

RESEARCH ARTICLE

Direct selling and its benefits to the market place

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Manuscript Details	ABSTRACT
<p>Received : 27.03.2015 Revised :12.06.2015 Accepted: 26.06.2016 Published: 27.07.2016</p> <p>ISSN: 2322-0015</p> <p>Editor: Dr. Arvind Chavhan</p> <p>Cite this article as: Gupta Swaroopa Rani N. Direct selling and its benefits to the market place. <i>Int. Res. Journal of Science & Engineering</i>, 2016, 4(2):57-64.</p> <p>Copyright: © Author(s), This is an open access article under the terms of the Creative Commons Attribution Non-Commercial No Derivs License, which permits use and distribution in any medium, provided the original work is properly cited, the use is non-commercial and no modifications or adaptations are made.</p>	<p>Direct selling is a type of sales channel where products are marketed directly to customers, eliminating the need for middlemen – wholesalers, advertisers and retailers. Direct selling can be conducted one-on-one, in a group or party format, or online. Direct selling is a dynamic, vibrant, rapidly expanding channel of distribution for the marketing of products and services directly to consumers. The purpose of this paper is to describe direct selling and the benefits that it brings to the marketplace.</p> <p>There are presently over 60 national DSAs represented in its membership, and in 2011 it is estimated that worldwide retail sales by its members accounted for more than US\$154 Billion through the activities of more than 91 million independent sales representatives.</p> <p>The World Federation and its national DSAs have always understood the necessity for ethical conduct in the marketplace and as such the WFDSA has developed a World Codes of Conduct for Direct Selling which all national DSAs have approved and implemented in their national codes. All direct selling companies agree to be bound by these codes as a condition of membership in a national DSA.</p> <p>What makes direct selling such an attractive career option is the flexibility it offers. Those who engage in direct selling are independent contractors who determine how much time and energy they want to invest in their businesses. They set their own hours, and define and control their work-family life balance. An Independent Sales Representative is her own boss. Direct selling is also a way to own a business with a minimal capital investment.</p> <p>Research shows some of the most popular reasons people choose direct selling are it is a good way to meet and socialize with people, it offers flexible work schedules, it is a good way to earn extra income, it is a good way to own a business and Earnings are in proportion to efforts. There are no required levels of education, experience, financial resources or physical condition.</p> <p>People of all ages and from all backgrounds have succeeded in direct selling. Direct sellers are independent contractors. You're your own boss, which means you can work part-time or full-time - you choose</p>

when and how much you want to work, set your own goals and determine yourself how to reach them, earn in proportion to your own efforts. The level of success you can achieve is limited only by your willingness to work hard, own a business of your own with very little or no capital investment and receive training and support from an established company.

Thousands of people have lost a substantial amount of money by participating in pyramid schemes. Many of the victims knew they were gambling (although they didn't know the odds were rigged against them). Many others, however, thought they were paying for help in starting a small business of their own. These people were fooled by pyramid schemes disguised to look like legitimate businesses. The purpose of this paper is to help you avoid falling victim to pyramid schemes, whether simple or disguised. Simple pyramid schemes are similar to chain letters, while disguised pyramids are like wolves in sheep's clothing, hiding their true nature in order to fool potential investors and evade law enforcers.

You can buy with confidence, when you purchase products from a direct selling company that is a member of your local DSA. Each DSA member company must adhere to a Code of Ethics, which protects you as a consumer.

The information provided in this paper will help us understand our rights as a consumer. It will also answer some general questions we may have about the direct selling industry. It also contains Global Statistics on Sales Strategies, Product Categories and Sales Methods.

Keywords: Amway, Avon, Direct selling, DSA, Herbalife, Natura, Oriflame, WFDSA.

