

# Bryant University

HONORS THESIS



## How Technology has Changed Direct Selling

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## **How Technology Has Changed Direct Selling**

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### **ABSTRACT**

Traditional direct selling has undergone a dramatic transformation as new technology, products, and methods have developed over the last few years. The industry has adapted to these advancements in order to stay relevant in today's changing market place. In some ways, these technological advancements have created opportunities, though some believe the essence of direct selling is now at risk. There has been little research in the field of direct selling and even less on the impact technological advances have on the industry or players involved. The purpose of this research is to uncover how the development of technology and social selling have changed the direct selling industry, specifically, how the traditional direct selling experience has changed for distributors (those that sell the product) and customers. The research explores executive and distributor perceptions of technology enhancement and hindrance to their business. Research findings set a foundation for future studies regarding technology utilization, future implementation and current perceptions within the direct selling field.

### **INTRODUCTION**

The world of direct selling is an area that is both extremely interesting and under researched. The purpose of this paper is to uncover how the development of technology has changed the direct selling industry. The research dives into how the direct selling experience has changed for customers, the disruptors, and companies.

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The reason for my interest in this topic is mainly due to my father's involvement in direct selling. He has spent his entire career in the industry holding executive positions at firms such as Amway, Gold Canyon, and PartyLite. With his departure from PartyLite he became self-employed, founding Starboard Consulting, where he acts as an outside consultant for direct selling firms. I view my father as a major role model, and I have directly seen the positive outcomes direct selling can bring.

Apart from the connection through my father, I also view myself as an entrepreneur with dreams of being able to have my own company. Direct selling is the perfect embodiment of being entrepreneur. Individuals work independently selling products they believe in and make money for themselves. Furthermore, there is no stress of product development or manufacturing for distributors as they receive products and support from the underlying direct selling firm.

As interesting as direct selling is, there is surprisingly not a lot of research done on the industry. Due to this, my interest in conducting research in the field has been heightened as there is much to be discovered. More specifically, there is a lack in research in technology and direct selling. There is a plethora of articles discussing sales and technology, however there is little done on technology and direct selling. Research goes into how distributors and companies have adapted to the changes in technology and the results of such changes.

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Due to the lack in research and updated information, research is heavily dependent on interviews, analyzing articles and survey results. Two interviews were conducted, one with the CEO of Princess House and the other was with a distributor who sells travel memberships and health products. Both interviewees have been in the industry for many years and have first-hand experience of the impacts technology as had on the industry.

After conducting preliminary research and interviews, a survey was constructed for distributors. Questions ask distributors how they utilize technology along with how important they feel technology has been for their business.

## **LITERATURE REVIEW**

### **Introduction:**

Direct selling is a unique industry as it has traditionally relied on face-to-face contact between the seller and the buyer. However, in last few decades, technology has changed radically, impacting businesses of all types, especially in sales. Technology has influenced almost every aspect of the sales industry from how customers are reached to consumers gaining a voice through social media. To gain a better perspective, to reach 50 million users, the telephone took 38 years, the television 13 years, the internet four years, the iPod three years and finally Facebook only took two years (Rapp, 2012). Technology is changing the way both the seller and the consumer interact and carry out transactions.

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There have been several observations about the direct and indirect effects technology has had on sales. From the observations, it is clear that the effects have been dramatic, both positively and negatively.

#### **Background/History:**

In direct selling, products are sold directly from a salesperson/distributor to the customer through non-store retailing. Distributors are non-salary based and act as independent contractors. The traditional view of direct selling is face-to-face interaction between the buyer and the seller (Ferrell, 2010).

Direct selling has been a way of sharing goods and services for centuries. Avon, one of the first and most well-known direct selling companies, changed the game when they hired their first representative in 1886. This was the first time a company had created a fully coordinated earning opportunity for its representatives. In 1930, “Party Plan” direct selling was introduced to the world, creating a new platform for the industry. The success of in-home demonstrations and person-to-person selling influenced many companies, including Tupperware in 1951, to remove their items from retail spaces and focus on their direct selling. In 1991, a new era was ushered in when The National Science Foundation allowed the commercial use of the internet, (McDonald, 2016). In the 1990s, the introduction of ecommerce further revolutionized the industry (Marshall, 2012). In addition, with Web 1.0, technology consisted of websites that offered product information, and handheld devices were used in product demonstrations. Next came greater communication with customers using e-

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newsletters, e-invites, e-reminders etcetera. Podcast, webinars and mobile credit card readers further enhanced the sales industry. This increase in interaction led to Web 2.0, where consumers were both the initiator and recipient of information (Crittenden, Peterson & Albaum, 2010).

According to The Direct Selling Association, in 2015, there were more than 20 million individuals involved in direct selling with estimated sales reaching \$36.12 billion showing a 4.8% increase from 2014. The major product group sold through direct selling were wellness products, followed by services, then home and family care/durables. (Direct Selling Association, 2015).

Direct selling is rich in history and still continues to be a major part of the United States economy. Research into this topic is very limited; thus, determining a pioneer research study is extremely difficult/ nonexistent.

