What Is Direct Selling? — Definition, Perspectives, and Research Agenda

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This article presents a definition and discussion of direct selling, a marketing method that has received scant attention in the literature. Direct selling is discussed from operational, tactical, and strategic perspectives, and a summary of the available knowledge about direct selling—its worldwide revenues, product and service lines sold, its customers, and its salespeople—is presented and referenced. A suggested research agenda is offered in hopes of stimulating academics, practitioners, and students to develop greater knowledge and understanding of direct selling.

More than 6 million persons are involved in direct selling in the United States today, a number greater than in any other form of personal selling. Yet with few exceptions (e.g., in this journal: Beltramini and Evans 1988; Wotruba 1989; Peterson, Cannito, and Brown 1995), the topic of direct selling has received scant attention in the marketing literature. Direct selling is a topic that is widely discussed yet often misunderstood. Frequently direct selling is confused with direct marketing (e.g., Bauer and Miglautsch 1992); at times, direct selling is improperly equated with one of its undesirable manifestations, the pyramid scheme (e.g., Ella 1973). The primary purpose of this article is to offer a definition of direct selling and discuss the implications of this definition in such a manner that a better understanding of direct selling will ensue. A secondary purpose is to provide a compendium of direct selling operations, strategies, and tactics to help frame future discussions of direct selling, especially in the context of nonstore retailing. Hopefully this article will also stimulate and facilitate increased interest in direct selling as a topic for future research and inquiry, and toward this end a suggested research agenda is provided.

Before proposing a definition, however, it is important to note that direct selling is being considered here only as a vehicle for marketing to consumers or end buyers. It is not being considered in the context of marketing to organizations such as firms, government agencies, or the like. Even though portions of this discussion apply also to selling to organizations, the term "direct selling" is typically associated with selling to ultimate consumers.

A Definition of Direct Selling

Despite being the oldest method of commercial distribution known to mankind, direct selling is not well understood. Indeed, it is not an overstatement to contend that direct selling has been virtually ignored in the marketing literature. A popular retailing text in the United States, Mason, Mayer, and Wilkinson (1993), does not even consider direct selling, and many business dictionaries (e.g., Williamson 1994) do not contain a definition of direct selling. Definitions that do exist are frequently ambiguous, contradictory, or simply inaccurate.

Consider the illustrative definitions of direct selling presented in Table 1. Many are so amorphous or so broad that they fail to differentiate direct
Table 1
Selected Definitions of Direct Selling

<table>
<thead>
<tr>
<th>Source</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Baron, Davies, and Swindley (1991)</td>
<td>The establishment of an immediate exchange relationship with a customer in which the usual intermediaries in the distribution chain are omitted.</td>
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<tr>
<td>Bennett (1988)</td>
<td>A marketing approach that involves direct sales of goods and services to consumers through personal explanation and demonstrations, primarily in their homes.</td>
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<tr>
<td>Bernstein (1984)</td>
<td>Direct selling is the technique of approaching a customer on a person-to-person basis, either with a group approach (as in in-home party plan) or individually, one-on-one, to offer products conveniently with a personal service emphasis.</td>
</tr>
<tr>
<td>Clemente (1992)</td>
<td>A sales approach characterized by personal product explanations and demonstrations, often in the consumer’s home or retailer’s establishment.</td>
</tr>
<tr>
<td>(FEDSA) Federation of European Direct Selling Associations (ND)</td>
<td>The marketing of consumer goods and services directly to consumers in their homes by way of explanation and/or demonstration through a salesperson. The location can also be a friend’s home, the workplace of the customer during breaks or other places away from shops.</td>
</tr>
<tr>
<td>Hart and Stapleton (1992)</td>
<td>Selling without the use of a retail outlet, distributor, broker or wholesaler or any other form of middleperson.</td>
</tr>
<tr>
<td>Ostrow and Smith (1988)</td>
<td>Direct selling commonly refers to such activities as telephone sales, door-to-door selling, or in-home parties.</td>
</tr>
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</table>

Selling from other methods of marketing. The definitions by Baker (1984) and Hart and Stapleton (1992) distinguish direct selling by its lack of middlemen, yet many direct selling organizations do operate with distributors, wholesalers, or other intermediaries. The definition by Bernstein (1984) focuses on two forms of direct selling—the party plan and one-on-one—but fails to note clearly the most distinguishing characteristic, which is its non-store venue. The definition by Ostrow and Smith (1988) is incorrect because it incorporates telemarketing. Further confusion occurs because Bennett (1988) terms direct selling a “marketing approach”, whereas Clemente (1992) calls it a “sales approach.” Only the FEDSA definition comes close to accurately characterizing direct selling as a marketing activity involving contact between consumer and salesperson in a location other than a retail store. Even in this definition, however, the “face-to-face” nature of direct selling is not clearly enunciated. The result is confusion and misunderstanding that is detrimental to the development of knowledge about direct selling.