INTRODUCTION

Direct selling is the marketing and selling of products directly to consumers away from a fixed retail location. Peddling is the oldest form of direct selling.^[1] Modern direct selling includes sales made through the party plan, one-on-one demonstrations, and other personal contact arrangements as well as internet sales.^[2] A textbook definition is: "The direct personal presentation, demonstration, and sale of products and services to consumers, usually in their homes or at their jobs."^{[3][4]}

Industry representative, the World Federation of Direct Selling Associations (WFDSA), reports that its 59 regional member associations accounted for more than US\$114 Billion in retail sales in 2007, through the activities of more than 62 million independent sales representatives.^[5] The United States Direct Selling Association (DSA) reported that in 2000, 55% of adult

Americans had at some time purchased goods or services from a direct selling representative and 20% reported that they were currently(6%) or had been in the past(14%) a direct selling representative.^[6]

According to the WFDSA, consumers benefit from direct selling because of the convenience and service it provides, including personal demonstration and explanation of products, home delivery, and generous satisfaction guarantees.^[5] In contrast to franchising, the cost for an individual to start an independent direct selling business is typically very low with little or no required inventory or other cash commitments to begin.^[5]

Most direct selling associations, including the Bundesverband Direktvertrieb Deutschland, the direct selling association of Germany, and the WFDSA and DSA require their members to abide by a code of conduct towards a fair partnership both with

customers and salesmen. Most national direct selling associations are represented in the World Federation of Direct Selling Associations (WFDSA).

Direct selling is distinct from direct marketing because it is about individual sales agents reaching and dealing directly with clients. Direct marketing is about business organizations seeking a relationship with their customers without going through an agent/consultant or retail outlet. Direct selling often, but not always, uses multi-level marketing (salesperson is paid for selling and for sales made by people he recruits or sponsors) rather than single-level marketing (salesperson is paid only for the sales he makes himself).^[7]

Largest direct selling companies

According to Direct Selling News, the largest direct selling companies, by revenue in 2012,^[8] were shown in Table 1.

Table 1. Largest direct selling companies

Company Name	Country	Year Founded	2012 Revenue
Alticor (Amway)	U.S.	1959	US\$ 11.3 B
Avon Products	U.S.	1886	US\$ 10.7 B
Herbalife	U.S.	1980	US\$ 4.1 B
Vorwerk	Germany	1883	US\$ 3.3 B
Natura	Brazil	1969	US\$ 3.2 B
Mary Kay	Texas	1963	US\$ 3.1 B
Tupperware	Florida	1946	US\$ 2.6 B
Nu Skin Enterprises	U.S.	1984	US\$ 2.2 B
Oriflame	Sweden	1967	US\$ 2.0 B
Belcorp	Peru	1967	US\$ 1.9 B

MATERIALS AND METHODS

Direct selling is a type of sales channel where products are marketed directly to customers, eliminating the need for middlemen – wholesalers, advertisers and retailers. Direct selling can be conducted one-on-one, in a group or party format, or online. Direct selling is a dynamic, vibrant, rapidly expanding channel of distribution for the marketing of products and services directly to consumers. The purpose of this paper is to describe direct selling and the benefits that it brings to the marketplace. Direct selling and traditional marketing model is shown in figure 1

Direct Selling the World Over : There are presently over 60 national DSAs represented in its membership, and in 2012 it is estimated that worldwide retail sales by its members accounted for more than US\$169

Billion through the activities of more than 89.7 million independent sales representatives.

The World Federation and its national DSAs have always understood the necessity for ethical conduct in the marketplace and as such the WFDSA has developed a World Codes of Conduct for Direct Selling which all national DSAs have approved and implemented in their national codes. All direct selling companies agree to be bound by these codes as a condition of membership in a national DSA.

Benefits of Direct Selling :

What makes direct selling such an attractive career option is the flexibility it offers. Those who engage in direct selling are independent contractors who determine how much time and energy they want to invest in their businesses. They set their own hours, and define and control their work-family life balance. An Independent Sales Representative is her own boss. Direct selling is also a way to own a business with a minimal capital investment.

