

"Direct Selling: A Global and Social Business Model"

Monday, November 22, 2021

- This week's "Product Focus:" – Ambrotose Life
- No Social Media Saturday's with Lindsay.... <https://zoom.us/j/92316191159>
- Black Friday Specials: <https://library.mannatech.com/12912>
- For a limited time, Associates and Customers will receive **FREE Ground/Standard shipping for One Time Orders placed at \$199.00 or over.**

Introduction:

Intent of this book is to capture component parts of the direct selling industry by both scholars and participants...taking you through history to today's environment. Also, a look at 1) the importance and impact of direct selling in the global marketplace, 2) the benefits to consumers, participants, and the larger economy and 3) the opportunities and challenges in direct selling as viewed by executives of prominent direct selling companies.

1. History...underpinnings

- a. Entrepreneurship involves creating something new without constraints of current resources. Entrepreneurs are using direct sales as survival, lifestyle ventures **or** "go-to-market" strategy.
- b. RECOGNIZE: distinguish GIGS...which are short term or variable commitment work. It has become "more in vogue" today even more so due to the pandemic. GIG has become more in vogue...but direct selling has provided this type of opportunity for decades.
GIG has grown 40% since turn of the Century (Casa 2020). Another big difference: the cost and risk associated with GIGs: Uber is cars, gas insurance, vehicle maintenance, home rental costs investing in real estate, upkeep, etc. Direct Sales: Start up kit.
- c. Direct Selling is defined as a channel of distribution for personally selling products directly to consumers away from a fixed retail location.
- d. ***It provides an opportunity for entrepreneurs to experience business ownership in a low-risk, low-cost way by providing resources, training, marketing materials and personal development opportunities.***

2. Today the pathways:

- a. A go-to-market strategy with managed or aggressive growth ventures
- b. An independent sales opportunity with survival or lifestyle ventures as a side gig or means of extra income. Reported that average time spent in this model is 13.3 hours per week. (DiLiema 2018)
- c. The direct sales entrepreneur with lifestyle ventures as a full-time income generating and passion fulfilling opportunity.
The "GIG Economy" has exploded and with it the opportunity for all levels of commitment to the Network Marketing Segment.

3. Evolution of direct selling

- a. Goes back to the "Silk Road:" riding on camels bringing wares to sell across countries. 18th century Yankee peddlers set the stage for the direct to consumers model we know today as "direct selling."
- b. The first recognized direct selling company was established in 1855 had young men going door to door to sell products. Then women entered the "workforce." Then came the DSA followed by a revolutionary approach for compensation, and finally the evolution of the "sales method."
- c. Rev James Robinson Graves was the forerunner...sending young men to sell Bibles door to door (1855). 1906 Sarah Breedlove (changed her name to "Madam CJ Walker) and her customers soon became "evangelical agents" receiving a commission to sell products for her. Then came Fuller Brush and one of those distributors began home demonstrations (1931). Then Tupperware created the party plan model.
- d. In 1910 they formed the Agents Credit Association which was first to serve on credit and collection issues, but soon became the creator of a code of ethics for direct sellers, advocacy group and later evolved into what we know today as the DSA.
- e. Mid-1900's the revolution started to reward the direct sellers for their "social network" selling as well and thus, the compensation structure evolved similar to what we see today (Amway being one of the first).
- f. Brett Duncan cofounder and managing partner of Strategic Choice Partners, wrote an opinion piece "2019: The Year Direct Selling as we know it Changed Forever." This identified 3 market forces:
 - 1) new regulations (DSSC created)
 - 2) the consumer marketplace
 - 3) the entrepreneur marketplace
- g. Challenges are ahead for Direct Selling Companies: Online sales events, social media and digital acquisition tools. The independent sales force has now become the "online independent sales force."
 - 1) Companies challenged on building a sense of community
 - 2) No organizational culture in a technology platform world
 - 3) Uncertainty in leading this technology driven environment

4. Compensation Plan

Much in alignment with Mannatech's but

- a. Wholesale pricing for Distributors
- b. Emphasis on Retail Selling
- c. Breakaways...as n Mannatech after level 7...
Only then get compensated through the Pools if qualify
- d. Income disclosures required...may discourage potential distributors

5. Ethics and Training

- a. Every company needs an Ethics and Compliance Officer
- b. Direct selling companies should make it mandatory for all distributors actively pursuing a business opportunity to participate in mandatory ethics and compliance training.

6. Direct Selling in Global Market
 a. Global sales statistics

Table 5.1 Top 10 global sales for 2019

Country	2019 Retail sales (USD millions)
1. United States of America	35,210 (down 0.4% from 2018)
2. China	23,954 (down 30.0% from 2018)
3. Korea	17,683 (up 3.8% over 2018)
4. Germany	17,453 (up 5.0% over 2018)
5. Japan	15,624 (down 1.2% from 2018)
6. Brazil	9,760 (up 3.3% over 2018)
7. Malaysia	6,116 (up 5.6% over 2018)
8. Mexico	6,005 (up 2.5% over 2018)
9. France	5,184 (up 1.5% over 2018)
10. Taiwan	3,650 (down 3.9% from 2018)

Source: World Federation of Direct Selling Associations (2020).

Table 5.2 The 2019 global retail sales by category

Category	Percent of retail sales*
Clothing and accessories	6%
Cosmetics and personal care	29%
Home care	3%
Household goods and durables	12%
Wellness	36%
Books, toys, stationery, and so on.	2%
Foodstuff and beverages	3%
Home improvement	2%
Utilities	3%
Financial services	4%
Other	2%
*Total >100 due to rounding.	

Source: World Federation of Direct Selling Associations (2020).

b. Why developing countries? Large number of entrepreneurs there in the informal or survival sector.

7. Benefits of Direct Selling - something we should always be selling

a. Stats (2019) in US: 6.8 million active direct sellers

13% were full-time/87% part-time

3/4 are women

b. Why do people become direct sellers?

1) Financial (#1 is *"I wanted to make a little extra money"*)

(a) career flexibility

(b) large number of relationships

(c) love enriching other peoples' lives

(d) learned to schedule my day...6 most important things to do tomorrow

2) Non-financial

(a) social interaction

(b) personal learning and growth

(c) feelings of accomplishment

(d) sharpened management skills

(e) gained confidence

(f) improved communication skills

(g) flexibility in where I work and when

(h) work wherever I want

8. Statistics

- a. Approximately 69% are females
- b. 60% were married
- c. 37% were 18-34
39% were 35-54
26% were 55 +
- d. 80% of direct sellers had another job
- e. Men by a margin of 2 to 1 wanted direct selling to be their Full Time GIG
- f. The top reasons they joined their current company:
 - 1) They believed in the products that they wanted *to share* with friends and family
 - 2) Wanted *to buy* the products for friends and family at a discount
 - 3) Flexible working hours
 - 4) Needed the income.
- g. Personal Self-efficacy
Beyond the economic benefits, the survey showed that they saw a direct selling experience to enhance or facilitate personal self-efficacy, separate from any financial benefits. 84% said the direct selling experience made them perform better in a regular job.

9. Covid related issues has created New Opportunities for Direct Sales

- a. Shopping trends virtually going online for much more; direct ship to home
- b. People buying more and more based on trust of other's opinions which is what we are about
- c. Technology ...the endless opportunity of building community through technology
- b. Work from home