What is needed is a definition of direct selling that is both sufficiently precise to enable meaningful communication yet broad enough to be directive in terms of both research and practice. A deceptively simple, mid-range definition of direct selling that seems to meet these criteria is the following:

**Direct selling is face-to-face selling away from a fixed retail location.**

This definition, while admittedly not “perfect,” captures the tenor or essence of direct selling and simultaneously differentiates it from other marketing methods. It is not a novel or unique definition; in many regards it is similar to the definition pro-
A full understanding of direct selling requires that it be viewed from three perspectives, here designated as operational, tactical, and strategic.

posed by the industry trade association in Washington DC: “A method of distribution of consumer goods and services through personal (seller to buyer) contact away from fixed business locations, primarily in a home” (Direct Selling Education Foundation 1992). This latter definition adds emphasis to the consumer market focus of direct selling and adds a strategic flavor by calling it a distribution method.

A full understanding of direct selling requires that it be viewed from three perspectives, here designated as “operational,” “tactical,” and “strategic.” These perspectives collectively provide a framework for discussing direct selling and facilitate its exposition at three levels of management interest. For researchers and scholars these perspectives help define the domain of direct selling by elucidating the diversity of ways whereby it is implemented and by identifying the key components that characterize direct selling and distinguish it from other marketing methods.

Operational Perspective

The proffered definition of direct selling can be most easily considered from an operational or physical activity perspective. At its essence, direct selling consists of two major elements: (1) “face-to-face selling” that is (2) “away from a fixed retail location.”

As such, direct selling is nothing more than a form of interpersonal communication between two individuals. (Thus, from an operational perspective it is a process.) These two individuals—a (potential) seller and a (potential) buyer—exchange information with one possible outcome being a mutually beneficial transaction (i.e., a sale/purchase). More specifically, in direct selling two individuals physically (personally) interact in a face-to-face communication context. This face-to-face or personal selling context is what differentiates direct selling from direct marketing. Direct selling is distinct from direct marketing in that at an operational level it does not involve mailed catalogs, telemarketing, direct response advertising, infomercials, or the like.

Direct selling is a form of nonstore retailing that occurs outside of a traditional retail establishment. Such well-known direct selling companies as Amway or Tupperware have no retail stores from which a consumer can purchase their products. Most commonly the purchase takes place in a home (usually the buyer’s), in a workplace (typically the buyer’s), or in a neutral location (e.g., a church, a shopping mall, fair, or a third-party home). This locational characteristic differentiates direct selling from personal selling that takes place in a retail store.

Compared to other marketing methods, direct selling possesses several important benefits. Most prominent among these benefits are its flexibility and the quality and quantity of information that can be exchanged. Direct selling is flexible in that it is not constrained by either location or time. It can occur in places and at times most convenient to a potential buyer (and convenient to the seller as well). Further, the ability to communicate face-to-face (often without distracting pressures) means that all communication senses can be utilized—hearing, sight, smell, and touch. It also means that a potential buyer can explain his or her needs in depth, a sales presentation can be individually customized, and the (potential) buyer can be thoroughly educated about products and services being marketed through actual demonstrations and personal involvement. For example, Mary Kay Cosmetics, a direct seller of skin care products, terms its salespeople “consultants”; to demonstrate cosmetic usage they regularly perform “makeovers” tailored individually to each customer.

Hence, from an operational or activity perspective, direct selling epitomizes relationship marketing (Dwyer, Schurr, and Oh 1987). In fact, relationship marketing was first practiced by direct salespeople, those traveling “peddlers” who brought news, anecdotes, and fanciful products to brighten the day of householders along their routes (Wright 1927). Maintaining relationships is no trivial mat-
ter, however, and one of the major challenges of managers of direct selling firms involves helping salespeople generate repeat business from their existing customers (Raymond and Tanner 1994). This issue leads to an examination of direct selling tactics.

**Tactical Perspective**

From an operational perspective, direct selling is a relatively straightforward personal selling activity. In practice, however, its execution takes on numerous forms. In particular, direct selling, analogous to direct marketing, is not a homogenous phenomenon. Instead, there are several distinct tactics that are commonly employed under the rubric of direct selling. Consider that direct selling can be characterized by

- the type of salesperson used
- whether selling agents are part-time or full-time
- whether the selling effort occurs in a home or elsewhere
- whether it is transaction-oriented or relationship-oriented
- whether it follows a party plan format
- whether prenotification is used
- whether it is multi-level
- the extent to which selling agents are customers
- whether selling agents take physical possession of products
- the manner in which purchases are delivered and payment is obtained.

Each of these characteristics has tactical implications for direct selling companies, both with respect to selling and with respect to recruiting.