Direct selling provides important benefits to individuals who desire an opportunity to earn an income and build a business of their own; to consumers who enjoy an alternative to shopping centers, department stores or the like; and to the consumer products market. It offers an alternative to traditional employment for those who desire a flexible income earning opportunity to supplement their household income, or whose responsibilities or circumstances do not allow for regular part-time or full time employment. In many cases, direct selling opportunities develop into a fulfilling career for those who achieve success and choose to pursue their independent direct selling business on a full time basis.

The cost for an individual to start an independent direct selling business is typically very low. Usually, a modestly priced sales kit is all that is required for one to get started, and there is little or no required inventory or other cash commitments to begin. This stands in sharp contrast to franchise and other business investment opportunities which may require substantial expenditures and expose the investor to a significant risk of loss.

Consumers benefit from direct selling because of the convenience and service it provides, including personal demonstration and explanation of products, home delivery, and generous satisfaction guarantees. Moreover, direct selling provides a channel of distribution for companies with innovative or

distinctive products not readily available in traditional retail stores, or who cannot afford to compete with the enormous advertising and promotion costs associated with gaining space on retail shelves. Direct selling enhances the retail distribution infrastructure of the economy, and serves consumers with a convenient source of quality products.

An important component of the Direct Selling industry is multilevel marketing. It is also referred to as network marketing, structure marketing or multilevel direct selling, and has proven over many years to be a highly successful and effective method of compensating direct sellers for the marketing and distribution of products and services directly to consumers.

Direct selling should not be confused with terms such as direct marketing or distance selling which may be described as an interactive system of marketing that uses one or more advertising media to effect a measurable response and/or transaction at any location, with this activity stored on a database. Some commonly known types of direct marketing and distance selling techniques are telemarketing, direct mail, and direct response.

Although direct selling organizations occasionally use some direct marketing or distance selling techniques and technology to enhance their businesses, the primary difference between the two methods of marketing is the face to face, or personal presentation that is always an aspect of the direct selling relationship.

The cornerstone of the WFDSA's commitment to ethical business practices and consumer service is its World Codes of Conduct. Every national DSA pledges that it will require each member as a condition to admission and continuing membership in the DSA to comply with the WFDSA World Codes of Conduct for Direct Selling with regard to direct selling activities both inside and outside of its home country, unless those activities are under the jurisdiction of Codes of Conduct of another country's DSA to which the member also belongs.

Research shows some of the most popular reasons people choose direct selling are it is a good way to meet and socialize with people, it offers flexible work schedules, it is a good way to earn extra income, it is a good way to own a business and Earnings are in proportion to efforts.

There are no required levels of education, experience, financial resources or physical condition. People of all ages and from all backgrounds have succeeded in direct selling. Direct sellers are independent contractors. You're your own boss, which means you can work part-time or full-time - you choose when and how much you want to work, set your own goals and determine yourself how to reach them, earn in proportion to your own efforts. The level of success you can achieve is limited only by your willingness to work hard, own a business of your own with very little or no capital investment and receive training and support from an established company.