#### *The Consumer and Social Media*

The research done on social media and sales has been a common topic in several of the journal articles reviewed. In my study, the main technology that will be examined is the use of social media, since it has had such an enormous impact on sales. Social media has provided an avenue for consumers to engage with both products and sellers. This engagement stems from such sources as blogs, networking sites, smartphones and so on. With this level of

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interaction sharing and communication has increased dramatically (Andzulis, Panagopoulos & Rapp, 2012).

Several articles have indicated that there has been a shift in power from the seller to the consumer with greater access to information (Rapp & Panagopoulos, 2012). With technology and social media, a dissatisfied customer can now tell hundreds of people instead of only 8-16 people through word of mouth (Marshall et al., 2012). The customers have joined the conversation, pulling other consumers into the market rather than being pushed through traditional sales tactics (Kiron, 2012). Thus, the customer and the firm work together to co-create value (Rapp & Panagopoulos, 2012). In addition, 90% of consumers trust online recommendations written by people they know and 70% of consumers trust people they do not know. When researching products consumers are more likely to use social media outlets rather than traditional search engines. It was discovered that the number one determinant of brand trust was online reviews and feedback from social media sources (Ferrell, 2012). Beyond reviews, blogs have allowed consumers to be enticed by products and create sales leads (Crittenden et al., 2010). The modern consumer has become info-empowered (Bayan, 2011). The patterns from the articles seem to indicate that the salesperson has lost power to the voices of consumers.

### *Balancing Technology and Personal Interactions*

When gathering information about direct selling and technology, it was clear the proper balance between technology, social media presence and the traditional face-to-face

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relationship is crucial for the long-term survival of the industry. When most people think of direct selling, they envision the “party plan format” which in reality only accounts for 20.4% of the sales strategy while 71% is person to person sales where a product or service is demonstrated to one individual (Direct Selling Association, 2015). The foundation of the industry relies heavily on the trust and relationship between the salesperson and the consumer. If technology dominates the field, making everything automated and digital, the personal touch and trust of the salesperson will be lost. Yet with the technology, the salesperson has been able to better serve the customer by providing more efficiency and responsiveness in the sales process. The products that are normally sold through direct selling requires some form of explanation/demonstration, because of this, a personal interaction is required. If technology is over utilized, then personal interaction is negated, and the consumer loses the highly tangible and multi-sensory experience (Ferrell, Gonzalez-Padron & Ferrell, 2010). In the article entitled “Revolution in Sales” companies facing tough times often realize that face to face can be costly and chose to invest in technology over people (Marshall, 2012).

### *Technology and the Younger Generation*

Many of the articles that I have reviewed, support the claim that with the introduction of more technology into sales, the younger generation is learning to adapt quickly compared to their senior counterparts. According to the “Revolution in Sales”, the younger generations are utilizing social media and technology and spending a lot less time doing face-to-face compared to older generations (Marshall, 2012). In addition, experienced employees are more reluctant to accept new technologies and the younger workforce is demanding immediate

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adoption of technology. Furthermore, younger consumers and sellers are utilizing the idea of virtual relationships while the older individuals require more technological training (Rapp, 2012). According to the Direct Selling Association, three in ten people involved in direct selling are millennials. From the articles collected, there is general agreement there has been a shift from older to younger sales representatives due to the adaptation of technology.

However, there is limited research targeted at direct selling.

### *Arguments for technology advancements:*

Although the majority of the articles agree that technology has benefited sales, they differ in their opinions on what those benefits are. According to an article written by Bayan, one of the greatest advantages is that there is no longer a dependence on physical geographical reach, distributors can broaden their markets significantly (Bayan, 2011). In another article, which analyzed online direct selling, stated, with online direct marketing, manufacturers can sell directly to customers, which has reduced intermediaries and has significantly improved sales (Li, 2013). An article written by Guesalaga dives into relationship building, and what technology and social media offers. These tools offer a way to learn and communicate with consumers, as well as influence customer preferences (Guesalaga, 2016). A benefit highlighted from an article written by Liao, was that with access to mass data, companies have the ability to utilize data mining and analyze data to identify trends and make decisions based on those observations. (Liao, 2011). In an article entitled “Redirecting Direct Selling” it was noted that 76% of direct sales use social media as a promotional tool, 55% for recruiting new distributors and 42% for reactive purposes. Similar

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to Guesalaga's point of improved relationships, Ferrell states that there is greater transparency created by social media, improving trust and ethical organizational cultures (Ferrell et al, 2010). Technology has also reduced the cost of staying connected with individuals and helped retain repeat customers.

In another article written by Ferrell, he mentions the educational benefits new distributors gain from being able to access webinars and other educational tools remotely. In addition, with improved tracking software distributors are able to use the information as a motivational factor to reach sales goals. This also creates more accountability from the distributors, improving performance and effectiveness of the distributors. From the actual delivery of products, technology provides many benefits such as offering order status, arranging deliveries and troubleshooting. For the firms themselves, they have benefited from being able to recruit new distributors and also with defining a positive brand image.