The first characteristic relates to the type of salesperson used in the direct selling process. A direct selling firm usually has two choices; it can either use employees or independent contractors as salespeople. The vast majority (99+) of direct salespeople in the U.S. are independent contractors, mainly because of cost reasons. For instance, independent contractors are paid by commissions or bonuses only when sales transactions occur. Thus, most selling costs are variable. For the direct selling company there are no salary-related or other significant fixed costs associated with an independent contractor. Direct selling firms still using company employees, such as Electrolux, are slowly replacing them with independent contractors over time. Some direct selling organizations in other countries operate with company employees, however. An example is the Just Group, a Swiss-based company selling a wide variety of body care, health, and household products.

Direct selling can also be characterized by whether the salespeople work full-time or part-time (in the United States more than 50 percent of all direct salespeople hold other employment positions). Only about 8 percent of the more than 6 million direct salespeople in the U.S. are considered full-time and work more than 30 hours per week in direct selling jobs. The remaining 42 percent work part-time in direct selling only (Direct Selling Association 1995). Full-time salespeople are more likely to be found in direct selling firms with high-ticket items such as encyclopedias (P.F. Collier, World Book), security systems (U.S. Safety & Engineering, Masterguard), cookware (West Bend, Ekco Home products), and vacuum cleaners.

The third characteristic refers to where the direct selling process takes place. As previously mentioned, direct selling can take place in someone's home (typically the prospective buyer's home) or in a non-home location. The non-home location can be a workplace (again typically the prospective buyer's) or a neutral location such as a church, mall, fair, or home of a third party. Recent data indicate that about 73 percent of sales by direct selling companies takes place in the home whereas 12 percent occurs in the workplace and the remainder in some other venue (Direct Selling Association 1995). DS-MAX is a direct selling company operating primarily in the workplace. A DS-MAX representative will engage an employee in the target workplace not only to become a customer but also to encourage that individual to inform co-workers about the company's highly diverse product line (e.g., books, cleaning products) and to further assist the representative by soliciting orders from the co-workers for their personal use.

Some direct selling is very transaction oriented in that it is concerned only with obtaining an immediate sale. This type of direct selling typically involves expensive, usually durable products or services that are only purchased infrequently. Activities in this type of direct selling focus on customer attraction that is often facilitated by referrals and a strong product or company reputation. The Kirby Company's direct selling approach exemplifies the attraction focus and transaction orientation. Kirby, a seller of high-quality vacuum cleaners, has developed a reputation that its products almost never wear out, and the typical Kirby sale ranges from
$1,000 to $2,500. Another type of direct selling is more concerned with building long-term relationships between the direct seller and the buyer, as illustrated by the activities of cosmetics and skincare companies such as NuSkin and Finelle Cosmetics. In this type of direct selling, the emphasis is on customer retention and repeat purchases rather than on customer attraction for a single transaction. Many direct sellers of homecare and nutritional products have this relationship orientation as well, such as Natural World and Nature's Sunshine Products. Low value, consumable products are typically the focus of relationship direct selling.

One mode of direct selling is the party plan. Party-plan selling is group selling in that several potential buyers are brought together to experience a demonstration of the product line in a party-like atmosphere hosted in the home of an individual who has already bought the seller’s products. Many companies operate in this manner, including Jafra Cosmetics, Longaberger (decorative household accessories and baskets), The Pampered Chef (house and kitchenware), Kitchen Fair (cookware and kitchenware), Home Interiors and Gifts (giftware and decorative accessories), and Stanhome (cleaning products and cosmetics). In party-plan selling the direct selling process becomes very social and entertainment-oriented, and the likelihood of a purchase is at least partly influenced by the strength of the social relationship between the potential buyer and the host or hostess (Frenzen and Davis 1990). Even so, there is still one-to-one personal interaction between the direct seller and each potential buyer attending the party. Nonparty-plan direct selling consists of individual and isolated one-to-one personal interactions, as illustrated by the direct selling activities of Cutco (cutlery), Doncaster (clothing and fashion accessories), Dudy Products (cosmetics, fragrances), Fuller Brush (homecare and personal care products), and Herbalife (health, fitness, and nutritional products).

Furthermore, direct selling can be characterized as to whether potential customers are prenotified or contacted before the selling process occurs or whether some form of “cold-selling” is employed. Party plan companies rely on prenotification to assemble a group of prospects in a cooperating consumer’s home. Discovery Toys, for example, offers more than 100 products including toys, books, and games for children to parents who accept an invitation to the “party” where these items are demonstrated. Prenotification by means of appointment, referral, or at the request of a customer can also be used for one-to-one direct selling, as practiced by the direct salespeople for Encyclopaedia Britannica until recently when they ceased their direct selling operation. Cold calls are less typical, although selling agents for The Southwestern Company do employ cold calls to sell its line of books and educational materials.