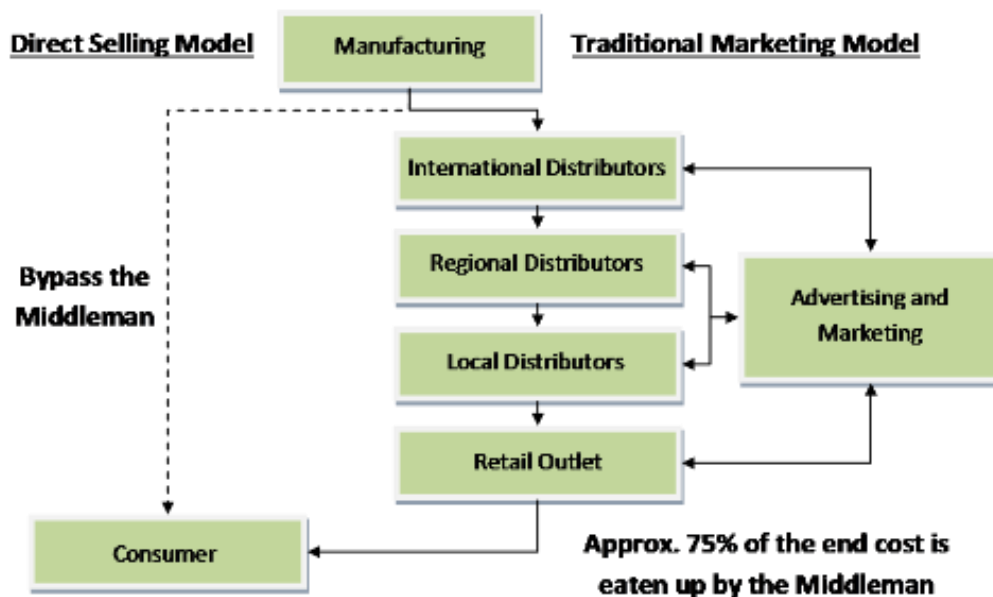


Fig. 1: Direct selling and traditional marketing model

Thousands of people have lost a substantial amount of money by participating in pyramid schemes. Many of the victims knew they were gambling (although they didn't know the odds were rigged against them). Many others, however, thought they were paying for help in starting a small business of their own. These people were fooled by pyramid schemes disguised to look like legitimate businesses. The purpose of this paper is to help you avoid falling victim to pyramid schemes, whether simple or disguised. Simple pyramid schemes are similar to chain letters, while disguised pyramids are like wolves in sheep's clothing, hiding their true nature in order to fool potential investors and evade law enforcers.

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RESULTS AND DISCUSSION

As per World Federation of Direct Selling Associations (WFDSA) Global Statistics 2012 are shown in fig. 2 to 4.

A recent study by the University of Oxford suggests that selling Avon cosmetics has helped women in South Africa become financially independent, and that other businesses are now mimicking Avon's model of direct sales to alleviate poverty in developing countries.

Almost as extraordinary as Amway's record \$11.3 billion total revenue for 2012 is the fact that 90 percent of that business originated outside North America. Amway, India's largest direct selling firm, has announced its intention of reaching a billion dollars in the Indian market by 2020.

According to the *Bangkok Post*, sales of Nu Skin Enterprises (Thailand) Co Ltd, the direct sales skincare company, grew by 27 percent year-on-year in the first eight months to 2 billion baht. The growth rate, almost four times the industry's, was driven by the new AgeLoc anti-aging product line.