#### *Challenges of technology advances:*

While a majority of articles focus on the benefits of technology, the challenges are important to address. With technology, the consumer feels the need for instant attention (Marshall, 2012). This forces the representative to constantly be on their phones or laptops causing a "burning out" phenomena (Rapp, 2012). This can become a larger problem in the global market where several time zones may be involved. With increased stress put on the salespeople, there is a higher turnover rate of employees and a decrease in commitment and job satisfaction (Ahearne Jones, Rapp & Mathieu, 2008). Technology has made information

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readily available for anyone to access at any time. This search for knowledge allows consumers to switch vendors more rapidly than before, especially in younger generations (Bayan, 2011). The rapid movement of information can also hinder a company's reputation. Since most social media sites allow comments and reviews, there is a risk of misinformation or undesired information being shared without the control of the company. Another drawback is the lack of managerial control with sale representatives using YouTube, Facebook, Twitter, Instagram, personal blogs and other social media sites to share their personal photos, pictures and posts about the company's products (Ferrell, 2010). This can cause inconsistencies between representatives and affect the company's brand.

#### ***Results/ Methods:***

The majority of the studies were qualitative through surveys and interviews similar to my research plan. The benefit of this method is that it allows multiple perspectives and ideas to be heard and analyzed rather than focusing on raw data. There were several instances where researchers used surveys and translated them into quantitative data. However, the articles I found most applicable to my topic focused on the qualitative aspects with minimal quantitative data. The article most relevant to my research was entitled "An Assessment of the Use of Technology in the Direct Selling Industry" by Ferrell, which utilized a discovery-oriented approach where executive interviews and published literature were combined. The one major limitation noted in the study was the lack of interviews from distributors and other stakeholders. This can result in biased conclusions and limited insights.

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### **Research Methodology:**

In order to gain greater insight into how technology is affecting direct sales specifically, research focused on interviews and collection of data through survey results. From the literature review and other preliminary research, a series of interview questions were formed and tailored to each interviewee. The first interview was with the CEO of Princess House, which is a company that primary sells kitchen ware and home décor. The second interview was with a distributor who now sells travel memberships and health products. Both have been in the industry for over 20 years and provide a visual into two crucial parts of the direct selling model, the company and the distributor.

From the information obtained through the interviews, a survey was constructed for distributors to take. Questions focused on how technology is being utilized and how it has been beneficial or harmful to their businesses. Distributors are also asked how long they have been in the industry and what product line or lines they currently sell.

### **Study One-Interviews:**

During interviews a theme of greater customer engagement using social media emerged. Distributors can be more engaged with consumers, reach a larger audience, and target specific market segments. Additionally, consumers are not feeling as promoted to as they did in the past. In one interview, I was told that technology has enabled distributors to build stronger relationships and know more about a customer before pushing any product.

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#### *Preliminary Interview Findings:*

The following interviews were done over the phone and recorded with verbal consent from both informants. The first interview was with a woman named Connie who is the current CEO of Princes House, a direct selling firm. The second interview was with a woman named Sue who is currently a distributor for a health and wellness direct selling company, and a travel club. The interviews conducted followed the guidelines of the questions provided earlier however, the interviews consisted mainly of the interviewee sharing their insights and thoughts rather than a traditional Q and A. The following is written in the order that which the interviewee discussed them during the appointment and are not structured by themes, ideas and so on. I do attempt to separate individual ideas/concepts into paragraphs. The questions for the CEO and distributor were different however for a general list of questions refer to appendix A.

#### *Interview notes with the CEO of Princess House:*

The interview began with discussing how the marketing aspects of direct selling has changed with technology. How companies market products, features and benefits has drastically pivoted. Today, with so many marketing tools, target marketing has become very popular and extremely productive. As a result, direct selling firms have completely changed their business strategies.

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Communication has been greatly improved with technology. From snail mail to text messaging, all communications channels have advanced both internally (communicating with distributors) and externally (communicating with consumers).

Connie also emphasized how product research and development has changed. She now has the ability to crowd source ideation, consumer insights, and so on. Her company now can gather more information about their consumers/demographics, thus allowing their distributors to build better businesses. With such target/focused research it gives her and the company more visibility of the market and what can be provided. Princess House has recently been adopting a lot of new technology. One example of this is Connie's ability to be involved in four different focus groups in four different cities at once. This ability gives her immediate feedback and she never has to travel.

Connie noted that if you look at direct selling in the past, it was one of the only industries that had the most direct access to consumers compared to any other business model. For example, Proctor and Gamble, along with other big name whole sellers are 3-4 times removed from consumers, whereas Avon or Amway had and continues to have a direct relationship with their consumers (B-to-C model rather than B-to-B). To emphasize the point, in direct selling, the firm knows immediately when a consumer has a bad experience compared to other business models where it has to go up a chain (store to distributor, distributor to wholesaler).