A direct selling organization can possess a multi-level, network, or hierarchical structure, or the organization can be relatively “flat.” In a multi-level organization, the salespeople not only are involved in selling; they are also involved in recruiting (and often training) other direct salespeople. Consequently, they receive compensation not only on their own sales, but also on the sales of individuals they recruit (i.e., their “downline”). Amway and Shaklee are two well-known examples of multi-level organizations, both offering diverse product lines including home care, nutritional, and food and beverage products. Multi-level organizations must be carefully planned and administered to avoid the risk of becoming an illegal pyramid operation. The central character of an illegal pyramid is that the founders and early entrants to the organization profit from the fees and inventory investments required of later participants when they join, rather than from revenues created by sales to ultimate users of the organization’s products or services (Ella 1973; Brossi and Mariano 1991).

Direct salespeople can be characterized by the extent to which they themselves are end users. In certain situations the salespeople are effectively the end users (i.e., the “salespeople” are simply purchasing for their own accounts or usage with little or no intent of reselling the product or service). Salespeople-users are relatively prevalent in multi-level companies with low-ticket and consumable products, such as vitamins and other nutritional items. For instance, a sizeable portion of Melaleuca’s products (nutritional and personal care products) are consumed by its own independent contractors. In other situations the direct salespeople are less likely to be end users; rather, they primarily sell products or services, such as in the case of Electrolux (vacuum cleaners). In still other situations, direct salespeople are both sellers and end users (e.g., selling agents for skincare and nutritional products companies such as Noevir, Rexall Showcase, Rose Marie Collection Group, Sunrider International, and Diamite Corporation).
Direct selling can also be distinguished in terms of whether the salespeople take physical possession of the products they sell. Some direct selling agents effectively act as order originators, with products being shipped subsequent to a sale (e.g., Avon with its two week delivery cycle), whereas others, often in the same product line, maintain a physical inventory from which they deliver following the sale to end users (e.g., Mary Kay Cosmetics).

Finally, direct selling firms differ in the procedures that are used to deliver purchases and collect payment. Some party-plan companies (e.g., Home Interiors) encourage their selling agents to use the party's host or hostess to collect payment and deliver the items purchased to the buyers. Other companies (e.g., West Bend) urge their selling agents to make the deliveries and collect payment themselves, and still others (e.g., World Book) fulfill orders and collect payment directly without involving the selling agent. Some direct selling companies (e.g., Jafra) offer credit to their selling agents while others (e.g., Mary Kay) require payment before shipping any products.

By combining the ten direct selling characteristics or tactics into various configurations, a taxonomy can be constructed into which virtually all forms of direct selling (and all direct selling firms) can be classified. Each combination of the characteristics would reflect a unique configuration of direct selling tactics. There is, though, no specific combination of tactics that will either guarantee direct selling success or ensure failure. Whereas some of the characteristics are interdependent, others are mutually exclusive. For example, prenotification is required for party-plan direct selling, but type of selling agent and in-home or not in-home direct selling are independent tactics. There are numerous factors, including the type of product or service being marketed and the philosophy and culture of a direct selling company, that determine the most appropriate configuration for a particular direct selling situation (Biggart 1989).

Each configuration of tactics has different implications for the manner in which a direct selling company operates its business. In general, the number of salespeople actively selling a product or service for a direct selling company correlates positively with sales; the greater the number of salespeople, the greater the sales. In addition, company sales would be positively affected if more of a firm’s part-time salespeople devoted full time to their direct selling job. But instead, however, many part-time direct salespeople cycle between periods of activity and inactivity, due in part to their success in getting other desirable jobs and in part to their desire for additional income at various times of the year, such as for Christmas gifts or summer vacations. As a result of such cyclical activity, many direct selling firms can experience increased administrative costs in recordkeeping and wide variations in inventory requirements.

Further, depending on the particular configuration employed, a direct selling company will have to place differential emphasis on the administrative tasks of recruiting, training, and motivating salespeople. Studies suggest that individuals become direct salespeople for a variety of reasons (Wotruba and Tyagi 1992). Some value social rewards (as in party-plan and relationship-oriented selling); some seek personal fulfillment and the ability to determine one’s own extent of commitment in work hours (as in part-time selling); and some place high priority on autonomy and freedom (as in being an independent contractor as opposed to a company employee). By attracting recruits whose needs and expectations are matched by the characteristics of the job and whose expectations can be reinforced through proper training and guidance, direct selling firms may achieve higher retention of direct salespeople through lower turnover (Wotruba and Tyagi 1991).

**Strategic Perspective**

Operationally, direct selling can be treated as a form of interpersonal communication or personal selling. From a tactical perspective direct selling can be considered a way of organizing sales activities and the selling function. Strategically, direct selling can be viewed as a channel or mode of distribution, a means of gaining access to a market, or a way of doing business.