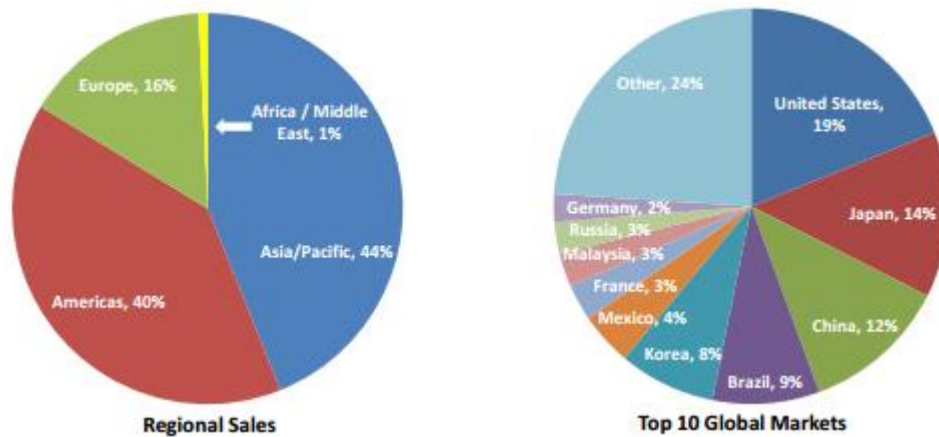


Fig. 2: Global Sales and Direct Selling Community 2012

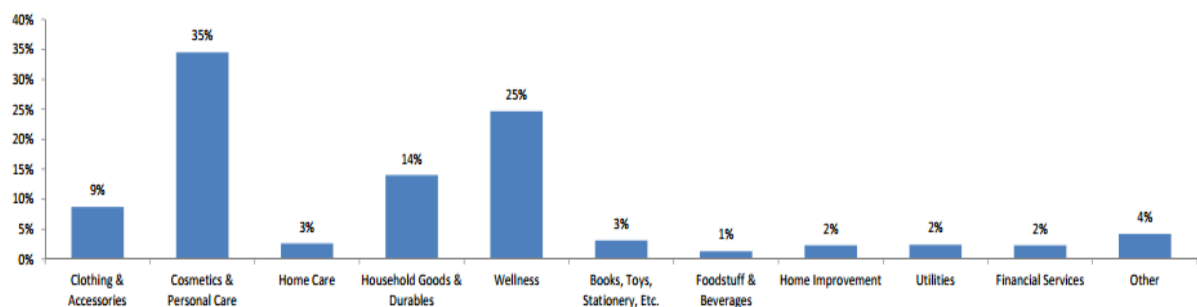


Fig.3: Global Sales by Product Category 2012

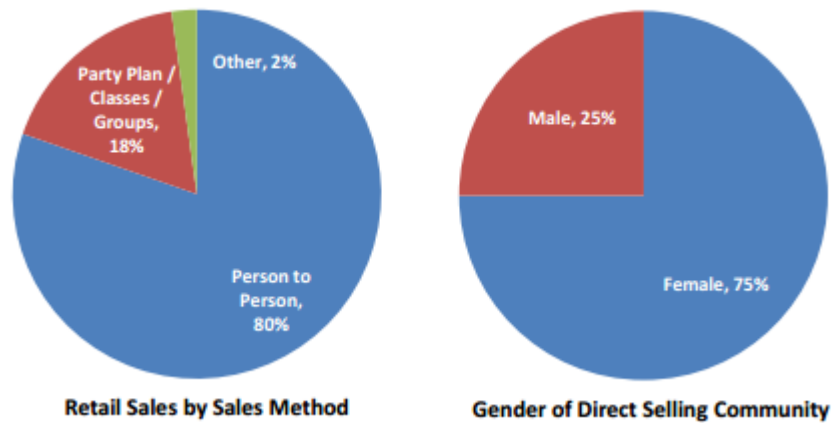


Fig.4: Global Sales by Sales Method 2012

Many companies sell products in the health and wellness area, and direct selling companies have led this category for many years. Direct sellers Avon, Mary Kay, Oriflame, Natura and Nu Skin are among the companies noted in a new report that suggests direct selling could be the key to riding out the recession in Europe.

Across Europe, direct selling continues to have a positive impact on economies that have been hit hard by the global recession.

Direct selling is alive and doing well in Peru. The industry, which is the largest category within non-store retailing in the country, has allowed hundreds of thousands of Peruvians to create their own business opportunities, and also helped to reduce poverty. And, according to industry leaders, the future looks bright. Direct selling has much to offer to help countries getting out of an economic crisis: entrepreneurship, self-employment, personal development, female empowerment, returning people to the labour market and development of remote areas. Just to name a few. It is therefore the right time to appeal for better regulation and more promotion by, and recognition from governments. Promotion and recognition will increase the interest to become direct seller and will make recruitment more successful. In addition to education and training, it is important that the direct seller has a recognized status as independent contractor that will allow them to get the appropriate tax and social treatment. Better regulation should remove the existing barriers to the trade in the Single Market. Direct selling of certain types of products is still restricted in some countries, mostly without any justification.