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The competitive landscape has also changed with technology, where in the past direct selling firms competed with one another, today competition includes big box names, traditional brands, independent business owners etc. For example, Etsy, Target, Walmart, and Amazon can all sell the same product, so now firms (including Princess House) have to compete with retailers' speed, satisfaction, pricing and much more

Connie then began to discuss more about her company, Princess House, and how they are considered a legacy company, being in business for 55 years. She points out that they have been behind with technology and have been in catch up mode for the past couple of years. However, Connie notes that customer retention is difficult to achieve in any business, so when customers buy from the same distributor for over 50 years it is impressive. Connie has one leader that has had the same customers for over 60 years and that woman has just turned 101 years old and still holds weekly coaching calls with key leaders, weekly development calls, and monthly team meetings.

Although that one example is incredible, Connie emphasizes the point that technology is a must have in order to stay in business today and into the future. It is a necessity to constantly engage and encourage customers. Consumers need to have access to information, and realize the ease of doing business. If consumers find it hard to do business with a company they will move on and that is why Princess House has been investing heavily in technology. To stay competitive, direct selling companies need to provide distributors the tools to be a

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faster, adaptable, and agile business owner. This allows firms to keep good talent and allow new distributors to start their business with much less money.

As mentioned before, Princess House has been investing a lot in technology for the past few years. Connie explained that they saw a real shift in what was expected in the market and her company was not adapting. For example, Princess House was one of oldest companies still relying on fax. A new distributor would have to fax in their applications forms where other direct selling firms had moved everything online. 2012 was the first time Princess House had online ordering for distributors. Making the change involved a lot of stress as consultants needed to be trained on how to make orders online. However, they saw immediate progress as volume increased substantially. This was the first time Princess House maxed out their bandwidth, which was a clear indication that changes needed to be made. The company could see where they were lacking in terms of skills. For example, they had to hire mobile app developers. With this pivot in technology, Princess House needed new talent, resources, organization and much more. Furthermore, with being such a large company and so established in the way it does business and handles customers/distributors there was and continues to be a fear of transitioning to becoming more dependent on technology. Connie acknowledged that they needed to bring in the new without completely leaving the old.

Connie then began to speak more about how Princess House has adapted to changes in technology. To begin, they have been bringing in the younger generation for positions the company never had such as technology needs, marketing groups, social media community

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managers, social media writers, sales development and so on. For the first time the company diverted their focus from print catalogs to social media. Currently Princess House is developing a Learning Management System (LMS). Where traditionally training was face to face, it has evolved to phone conferences, virtual webinars, go to meeting/ Skype and now LMS. Training can now be done online and has become very engaging as companies offer incentives for learning. For example, quizzes have been included so that trainees can earn tokens that go toward purchasing products.

Ultimately, the focus of the technology they are implementing has been customer retention, sales force development and overall business development. Connie further explained that the integrated benefits of technology need to be properly intertwined into the business. Companies need to be careful of technology envy of wanting what everyone else has. Companies need to know where technology fits. Although technology can save time and money, it is expensive to buy it, maintain it, and implement it. A company can buy the best technology, but if they cannot train distributors how to use it, then that company will never see a return on their investment.

Companies are now making decisions whether to buy technology or build it themselves. For example, Rodan and Fields based in San Francisco is a direct selling company that started and developed Proactive Solution (now is separate business). Rodan and Fields consider themselves a tech company that happened to have good skin care products. Therefore, they want to constantly build, test, and run technology. For startups, it is

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impossible to build so they have to buy it. A mid-sized direct selling company (\$200-\$300 million) has the ability to build or continue to buy technology, or buy then customize it to fit their operations. As a result, coders are in demand by direct selling companies. The independent business owner can be more savvy (or appear that way with hiring outside services).

Princess House distributors are slowly adopting technology. Roughly 85-90% of their distributors are Hispanic and training for the new technology has been difficult. Older distributors are having an even tougher time adapting the technology. Consequently, Princess House has had to invest a lot of time and money into training, creating tutorials, webinars, sites, and so on. In her view, in order to overcome the fears of adopting technology the company has to overemphasize the training aspect. Although it may seem like the company is doing too much, it is necessary to be able to gain from the investments made in developing the new tech. Connie predicts that Princess House probably spends more money in training than any new company does. An example of how transformative technology has been for Princess House is that five years ago, distributors could only join through fax. Today 90-94% of new distributor agreements are completed online. So, that is going from 0%-93% within two years. In addition, ecommerce only went live in July.

Our conversation then shifted toward marketing and social media with Facebook becoming a big tool in finding, scheduling meetings, sending invites and so on. The party plan has now been replaced by online parties. With Facebook live, a party does not need to be

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cancelled because of a blizzard, and people can even interact. Some distributors have started mini shows with demonstrations, this allows them to get orders simply through making videos and having online parties.

Connie also noted that in the past, you prospected by going door to door and handing out fliers. Now, with online tools, you can reach a wider audience that is more targeted and as a result, consumers are more receptive. Even better, this can be done at little to no cost. Distributors can buy ads on Facebook that advertise a product to specific ages, demographics, regions, and even zip codes.

Being responsive 24/7 is costly and companies have to manage customers' expectations and decide how much they can offer. There is a balance between what companies can do and whether they can afford it.