**Direct Selling as a Distribution Channel**

Direct selling as a distribution channel originated when a producer sold its products or services directly to an end user or consumer. As already noted, most direct selling currently involves independent contractors, individuals who purchase from a producer (at wholesale) and resell to consumers at retail. Consider the archetypical channel structures illustrated in Figure 1. Channel A is the “traditional” retail channel; Channel B has become a common channel with the rise of large retail chains,
superstores, and category killers. Channels C and D are common versions of direct selling channels. Note that direct selling firms do not need to be producer-firms; they may simply be marketing companies.

To the extent that independent contractors take title to and possession of the products and services they sell to consumers, they are analogous to the retailer in traditional fixed-location retail channels. Rather than being organizations, independent contractors are people (although they may be formally and hierarchically organized as in a multi-level or network marketing structure). Still, the independent contractors perform the same functions as retailers: they promote, sell, and distribute products and services to consumers. Thus, contrary to popular myth, producers who market their products and services to consumers through direct selling channels do not automatically have a “direct” relationship with their ultimate customers (although many direct-selling producers are trying to establish such relationships). In brief, in the most common form of direct selling, one type of channel intermediary—retailers—has simply been replaced with another type—indeed independent contractors. Regardless of channel type, the same marketing functions must be carried out; only the manner in which they are carried out differs.

**Direct Selling as a Means of Gaining Access to a Market**

As a generic strategy, direct selling is a push marketing strategy. This means that for a direct selling firm to be successful, all facets of its organization and manner of doing business must be consistent with the tenets of a push marketing strategy. The influence of this strategic approach is most noticeable within the promotion component of the four P’s—product, price, place, and promotion. Instead of strong reliance on mass and impersonal promotional efforts such as advertising, direct selling organizations rely on the collective efforts of independent contractors to achieve the company’s communication and promotional objectives. The result is not only a more proactive promotional effort but also one that is tailored to the needs and circumstances of each potential buyer. Direct selling is an especially effective strategy for products and services with a high personal selling elasticity, where procrastination in purchasing is easy (e.g., encyclopedias), and where personal attention to individual differences and desires of customers is critical (e.g., cosmetics, nutritional products).

Direct selling as a strategy is also distinguished in the place component of the 4 P’s since it occurs away from any fixed retail location. Often the interaction between buyer and seller occurs in the buyer’s home or the home of the buyer’s friend. Under these circumstances, direct selling is especially effective as a strategy when the product involved is a household item that benefits from demonstration in that environment. Companies exemplifying this advantage include PartyLite Gifts and Wicker Plus (decorative accessories). In the case of a party-plan approach, direct selling is an effective strategy for products that might benefit from reference group interaction among prospects attending the party. Companies and product lines that fit

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**Figure 1**

Schematic View of Distribution Channel

<table>
<thead>
<tr>
<th>Traditional (Fixed Location) Retail Channels</th>
<th>Direct Selling Channels</th>
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<tbody>
<tr>
<td><strong>(A)</strong> Producer</td>
<td><strong>(C)</strong> Producer</td>
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<td>↓</td>
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<tr>
<td>Wholesale</td>
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<td>Retailer</td>
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<tr>
<td>Consumer</td>
<td>Consumer</td>
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</tbody>
</table>

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these circumstances include Colesse Couture and Jeunique (lingerie), Premier Designs and Act II Jewelry-Lady Remington (jewelry), and Dorling-Kindersley and Usborne Books at Home (children's books and educational materials).

A further advantage of a push marketing strategy has been realized by direct selling firms entering newly-emerging market economies such as the Czech and Slovak Republics, Hungary, and Poland. In such economies a distribution system and supporting infrastructure exist only in a very neophyte stage, and capital access is limited because many banks will not make capital investment loans (Rondinelli 1991). Since direct selling does not need a system of wholesalers and other facilitating agencies, does not rely on the existence of fixed retail locations, and replaces advertising (requiring capital investment) with the motivated efforts of a multitude of salespeople, a direct selling distribution system can be very attractive in newly-emerging market economies. Further, there is some evidence that direct selling jobs are attractive to citizens in such economies (Wotruba and Pribova 1995). Besides the many U.S.-based direct selling companies that have established successful overseas operations, foreign-based firms such as Nutrimetics International (Australia) and Oriflame (Sweden) have successfully established direct selling operations in these countries (Roche 1995; Xardel 1993, 1995). In fact, some evidence exists that suggests the success of a direct selling strategy in a country is inversely related to the level of consumer wealth in that country (Schwartz 1992). While direct selling firms have achieved success in advanced economies such as the U.S. and Japan, future growth possibilities for direct selling firms might be more attractive in less-developed economies with low consumer wealth and lack of infrastructure, such as China and South Korea (Ferguson 1993).

