

Qualitative Marketing Research Regarding the Profile of Direct Selling Consumers

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Abstract: *The analysis of the direct sales sector highlights a significant worldwide increase in the number and profits of direct selling companies, respectively in the number of customers and direct sellers. As a result, the competition has intensified, forcing the direct selling companies to find new ways to consolidate their position in the market. Thus, the organizations have developed sales compensation plans to motivate their representatives/distributors/independent consultants, offering them commissions for both their sales and those of the distributors they recruited. At the same time, in the context of the new technological developments, the direct sales companies have also expanded their businesses in the online environment, thus ensuring the access of more consumers to their products and services and facilitating the feedback from them. The need to create a sustainable competitive advantage, however, required a constant concern of the companies to know the needs of consumers, including the latent ones, but also to identify the influencing factors and to evaluate their impact on the consumer's behavior during the purchase process. In this context, the present paper aims to outline a profile of direct selling consumers, the study being based on the results of a qualitative marketing research, as well as on the statistical data regarding the direct sales sector.*

Keywords: *direct sales, MLM, consumer behavior, qualitative marketing research*

Introduction

Direct selling is a business model that has produced and continues to produce results, and which also can be adapted to market and demographic changes. Thus, if the direct sale initially involved selling goods door-to-door, then it imposed the use of sales forces consisting of independent representatives and/or employees who were organizing various presentations in order to recruit new direct sellers who could promote the products, their compensation being tied strictly to commissions paid for both their sales and those of the distributors they have recruited.

As a result of the rapid growth of the number of direct selling companies, the compensation plans have been adapted to the new economic and social changes in the sense of providing financial and non-financial benefits to attract, but especially to retain the members of the sales force. Also, the commissions were paid to all distributors, in accordance with certain performance levels, thus allowing every direct seller to advance in the MLM hierarchy by increasing the sales performance at the individual or group level. As a consequence, the increasing incomes have led to the increase of the enthusiasm of those involved in the direct selling activity and implicitly to the creation of personal businesses. At the same time, the legal challenges in the direct selling sector initially required the design of ethical codes, and subsequently of the regulation of this sector by elaborating the legislation on consumer protection.

The international expansion of this business model has led to the emergence of global direct sales companies, their activity generating profound changes both in the way of doing business and in the behavior of consumers.

Starting from the aforementioned considerations, this paper has been structured into four sections. The first section offers a brief conceptual framework of direct selling, and the second one consists in an analysis of the direct sales sector in the EU and Romania. Sections 3 and 4 present the methodological aspects of designing the qualitative marketing research, respectively a summary of the results, the main aim of this research being to outline a profile of the Romanian direct selling consumer.

1. Conceptual Aspects Regarding Direct Sales

In the attempt to conceptualize the notion of direct selling, it was found that there was no originary moment for the emergence of this method of sale, most authors considering that it dates back centuries, from the period when the traveling merchants went from door-to-door to sell their goods, which they carried in the back or transported by cart or wagon.

Direct selling rose and fell, became organized and reorganized, with changes in transportation, urbanization, the economic health of the larger society, and activism in employment matters [1].

Currently, direct selling is defined by the World Federation of Direct Selling Associations (WFDSA) as *a retail channel used by top global brands and smaller, entrepreneurial companies to market products to consumers. Companies market all types of goods and services, including jewelry, cookware, nutritionals, cosmetics, energy and insurance, and much more. [2]*

According to the Association of Direct Selling Companies (ADSC, Romania), direct selling represents *a method of retail and marketing used by top global brands and smaller entrepreneurial companies to market goods and services, directly to consumers, in their homes or at any other location, away from permanent retail premises. It is usually conducted face-to-face, at the place where products are presented, either to an individual, or to a group (home parties). [3]*

The multi-level marketing (MLM) is an important form of direct selling. The concept of MLM describes a marketing structure used by some companies as part of their overall marketing strategy [4]. The structure is designed so that the products and services can be sold through a network of direct sellers, who are compensated through commissions paid for both their sales and sales made by those they have recruited, thus creating a network of distributors, and implicitly a hierarchy of multiple levels of compensation.

2. Direct Sales in European Union and Romania

Direct sales are a booming sector in Europe. Between 2014 and 2017, there was a significant increase in the number of people who were engaged in direct selling activities, followed by a slight decrease in 2018. Thus, in 2018 at European level there were 14.36 million direct sellers, of which 6.85 million within the European Union (figure no. 1).