Furthermore, today when a customer goes online they have no idea how big a company is. It could be a \$35 million dollar company or a \$500 million dollar company. This is good for appearances, especially if you are small trying to look big, but consequently, customers then expect more and companies have to be able to manage that.

Relationship building is the biggest thing in direct selling that sets it apart from other channels. A distributor advises a consumer how to use a product for the best results, save money, and answer questions about a product. Customization and personal experience is

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difficult to achieve through a non-direct selling avenue. A quick example of this would be a returning customer to a restaurant because of a specific server and experience.

#### *Interview notes with a distributor for a travel club, and health & wellness company:*

Sue has been a distributor for over 20 years and currently works for a health and wellness company along with selling travel memberships. In Sue's opinion if a distributor is not utilizing the tools of technology their business will not survive. A third of the world is on Facebook and the majority of her work is done through Facebook. With marketing on social media, companies have to learn not over promote and cause consumers to unfollow their pages. As a distributor, there needs to be a balance between social/personal life and business, and social media allows you to do that. Sue was trained not to ever say the company name. The reason being that if a distributor simply gives the name of a company then most likely the consumer will google it and probably find reviews that would alter their opinion rather than listening to a trusted source with actual experience. In addition, a product may be very personalized and so people who buy a product without a consultant giving them advice will probably have a bad experience and share it online. Furthermore, there are companies today that will pay people to write poor reviews on competing products. As a distributor herself, she will private message interested consumers about the company/product as to avoid those issues.

At her old company, the firm was slow to adapt to the changes of technology and when competitors started utilizing things such as online ordering, people at her firm started to

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see their incomes decrease. Even when online ordering and a rewards program was initially pitched, the majority of people were against the idea. However, despite the disapproval, once it was implemented the program saved the company. With the shift to online ordering and rewards program, not only did customers keep coming back, but the ease of business became a big selling point for distributors and consumers.

One issue with technology that direct selling firms are facing is their products being sold through other channels such as Amazon. In some cases, the people selling these products through other methods are distributors. Direct selling firms have had to crack down on this and penalize distributors.

Although similar direct selling products are sold through online retailers, consumers do not get the personalized touch or coaching given through a consultant. In Sue's line of business in health and wellness, to achieve this personalized touch she relies heavily on Facebook and texting. When she asks new customers for their permission to coach them on how to effectively use a product to achieve desired results, the answer is usually yes and as a result, she is able to build strong relationships, which is the ultimate goal of network marketing. In some occasions, Sue has to wait and build a relationship long before selling anything, and Facebook is the number one tool to achieve that. Lately, she has been contemplating Instagram, as it provides her a way to show pictures quickly and show results with before and after pictures.

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Sue also had a quick comment on competition saying that Amazon has set the bar in terms of customer expectations with free and quick shipping. In the past direct selling firms would deliver a product in 2-3 weeks. In today's environment that would not work. Now it is 2-5 business days.

In terms of the age of distributors and consumers, she explained that it varies from what a company offers. Millennials in her opinion are less driven by working now and enjoying life at retirement. Therefore, her being in the travel business she is selling to mostly millennials. When she was selling candles, she had no chance with millennials.

The party plan has drastically decreased in popularity with the convenience and accessibility of hosting parties online through social media. Distributors do not have to go through the effort of setting up their house or a friend's house for a party. In addition, she has found that sending RSVP's prior to parties has resulted in people having more time to back out. Now with social media, she can reach all her customers the day of an event with invitations and has had much more success.

Social media has allowed companies to see what competitors are doing in terms of product, offers, and so on. Consequently, having that competitive edge in terms of differentiation has become more difficult. As a result, competition between direct selling firms has increased significantly. Year after year, the top five direct selling companies have

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remained at the top due to their ability to allocate resources to stay competitive in all fronts and not only on product differentiation.

Sue has also seen more technological products being offered through direct selling. Currently, with her travel company, she is beta testing a type of card that can upload eight cards (credit/debit cards, store cards, gift cards, etc.). Companies that offer such technological products are called “technology network marketing companies.”

To emphasize the importance of social media in direct selling, Sue uses the example of Unique, a direct selling firm that sells beauty products. Their main marketing strategy involves using Facebook and holding live demonstrations that are extremely engaging with the consumer. This level of excitement and engagement is unique, as not many other companies/distributors have taken online demonstrations to this level.

More people want to join the network marketing industry as the variety of products expands. Products include everything from makeup and clothing, all the way to travel and legal services. Direct selling is no longer just makeup and household items and the reason for this is greatly attributed to technology.

Sue is also finding that her use of social media and her smart phone has been beneficial to not only her business but also for her personal life. She can be at the park with her grandson and be on her phone working. She is not locked into going into meetings or

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parties and having to make ridged schedules to accommodate all the appointments. Now she can do business anywhere and at any time so her schedule has been much less chaotic.

She has also observed that in business meetings, instead of putting phones away, everyone now has to check-in through their smart phone.

Businesses now are able to develop more products thus increasing their line and bring in more customers.