Direct Selling as a Way of Doing Business

Relative to in-store retailing as a way of doing business, direct selling possesses two unique characteristics. First, for many entrepreneurs and even large corporations, direct selling is the preferred channel of distribution because it is "invisible." There are no products on store shelves that competitors can monitor. A direct seller traditionally does not spend much on mass media; hence, competitors often have a difficult time learning about its strategy. With perhaps one exception, kiosks, there are no specific "public" locations to which one can travel to purchase products or services marketed by direct sellers. Therefore, at times it is possible for a direct-selling firm entering the marketplace to escape detection by competitors that might aggressively act against it until the firm has prepared itself and grown to a position of strength. In many instances the only evidence about the existence of a direct selling company consists of the products it markets or its recruiting efforts, and even these are sometimes below general public awareness thresholds.

Second, direct selling can be undertaken by a firm with relatively little start-up capital, especially capital for marketing and distribution purposes
(Granfield and Nicols 1975). Frequently, direct selling is the distribution mode of choice for entrepreneurs or organizations that are relatively undercapitalized. This is because sales tend to be self-funding, especially when independent contractors are used, and sales can be achieved relatively quickly. Indeed, when independent contractors are the selling agents, they are in fact the direct selling firm's customers. A direct seller has no expense associated with gaining distribution through retail outlets or the oftentimes large inventory levels or slotting allowances that are required to gain in-store distribution. Furthermore, there is typically no need for large advertising expenditures to promote products or services. Hence, marketing fixed costs are low relative to traditional fixed-location retailing. Instead, however, resources that might be spent on advertising would likely have to be spent on recruiting, training, and compensating salespeople.

**What Is Known about Direct Selling?**

Despite being the oldest method of marketing, relatively little is known about the direct selling industry, direct selling companies, direct selling agents, and consumers who buy from direct sellers (Albaum 1992). This lack of knowledge is due to a variety of factors. As previously mentioned, the invisibility of direct selling, per se, makes it difficult to study. Also, the majority of direct selling firms are privately held and relatively small. Hence, there are few governmental reporting requirements and the firms are generally reluctant to release information about themselves. Moreover, when trying to characterize the industry or firms in the industry, there is some disagreement as to what actually constitutes a "direct selling firm" as implied by the definitions given in Table 1. Consider, for instance, that many insurance firms utilize independent agents to sell their service and these sales generally occur away from a fixed retail location. Even so, traditionally insurance firms have not been members of the Direct Selling Association (DSA), the direct selling industry trade association, perhaps because insurance firms have their own professional associations. Only recently did one firm whose product line includes insurance, Primerica Financial Services, join the DSA. Thus, sales statistics compiled by DSA do not reflect the majority of insurance sales made through a "direct selling" method of marketing.

Thus, there are no complete and authoritative figures as to the amount of retail sales that can be attributed to direct selling as a marketing method. Probably the best worldwide estimates are those provided annually by the World Federation of Direct Selling Associations (WFDSA) for 43 countries (World Federation of Direct Selling Associations 1995). These estimates indicate that more than 17.5 million direct salespeople work in these 43 countries. The country with the largest number of direct salespeople is the U.S. with 6.2 million, followed by Japan and Taiwan with 2 million each. Collectively, worldwide direct selling sales are estimated to be approximately US$67 billion for 1994. Japan is the largest in total reported retail sales by direct selling with US$30 billion, almost doubling the $16.5 billion in sales in the United States. If sales per direct salesperson is computed, the most productive direct salespeople are found in Switzerland, where each salesperson accounts for an average of US$34,386. The comparable statistic in the U.S. is only $2,669. In fact, on a per-salesperson basis, the U.S. sales figure falls exactly in the middle of the distribution, with 21 countries showing a higher average and 21 countries showing a lower average. The smallest per-salesperson productivity occurs in India, with US$267 per salesperson. As noted, however, these estimated sales figures are likely to be conservative because they exclude some products and services such as insurance, because substantial direct selling activity is done by organizations that are not members of country trade associations, and because of the difficulty in defining direct sales (See Peterson and Albaum 1995 for further discussion).

**What Can Be Sold through Direct Selling?**

It is generally believed (e.g., Caballero 1986) that for products to be successfully marketed through direct selling, they should (ideally) possess some form of distinctiveness, require some type of demonstration, and generate repeat sales. The most widely recognized direct selling companies are those marketing products that meet at least two of these features: vacuum cleaners, encyclopedias, cosmetics, nutritional items, and kitchenware. However, even a cursory examination of the offerings of direct selling companies indicates that virtually any product can be, and probably is, marketed through direct selling. In Japan, for example, nearly one-
half of new automobile sales is derived from door-to-door selling (Reitman 1994). In the U.S., Golden Pride/Rawleigh offers a wide range of products including food and beverages, health and nutritional products, weight management products, water treatment systems, housewares, and animal care products. Services marketed through direct selling vary from memberships to gain access to showrooms and discount catalogs (United Consumers Club) to long-distance telephone service (Excel Telecommunications).