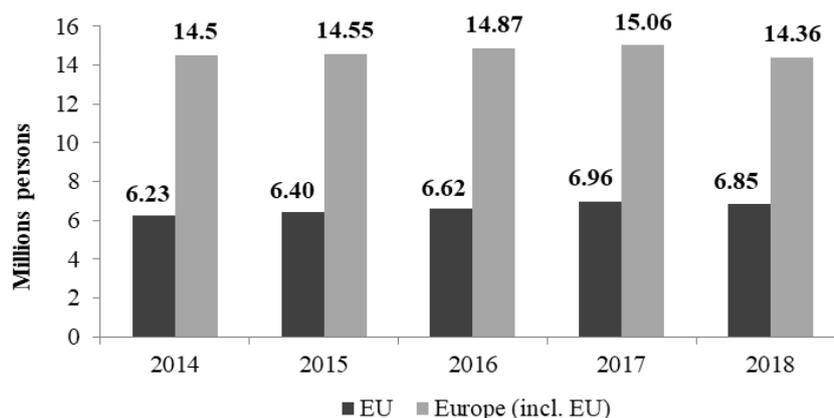


Figure no. 1. The number of people who were engaged in direct selling activities in Europe and EU between 2014 and 2018 [5] - [9]

In the same period (2014 – 2017), the value of direct sales increased by 3.61 billion euros at the European Union level, and by only 3.38 billion euros at European level (including the EU), which meant a decrease of the direct sales in non-EU member states. In 2018, both at European and EU level, there was a slight decrease in the value of direct sales (figure no. 2).

At EU level, the five main markets [10] that generated the highest value of direct sales were:

- Germany (14.8 billions of euro);

- France (4.5 billions of euro);
- UK (2.9 billions of euro);
- Italy (92.8 billions of euro);
- Poland (0.99 billions of euro).

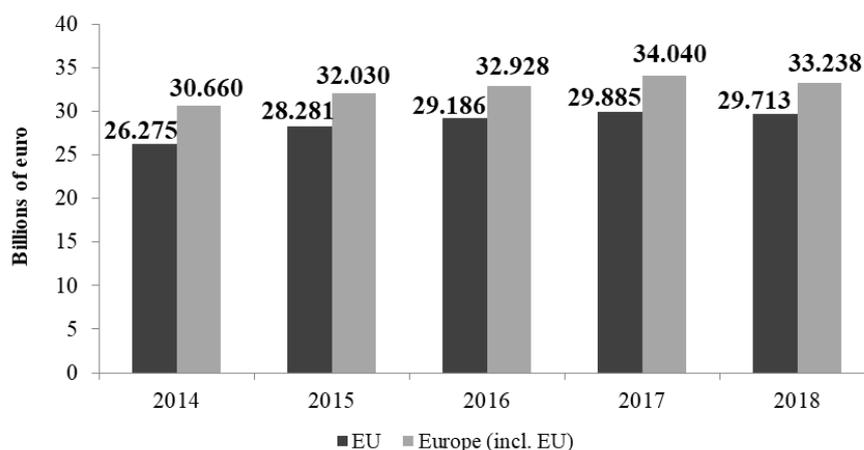


Figure no. 2. The value of direct sales in Europe and EU between 2014 and 2018 [5] - [9]

Regarding the categories of products sold through direct selling method in Europe, in 2018 the highest share was held by wellness products (33%), followed by cosmetics and personal care products (26%), respectively by household and durable goods (14%).

Despite its tradition in the field of direct selling, until now the European Union has not succeeded in closing the gap with the United States. However, the EU retail sales from direct selling have increased significantly in recent years (\$ 35.204 billion in 2018), thus coming closer to eliminating the gap with the US direct selling industry (\$ 35.350 billion in 2018). The development of the direct selling in Romania is part of this trend, in 2018 registering the largest increase in the value of direct sales in the European Union, namely 12.2% [11], compared to the previous year. Thus, from sales of 281 million euros in 2014 it reached a value of 345 million euros in 2017, and subsequently, in 2018, 380 million euros (figure no. 3).