Another aspect of direct selling that has emerged is the service of consulting other distributors through such channels as webinars and social media. Consultants/coaches rely heavily on creating personal brands through social media and other online tools.

Sue also mentions that she is able to talk to people all around the world and can create strong relationships without ever meeting a person.

In Sue's opinion, technology has simply changed certain aspects of direct selling and is not causing the industry to fade out. Sue also notes that the cost of marketing and advertising has dramatically gone down. Using such tools as Facebook ads and email marketing, means there is no need for direct mail or advertising campaigns like in the past.

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### **Study Two-Survey:**

#### *Purpose:*

In order to gain more insight from distributors, an electronic survey was created. The purpose of this survey was to compare the ideas/themes seen by the literature review and interviews. The survey also offers more clarity in what technological devices/applications distributors are using and how effective it has been.

#### *Methodology:*

The process of developing the questions/statements involved analyzing the themes established during the two interviews. The survey was distributed electronically through a reusable link. The link was posted on social media and several distributors were contacted directly.

#### *Demographics:*

A large portion of respondents were over 60 years of age, accounting for 47%. Respondents ranging in ages of 40-59 years old accounted for roughly 34% of responses. Furthermore, over 90% of respondents were female. Although this is a high percentage, as noted in several studies including research from the Direct Selling Association, the majority of participants in direct selling are female.

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#### *Industry experience:*

In terms of experience, 63% of respondents have been in the industry for over 13 years and 27% under 3 years. (Appendix B) In regards to product lines, respondents were able to select more than one. This means that percentages are based on choice count, which totaled 38. Beauty/cosmetics and fragrance each had the highest percentages at 24% for each, followed by jewelry, nutrition, and home décor, each accounting for 11%. (Appendix C) One respondent wrote in software as an “other” which speaks to how technology is not only being utilized in direct selling it is actually being sold through direct selling.

#### *Results:*

The survey yielded 26 distributor responses. When asked what technological devices distributors incorporate into their business, the smart phone was the most popular primary device, followed by the laptop then tablet. No distributor chose the landline as their primary device and only two distributors selected the landline as their second choice. Respondents that chose to fill in an “other” option wrote “the computer” and “Square for payments.” This is yet another indicator of how technology is being utilized to improving efficiency. Distributors value the ability to conduct business on the go and these mobile dives serve this need.

Next, distributors were asked what software/ applications they utilize. As predicted, Facebook was the number one first pick. (Appendix D) Surprisingly, email was next then personal website over another social media channel. From the results, it seems that Facebook is the application of choice by a large margin which supports what was said by the distributor

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and CEO during the interviews. A few distributors wrote in Skype/Zoom as additional applications, which further proves the point that distributors value mobility and the ability to conduct business anywhere in the world.

The main portion of the survey listed a set of statements that distributors responded to using a five-point scale of how much they agree or disagree with a statement. (Appendix E) The majority of the responses had a consensus of answers. These statements included “I heavily rely on social media to connect with customers” with which distributors agreed with. Other statements for which there was a general agreement to was “The use of technology (social media, smart phones, etc.) has helped increase and expand my business”, and “Overall, technology has improved my experience in direct sales. (Both personally and in terms of sales).” As seen with these responses, there has been incorporation of technology into direct selling and distributors are responding positively.

In regards to the customers, distributors indicated that they have had to meet increasing demands and expectations. This confirms what was found during the literature review and interviews, that in an age of technology people desire instant gratification and continue to raise the bar in terms of efficiency, access to information, satisfaction and so on.

There are also statements that not all distributors agreed with. These statements include, “Technology has made it easier to build relationships,” and “Technology has taken away the personal touch in direct selling.” These responses indicate that maybe technology is

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not improving the customer experience as much as previously thought, both in terms of offering that unique direct selling quality of a personal touch, and building a relationship with customers. It is also reasonable to assume that because a large portion of respondents were over 60 years old, that they are used to connecting with customers over more traditional methods such as writing letters, or having face-to-face meetings, and find that using technology is difficult and takes away the personal touch.

It is also worth noting that distributor agree that customers have become more reliant on social media as a source of information for products. This goes back to the idea that there has been a power shift from the company to the consumers as they now have a large platform to speak to hundreds of people about their experiences with a product. With that free information, potential buyers of a product are much more likely to listen to the reviews of strangers and friends rather than what a distributor tells them.

The survey also asked distributors what percentage of their sales are done through social media/online vs personal sales. It was surprising to see that the mean percentage came out to 52.76%, with the max being 100% and minimum being 10%. This shows that distributors are not strictly selling online or person to person. With Facebook being the primary method to connect with customers, it is surprising that not more sales are being done using Facebook live.

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Finally, distributors were asked if they had any additional comments. One respondent wrote, “Even with all the changes I love the direct sales business.” This comment is difficult to interpret, as it is unclear if this distributor approves of the technology or is simply accepting it due to their love for the business. Another respondent was less positive stating, “Technology has made it more difficult to conduct a direct selling business, as customers can more easily ignore efforts to reach them.”