Albaum and Peterson (1987) surveyed a representative sample of nearly 1,000 consumers in the United States regarding several aspects of direct selling. One issue they investigated was the extent to which consumers would be willing to purchase various products and services from direct sellers in their home, at their workplace, at a sales party at someone else’s home, and at a sales party in a church or a community center. Table 2 presents the percentage of their sample willing to purchase twenty-two different categories of products or services in each of the four locations. The table also indicates a willingness rank order for each of the product categories based on the collective willingness-to-purchase percentages of the four alternatives. Thus, for example, on a relative basis, American consumers report being most willing to purchase cosmetics or skin care products and least willing to purchase a birth control product through direct selling. In general, though, the table suggests that American consumers are receptive to purchasing a wide variety of products and services from direct selling. To facilitate interpretation of the table, line breaks between the product categories reflect statistically significant differences.

Who Buys from Direct Sellers?

Given that virtually any consumer product or service would appear to be a candidate for direct selling, a logical question then is: “What are the characteristics of individuals who buy through direct selling?” Analogous to the product question, the answer would seem to be virtually everyone, at least in the United States. While there is an acknowledged lack of empirical research, Peterson, Albaim, and Ridgway (1989), based on the Albaum and Peterson (1987) data, reported that 57 percent of the individuals (households) they surveyed had purchased a product or service from a direct selling company at least once in the twelve-month period preceding their study. Nearly 92 percent of the study participants reported purchasing a product or service through direct selling at some point in time.

More than one-fourth of the study participants had made a purchase through more than one direct selling mode in the year preceding the investigation. According to Peterson, Albaim, and Ridgway, direct selling customers in the United States are more likely to be female, younger, and possess more education and higher incomes than individuals who have not purchased from a direct selling company. A study focusing on the “mature” consumer (age 65 and older) supports these findings, at least regarding age—only 17 percent of mature consumers purchased from direct sellers in the previous six months, whereas 29 percent of younger persons made similar purchases (Lumpkin, Caballero, and Chonko 1989). The demographic patterns regarding gender, age, and education were also found in a study of direct selling customers in Central Europe (Wotrub and Pribova 1995). Again in a U.S. context, Korgaonkar and Bellenger (1983) found that direct selling customers tended to be younger and have lower occupational status but higher household incomes than noncustomers. Higher incomes distinguished direct selling purchasers in the Central Europe study as well. Some evidence has been found that customers of direct salespeople in the U.S. Pacific Northwest differ from nonbuyers on selected personality traits. In particular, direct selling customers were found to be less talkative, sensitive, sociable, outgoing, and religious than noncustomers (Barnew and McNabb 1988), although these findings may not be generalizable to other geographic regions of the country. Further, whether any findings from the U.S. and Central Europe studies transfer to other countries is an empirical question and one that definitely needs further research.

What Are the Characteristics of Direct Sellers?

There is a paucity of information about the people who work as direct selling agents. What little is known is based on research conducted in the United States. One 1992 study in particular investigated a variety of demographic characteristics of direct salespeople (reported in Bartlett 1994, pp. 257-261). Most U.S. direct selling agents, 90 percent in 1992, are women. Only 8 percent are under age 25,
### Table 2
Willingness to Purchase through Various Direct Selling Alternatives

<table>
<thead>
<tr>
<th>Product Category</th>
<th>My Home</th>
<th>My Workplace</th>
<th>Sales Party at Someone's Home</th>
<th>Sales Party at Church, etc.</th>
<th>Rank Order</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cosmetics/skin care</td>
<td>54</td>
<td>16</td>
<td>36</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>Kitchenware/storage containers</td>
<td>36</td>
<td>12</td>
<td>44</td>
<td>19</td>
<td>2</td>
</tr>
<tr>
<td>Toys/crafts/hobbies</td>
<td>34</td>
<td>14</td>
<td>36</td>
<td>22</td>
<td>3</td>
</tr>
<tr>
<td>Household cleaning product</td>
<td>44</td>
<td>12</td>
<td>33</td>
<td>14</td>
<td>4</td>
</tr>
<tr>
<td>Insurance</td>
<td>59</td>
<td>14</td>
<td>3</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Cutlery</td>
<td>26</td>
<td>10</td>
<td>22</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Reference book/encyclopedia</td>
<td>40</td>
<td>9</td>
<td>12</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Hand tools</td>
<td>25</td>
<td>15</td>
<td>13</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Vacuum cleaner</td>
<td>40</td>
<td>5</td>
<td>11</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Vitamins/nutritional products</td>
<td>27</td>
<td>8</td>
<td>17</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Stock/bond/mutual fund</td>
<td>39</td>
<td>13</td>
<td>3</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td>Record/tape/video cassette/CD</td>
<td>24</td>
<td>9</td>
<td>12</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Children's clothing</td>
<td>21</td>
<td>5</td>
<td>15</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Small appliance</td>
<td>23</td>
<td>6</td>
<td>12</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Camera</td>
<td>26</td>
<td>8</td>
<td>10</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Personal computer</td>
<td>26</td>
<td>11</td>
<td>7</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>Video recorder/player</td>
<td>23</td>
<td>6</td>
<td>10</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Luggage</td>
<td>18</td>
<td>6</td>
<td>13</td>
<td>7</td>
<td>18</td>
</tr>
<tr>
<td>Automobile</td>
<td>28</td>
<td>10</td>
<td>3</td>
<td>2</td>
<td>19</td>
</tr>
<tr>
<td>Outdoor wear (coats, etc.)</td>
<td>19</td>
<td>5</td>
<td>12</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>Sporting goods</td>
<td>18</td>
<td>7</td>
<td>10</td>
<td>7</td>
<td>21</td>
</tr>
<tr>
<td>Birth control product</td>
<td>19</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>22</td>
</tr>
</tbody>
</table>


