.322147	0.184682	1.744334	**0.0811**
HETERO-INFORMATION ON THE PRODUCTS	-0.319818	0.446434	-0.716382	0.4738
AUTO-INFORMATION ON THE PRODUCTS	-0.026251	0.336419	-0.078032	0.9378
IMPORTANCE OF THE PROMOTIONS	0.272000	0.440349	0.617692	0.5368
EXPERIENCE WITH THE DSO	0.854073	0.401493	2.127240	**0.0334**
EXPERIENCE WITH DIRECT SELLING	0.933854	0.488404	1.912053	**0.0559**
EXPERIENCE WITH THE PRODUCTS	-0.275800	0.348895	-0.790498	0.4292
EXPERIENCE WITH THE SALES PERSON	-1.308516	0.443925	-2.947608	**0.0032**
PERCEIVED RISK	-0.292912	0.396403	-0.738924	0.4600
ACCEPTANCE OF DIRECT SELLING	0.382270	0.647262	0.590595	0.5548
C	5.635028	4.570928	1.232797	0.2177

Mean dependent var	0.789474	S.D. dependent var	0.409030
S.E. of regression	0.378950	Akaike info criterion	1.111262
Sum squared resid	17.66316	Schwarz criterion	1.688186
Log likelihood	-55.45588	Hannan-Quinn criter.	1.345628
Restr. log likelihood	-78.22728	Avg. log likelihood	-0.364841
LR statistic (28 df)	45.54280	McFadden R-squared	0.291093
Probability(LR stat)	0.019424		
Obs with Dep=0	32	Total obs	152
Obs with Dep=1	120		

Table 2: Satisfaction with Direct Selling - Results of Binary Logit Model

Table 2 reports the observed results of the binary logit model among the constructs that we computed in order to found the factors that influence the consumers' satisfaction with direct selling. As we can see the most significant factor is experience with the sales person, fallowed by gender, experience with the DSO, experience with direct selling, monthly household income and availability of products. Results indicate that indicate that the consumer former experience is the major factor that leads to direct selling acceptance and satisfaction.

Marketing implications

Despite its history, relatively little public knowledge exists about the direct selling industry, DSO's, direct sellers, and consumers who purchase through direct selling. The above results represent a first step towards the study of the relationship between consumers' satisfaction and acceptance of direct selling, and could show the possibility and the utility of incorporating the past research in customer satisfaction and the past research in direct selling into a broader model that shows that relationship.

Some of the findings reported above serve to reinforce previous research about direct selling, but given the pervasiveness of purchasing from DSO's, more attention should be devoted to both the seller and the buyer side of the industry. Little is known about the attitudes of direct sales buyers toward traditional in-store retailing, or the attitudes of consumers who do not buy from DSO's toward direct selling.

Besides, these empirical evidences could be relevant for managers of DSO's who seek better understanding and predict post consumption behaviours, because one challenge for direct selling industry is to develop more and better ways to capitalize consumer satisfaction, while reducing the perceived risk of direct selling experiences.

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