### **Discussion/future research**

More research can be done on this topic as the direct selling industry is undergoing major changes. To continue with this study, the survey would need to be completed by more distributors to receive more accurate results. Furthermore, working with such organizations as the Direct Selling Association would be the next step to gain more access to industry participants. With enough participants, it may be feasible to break down results by product lines, demographics, and industry experience.

### **Conclusion**

As with almost all industries, direct selling is having to adapt to the constantly changing technological environment. In an industry dependent on networking and high touch, it has become crucial for distributors and companies to embrace technology and ensure that customer retention is strong through ease of business and relationship building and the only way for those two objectives to be met is by utilizing the right technology.

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### **Appendices**

#### **Appendix A- (Interview Questions)**

##### **Interview Questions:**

The following are interview questions used in this research.

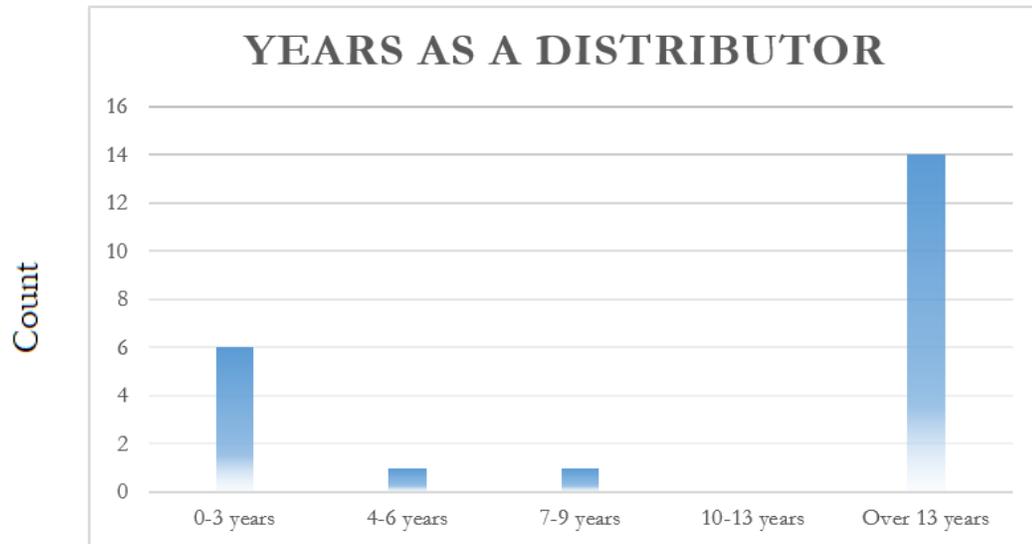
- 1.) How have distributors and firms adapted to changes in technology?
  - What technologies are being implemented and how? (Ex: social media)
- 2.) With technology, has there been an increase in competition?
  - Both within the direct selling industry and outside the industry (such as online shopping)?
- 3.) What have you seen happen to the face-to-face interaction between customers and distributors?
  - Has the process of engagement with the consumer changed as a result of technology?
  - Is relationship building stronger now with technology?
- 4.) Have distributors/ companies lost power over their products in terms of message due to consumers have more access to information and having a platform to share information to a large audience? For example, a company not being able to control misinformation about a product.
  - Has the consumer gained more power? What has been the impact?
- 5.) Has the way companies/distributors reach out to consumers changed?
- 6.) How heavily do companies/distributors rely on social media?
  - Are customers more dependent on social media as a source of information?
- 7.) Have you seen a shift in the ages of distributors as a result of technology?
  - Are older customers/distributors adapting to changes in technology?
  - Are older consumers having the same experience as they did in the past?
- 8.) Have customers' demands/ expectations increased?
- 9.) In direct selling, the products generally require some explanation thus involving personal interaction. With technology, have you seen that this tangible experience decrease significantly?

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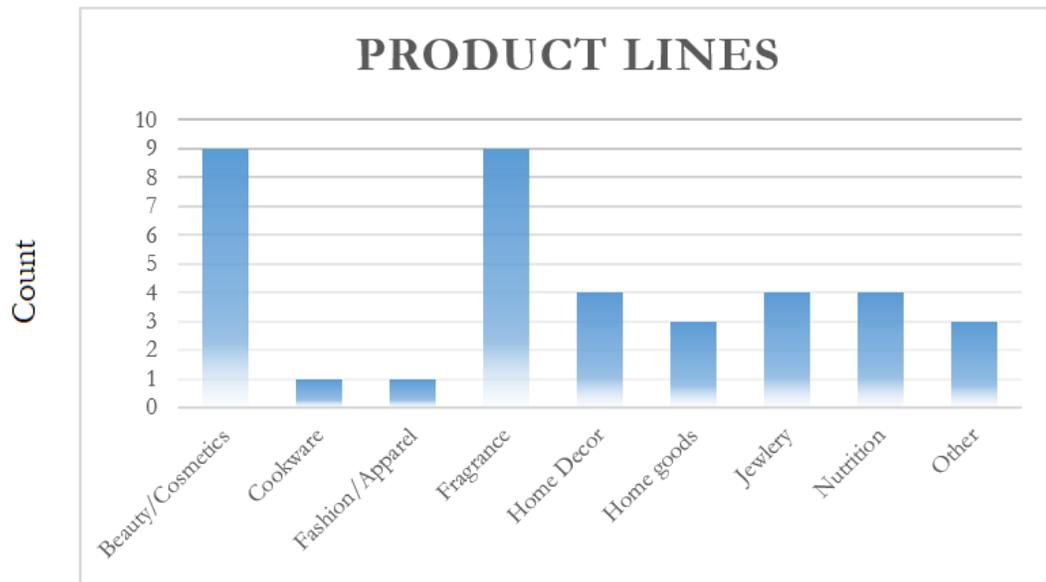
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### Appendix B-(Years as a distributor)