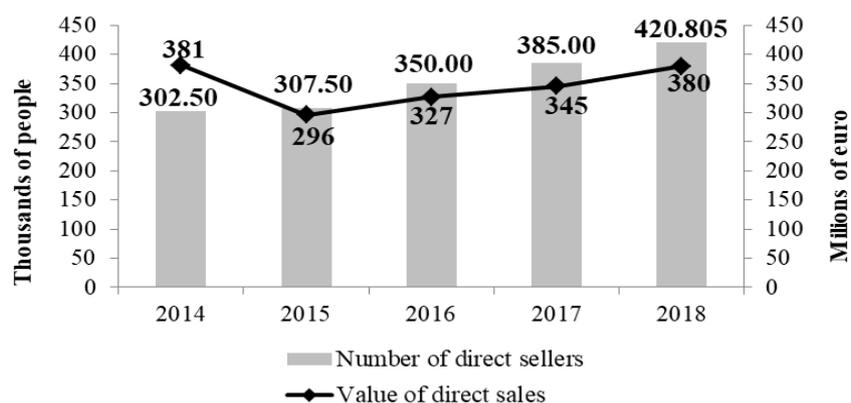


Figure no. 3. The value of direct sales and the number of direct sellers in Romania between 2014 and 2018 [5] - [9]

As shown in figure 3, the number of direct sellers has increased every year in Romania, from 302,500 people in 2014 to 420,805 in 2018, most of them being Avon or Oriflame consultants, Avon being the leader in direct selling in Romania, followed by Oriflame. However, a slowdown in the growth rate of direct selling is expected in the next years, both at national and European level, due to the increased competition from online stores and large shopping centers.

3. Methodological Considerations Regarding the Marketing Research

Taking in consideration the current statistics on direct sales, as well as the studies and researches that highlighted the main factors that influenced the evolution of direct selling, in July – August 2019, a qualitative marketing research was conducted among eighteen Romanian managers of direct selling companies, its main purpose being to outline a profile of the Romanian direct selling consumer.

The primary data were collected using the semi-structured in-depth interview method, which required the elaboration of a *selection questionnaire* and of an *interview guide*. The questions contained in this *questionnaire* aimed to identify the Romanian managers of direct selling companies who were representative for the research objectives. Also, two factual questions were used, namely one regarding the years of activity of the company on the Romanian market and another regarding the period since the respondent has become a manager in the company he represented. Regarding the *interview guide*, it consisted of a list of themes and sub-themes formulated in close connection with the research objectives, of which the following two are relevant for the topic of this study:

- highlighting the particularities of the decision-making process regarding the purchase of goods and services sold in the direct sales market;
- outlining the buying and consumption behavior of customers of direct selling companies.

The analysis of the primary data consisted in evaluating the answers obtained from each of the subjects interviewed (vertical analysis), but also in analyzing the way in which the respondents approached each theme and sub-theme of the interview guide (horizontal analysis).

4. Summary of Research Results

The answers obtained during the interviews were analyzed considering the research objectives.

Particularities of the decision-making process regarding the purchase of goods and services sold in the direct sales market

According to the interviewed managers, in the last seven years (2013 – 2019) there has been a significant increase in the number of direct selling customers, as the goods and services offered by the direct selling companies responded better to the consumers' need of improving their quality of life, being particularly concerned about their own health, but also that of their families. At the same time, some of the clients have also become representatives/members of these organizations, thus being able to satisfy the need of earning additional income, being paid not only for their sales, but also for those made by the people they have recruited.

The *main information sources* from which the consumers have heard about the goods and services sold through direct selling method *differ from one company to another*, depending on the field in which they operate. Thus, the companies selling cosmetics, personal care products and wellness products come into contact with their customers through online and offline catalogs, the website, distributors and periodic presentations of network leaders, while the companies operating in the field of tourism, respectively in the industry of innovative plastic products (used mainly in kitchens) communicate with consumers only through their members/distributors/direct sellers and the Internet.

Regarding *the factors that influence the consumers' decision* to buy the products/services of a direct sales company, most of the managers indicated the *clients' income* as the most important, correlating the increase of the population's standard of living with the increase of consumption in recent years of the goods and services sold through direct selling method, which were considered inaccessible by the low-income consumers.

The managers also indicated other factors that have a major impact on the consumers' decision to buy goods and services sold through direct selling method, namely: *the quality of the products/services, their price level, the opinions of relatives or acquaintances*, respectively *the professionalism of the distributors/consultants/members of those organizations*.

In the case of organizations offering tourism services, respectively organic certified products (BIOs)

for health and personal care, *the main reason* why consumers choose to use their products/services is the status conferred by membership in a select community, respectively the chance of having a healthier lifestyle. As for the other companies, the managers indicated that the majority of customers appreciate the acceptable price levels, the method of distribution, the possibility of testing the goods before purchasing them, but also the possibility of paying the ordered products after receiving them.