Coming years will be extremely important for the industry and we have the opportunity to help society re-imagine our industry and show its relevance today in a continually changing world, suffering the impact of social and environmental challenges. It is in this context that all of us can communicate and demonstrate to the world the important role of the direct selling industry, in building networks and mutually enhancing relationships, that promotes prosperity for people and the planet. We also perceive that the world is being transformed by technology and social medias. Everything is changing, business, relations, consumers and society as a whole. In this complex context, where knowledge is still incipient, direct selling companies face the challenge of evolving. However, in face of this challenge, we also see many opportunities. Network acting is already in the essence of our industry. In this manner, in an increasingly connected world, we can make direct selling increasingly innovative and attentive to society's challenges and needs.

Experience with a wide variety of US and international clients has proven conclusively that the convergence of direct selling sales methodologies is continuing at a rapid pace. It is almost impossible today to find a "pure" MLM marketing program or a pure one-on-one or a pure party plan. Almost all companies today find, sometimes to their surprise, that their enterprising sales people are using all of the traditional sales approaches depending on who they are talking to and in what setting. Then to top it off, they are selling online also, not just for re-orders on their replicated websites, but for first customer contacts resulting from Facebook, Twitter and LinkedIn associations. There is no reason to believe that this trend will not continue and even strengthen in the coming year. As usual the

independent sales force is often out in front of their companies when it comes to employing technology in innovative ways and exploring their own way of doing things. Coping with these trends requires all companies to be ever more nimble when it comes to adapting to the realities of the marketplace. For change and adaptation move from the periodic and unusual to simply the normal way of doing business.

How can one not be optimistic about the future of direct selling? To be sure, there is still uncertainty in the global economy and business leaders are generally worried that lack of confidence will hurt their enterprises. Direct sellers, however, are well positioned to prosper and take a leading role in leading the economy out of the doldrums. Aside from our natural leadership in consumer service and education, our model provides the ideal mix of quality products, extraordinary opportunity for individuals, and the appeal of social networking. Other business models are just now catching on to what direct sellers have known for years – the power of the social network combined with the opportunity to benefit financially can be a powerful force in the market. 2013 will have its challenges. Issues of reputation and misperception of our model persist in some markets, and we must demonstrate our longstanding and continued commitment to protecting our customers and salespeople. And we must deal with government regulation, ensuring that it is undertaken reasonably and only when necessary. Fortunately, Direct Selling Associations across the globe, coordinated through our World Federation, are meeting the challenges. DSAs are pursuing a wide ranging agenda, with the establishment of Codes of Ethics and complaint resolution processes, industry research, and press and government outreach. Through their DSAs, direct selling companies are working together to ensure that our industry is the world's economic and business leader of the future, providing opportunity and product to hundreds of millions of customers and salespeople worldwide.

CONCLUSION

Direct Selling is a business model

Direct Selling offers entrepreneurial opportunities to individuals as independent contractors to market and/or sell products and services, typically outside of a fixed retail establishment, through one-to-one selling, in-home product demonstrations or online.

Individuals involved in Direct Selling may be called distributors, representatives, consultants or various other titles.

Those involved may participate in various ways, including selling the products themselves or through their sales organizations, providing training and leadership to their sales organizations, referring customers to the company and purchasing products and services for personal use.

Compensation of those involved in Direct Selling is ultimately based on sales and may be earned based on personal sales and/or the sales of others in their sales organizations.

The 89.7 million individuals who represent Direct Selling companies around the world are:

Career-minded entrepreneurs who build their own businesses marketing the products/services of a Direct Selling company with which they have an agreement or contract or part-time micro-entrepreneurs who earn extra income by doing so.

Those seeking new skills, who join for the training and re-training.

Those seeking new contacts, greater self-esteem, and those who want to give back to the community through the many Direct Selling social responsibility initiatives. Of this diverse group, many were customers of the products/services prior to becoming a company representative. All enjoy significant discounts on products and in fact, some choose only to enjoy and use the discounted products and decide not to sell them at all.

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