### Appendix C-(Product Lines)

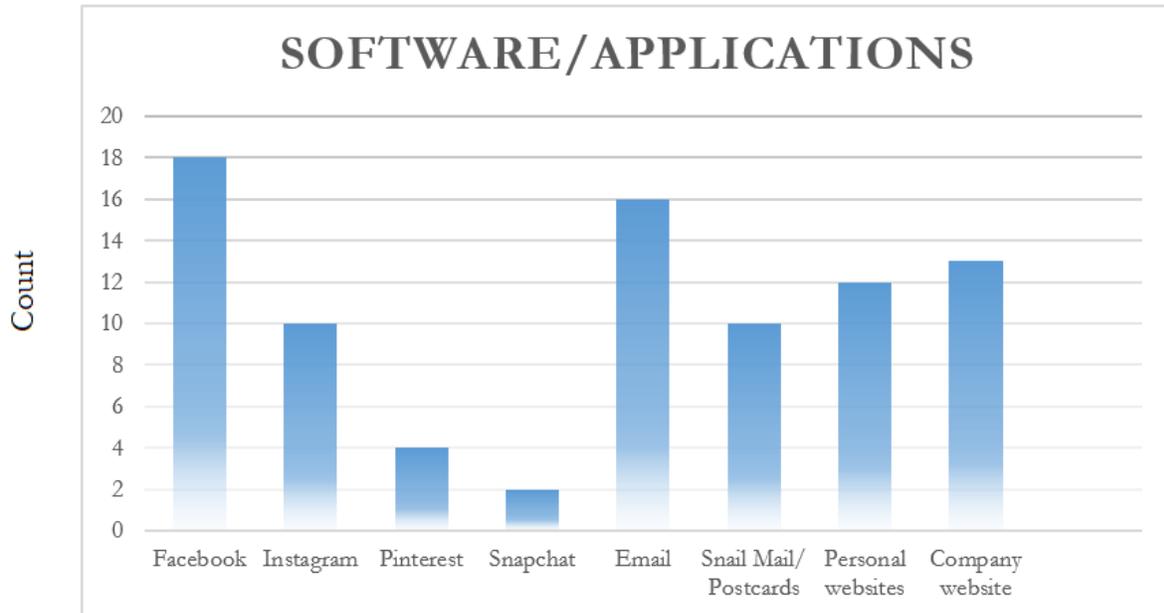


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## Appendix D-(Software/Applications)



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#### Appendix E-(Five point scale responses)

#	Field	Strongly disagree	Disagree	Neither Agree nor Disagree	Somewhat Agree	Strongly Agree	Total
1	I heavily rely on social media to connect with customers.	5.56% 1	0.00% 0	0.00% 0	27.78% 5	66.67% 12	18
2	The use of technology (social media, smart phones, etc.) has helped to increase sales and expand my business.	0.00% 0	5.56% 1	11.11% 2	33.33% 6	50.00% 9	18
3	The number of home parties/personal sales has decreased over my time in direct sales.	5.88% 1	11.76% 2	0.00% 0	35.29% 6	47.06% 8	17
4	I am comfortable using technology.	0.00% 0	0.00% 0	0.00% 0	41.18% 7	58.82% 10	17
5	My company offers me enough support for online sales.	0.00% 0	0.00% 0	27.78% 5	33.33% 6	38.89% 7	18
6	Technology has taken away the personal touch in direct selling.	5.56% 1	38.89% 7	11.11% 2	22.22% 4	22.22% 4	18
7	Customers have become more reliant on social media as a source of information for products.	0.00% 0	5.56% 1	5.56% 1	27.78% 5	61.11% 11	18
8	The demands/expectations of customers have increased over my time in direct sales.	5.56% 1	0.00% 0	11.11% 2	50.00% 9	33.33% 6	18
9	The use of technology in direct selling has continually advance over my time in direct sales.	0.00% 0	5.56% 1	11.11% 2	11.11% 2	72.22% 13	18
10	Technology has made it easier to build relationships with customers.	5.56% 1	11.11% 2	22.22% 4	50.00% 9	11.11% 2	18
11	Overall, technology has improved my experience in direct sales. (Both personally and in terms of sales)	0.00% 0	5.56% 1	11.11% 2	44.44% 8	38.89% 7	18

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