Buying and consumption behavior of customers of direct selling companies

From the socio-demographic point of view, the clients of the direct selling companies are between the ages of 18-65 and over 65, have at least a medium level of education, are employed, retired or follow the courses of an educational institution and have medium and high incomes.

Taking in consideration the customers' reasons for buying products and services from direct selling companies, the interviewed managers highlighted two categories of customers, namely: those who only purchase products and services, respectively the company's direct sellers. Both categories are strongly influenced by promotional campaigns, tending to buy more products than usual. A distinctive aspect is that the direct sellers buy products at discounted prices either for their own consumption or to resell them to customers at full price, when they are no longer offered at promotional prices.

Most of purchases are done through direct sellers, but the expansion of businesses (in the direct selling sector) in the online environment has led to an increase in the number of consumers who prefer to buy using the Internet.

Regarding the consumption of products and services sold through direct selling method, the managers consider that it is strongly influenced by the seasonality of the offer, indicating at the same time the main categories of products purchased by customers, namely: cosmetics and personal care products, wellness and beauty products, and household products. The frequency of consumption is mostly determined by the category of the desired products and services, but also by the time of year, during vacations and in the weeks after the big holidays (Easter, Christmas), registering a significant decrease in the number of orders and clients.

Analyzing the consumption behavior, the managers identified several customer segments: the rational ones (they carefully manage their budget, aiming to obtain maximum satisfaction with minimum costs), the convenience consumers (they make decisions according to their own comfort and their satisfaction) and the modern ones (they follow the market trends).

Asked to describe *the consumers' attitude towards the new products/services* offered by their company, managers in the cosmetics industry indicated that, in general, customers are eager to try new products, but before purchasing them, they test them using the samples provided by the firm. On the other hand, managers of service organizations are of the opinion that the consumers don't understand why they pay the required price, in particular because of the intangibility of the services. This uncertainty prevents them from buying the services for which they have requested information, in this case, the managers highlighting the decisive role played by the consultants/representatives/distributors/direct sellers of the company in promoting and selling the respective services.

Regarding the degree of customer satisfaction, managers considered it to be high, this being largely influenced by the advantages offered to consumers by the direct sales system, namely:

- the ordered products can be delivered in short time (24 – 72 hours);
- depending on the client's option, they can either have the products delivered at home or at pick-up points;
- customers have always free access to consultancy support;
- the direct selling companies offer a wide range of products not found in traditional stores;
- there is the possibility of comparing products/services easily.

On the other hand, customer dissatisfaction is caused by:

- the purchase of products/services that do not suit them, due to their lack of information;

- some of the direct sellers who are often associated with being annoying because they only want to reach their sales goals;
- the psychological costs associated with the return of non-compliant products;
- the practices of some direct selling companies that collect and sell personal data of their clients, without their consent.

Asked to predict how the buying and consumption behavior of customers will evolve, managers unanimously indicated that the main factors that will lead to profound changes in their behavior are: the strong development of e-commerce and the rapid worldwide expansion of large shopping malls.

Conclusions

The results of the research revealed that most of the interviewed managers consider that most of the customers are well informed consumers, who want to make quick purchases and have easy access to the products and services they need. At the same time, although direct selling companies are also present in the online environment, consumers still prefer to have direct contact with the company's representatives/distributors, wanting to obtain as much information as possible in order to purchase only those products and services suitable for them.

Another important aspect analyzed in this research refers to the customers' reasons for buying products and services from direct selling companies. Most customers are attracted by both the quality of products and services and the possibility of building an identity as part of a select community if they become representatives/distributors of the company. As direct sellers, customers also appreciate the opportunity of developing their own network of distributors, thus being able to earn income based on their sales, as well as on the sales made by all the consultants they recruit. In addition, they can develop their business management skills, which they can then use in various areas of interest.

Given the new threats posed by online stores and large shopping centers, the interviewed managers highlighted the need for measures to strengthen their position on the market. In this regard, they mentioned two main objectives, namely expanding the business by taking advantage of all the opportunities offered by the Internet, and building an ideal relationship with their clients in order to retain them, the key means for achieving these objectives including:

- knowing the needs of customers, especially those not yet expressed;
- providing a comprehensive advising of clients, in order to better adapt the offer to the specific needs of consumers;
- ensuring the confidentiality of personal data;
- respecting the privacy of the clients, by contacting them only through the means and at the hours indicated by them.

Although there are some limitations, such as the small number of interviews, their short duration (maximum 50 minutes), respectively the impossibility of extrapolating the obtained results, this qualitative marketing research has generated important information regarding the profile of direct selling consumers, which will be used in designing future research.

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