

**"A New Age for Direct Selling -
In the Age of Amazon, How will the Industry Compete?"**
August 13, 2018

- Sampling programs: what are YOU doing? TruPlenish now available. Don't forget to follow-up with those to whom you send out samples.
- NEW Dr. Steve Nugent Videos: Short 1 min videos on the ingredients of Ambrotose Life and also a 30 min training video on Ambrotose Life.... In the Mannatech Library and in Mannatech+
- TNL – August 14th at 7:30 PM at Mannatech Corporate or www.allaboutmannatech.com. The Speaker is Kevin Robbins
- Where are you with respect to the upcoming Cruise?? Get on the BOAT!!
- Next DFW Business Training, September 8th at 9 AM CT... at Mannatech Corporate or www.allaboutmannatech.com

1. Traditional Retailers are taking a beating

- a. Forbes reported malls and shopping centers lost more than 10,000 stores in 2017
- b. In 2018, Toys R Us and Bon-Ton went out of business already
Anchor stores like Sears and Macys are continuing to "shrink"
- c. Notwithstanding these signs, retail is still good...Ben Gamse, Market Research Manager for the DSA.

Although Direct sales are down 1.8% to \$34.9 billion in 2017, he believes the industry is seeing a shift more than a decline.

2. What must Direct Sales Companies do?

- a. Find more precise ways of differentiating themselves
 - 1) Focus on how DS allows their independent distributors to create relationships with repeat customers to create income streams
- b. Not be overwhelmed with less people involved in direct sales in 2017
 - 1) Caused by the industry re-segmenting their base of independent reps from discount buyers to preferred customers.
 - 2) Low unemployment rate shows how many people went into traditional work.
 - 3) These changes are merely giving DSA a chance to "raise our game"
- c. Scentsy CEO..."Companies and industries have to adjust to the market forces and economic winds that blow....We're in a transition period. Good companies are setting their sails differently, and bad companies are getting washed out."

3. The Way Forward

a. DSA annual meeting in June...Industry Research Committee solicited ideas on what the industry can do to compete in the marketplace as well as offering several of its own recommendations.

- 1) Leverage the still-strong desire among Millennials and Gen Z to make extra income.
- 2) Offer support, comp plans and incentives that resonate with modern independent representatives.
- 3) Segment and track retail customers from independent representatives
- 4) Clearly articulate direct sales' value proposition, specifically within the gig economy.

Recommendations:

- Define products and business opportunities clearly
- Offer competitive prices
- Improve technology tools and the use of big data
- Become more customer focused
- Develop more effective training for independent representatives

b. Every day "blocking and tackling" is needed as well...

- 1) Are your products on trend?
- 2) Are we providing good customer service
- 3) Are consultants growing their base?

These are what sustain growth.

"Customers want their products faster and for less."

4. A bigger gig

a. Orville Thompson, CEO from Scentsy:

"We need to ask ourselves...Are our products on trend? Are we providing good customer service? Are consultants growing their base?"

b. Our competition is also with Uber and TaskRabbit...other independent contractors **YouEconomy** has exploded...selling short term things we already own (rides in our cars, houses, etc.). As many as 1/3rd of US workers can be categorized as "GIG" employees. How do we compete? Nu Skin President...

- 1) We provide a "gig and more" opportunity beyond the single product or service transaction in the gig economy.
- 2) Change how we define ourselves to avoid loss to the "gigs"
"Build a future not 'another day.' "
- 3) Long term relationships with customers, with business partners
- 4) *"We no longer have the corner on the market of freedom and flexibility."*
- 5) Perhaps we focus on how direct selling allows contractors to create long-term relationships with repeat customers to create an ongoing revenue stream.

c. We must respond to the "Millennial Effect"

Adjust our branding and operations to appeal to the working population and consumers in the largest generation since the Baby Boomers

- 1) No social security number on the sign ups if only want to be Customers.
- 2) Waive sign up fees for New Customers
- 3) Restructure comp plans to give alternatives on how to grow the business as millennials want to do it "their way"