Whereas 63 percent are between 25 and 44 and 24 percent are between 45 and 64. Eighty percent are White, 13 percent are Black, and 5 percent are Hispanic; other ethnicities are Asians and Pacific Islanders. In comparison with the American public, direct salespeople are more likely to have a high school diploma but less likely to have a graduate degree. Seventy-two percent of direct salespeople are married. In addition to their direct selling work, 56 percent have at least one other paying job; the median household income of direct salespeople in 1992 was $28,635.

Earlier unpublished studies (Harris 1977; Wotrub, Sciglimpaglia, and Tyagi 1986) yielded similar demographic patterns, and offered some psychographic descriptors as well (Thistlethwaite et al. 1985). For instance, active direct salespeople tend to be more outgoing (vs. reserved), aggressive (vs. passive), enthusiastic (vs. low-key), and venturesome (vs. timid) in their personalities than others in the general population. In addition, a larger proportion of direct salespeople are desirous of being their own boss than are Americans in general.
persistence and initiative are major characteristics of success in direct selling.

What are the characteristics of successful direct selling agents? Here again research evidence is scarce. However, intuition and existing research suggest that to be a successful direct selling agent, an individual must be a good communicator and be highly motivated. Consider the following two studies. Peterson, Cannito, and Brown (1995) investigated the relationship between the voice characteristics of 21 direct sellers and a measure of sales performance (units sold). They found that rate of speaking, average pause duration, and fundamental frequency contour were significantly related to sales performance. The primary conclusion of their investigation was that how a direct selling message is communicated may be as important as what is communicated with respect to sales performance.

Brown and Peterson (1994) investigated the relationships between effort, sales performance, and job satisfaction for a sample of direct sellers. Using a causal modeling approach, they found that whereas effort was causally and positively antecedent to both sales performance and job satisfaction, sales performance was not causally antecedent to job satisfaction (contrary to existing theory). Stated somewhat differently, they found that sales performance and job satisfaction were independent but higher levels of effort led to higher levels of performance and satisfaction. An earlier study (Wotruba 1989) on related issues found that direct salespeople who set detailed performance goals also devoted more effort to their job, but a somewhat unexpected finding was that the additional effort did not relate to greater sales achievements than those obtained by the non-goal-setters studied.

Finally, most managers of direct selling firms would agree that persistence and initiative are major characteristics of success in direct selling. This feeling stems from the substantial turnover experienced with direct selling salesforces. Various turnover rates have been cited, starting with “up to 300% a year” in an early discussion by an industry observer (Buell 1954), to estimates of 150 percent to 200 percent based on later trade association data (Wotruba, Sciglimpaglia, and Tyagi 1987). Caution is needed when calculating turnover rates, however, because many direct salespeople cycle in and out of active work in their direct selling job, as previously noted. Still, the often nonselective recruiting process employed by direct selling firms, coupled with the straight commission method of compensation typical for independent contractors, will certainly draw persons into the job with naive hopes for large and easily-earned incomes from only a modest commitment in time and effort; the unmet expectations of such individuals soon lead to their abandoning direct selling.

A Research Agenda for Direct Selling

Given that direct selling is not well understood and, indeed, is often misunderstood, there is a pressing need for systematic and programmatic basic as well as applied research on multiple fronts. The remainder of this article sets forth a series of questions that collectively can serve as the foundation for a direct selling research agenda. To the extent that direct selling is viewed through the “definitional lens” advanced in this article, it is an intellectually stimulating phenomenon that warrants extensive research.

Scope of Direct Selling

Basic research should begin with some type of census of direct selling firms to establish the boundaries of direct selling, especially when the definition of direct selling proffered in this article is taken into account. This research effort would address a number of fundamental questions. For instance, what is the number of firms that use direct selling? How many of these firms are in particular product and service categories? What is the sales volume generated by direct selling operations in these firms? As previously noted, for a variety of reasons the magnitude of direct selling revenues is probably significantly underestimated. While any census would require the cooperation of individual firms, and perhaps even government agencies, the results would serve as the foundation for future research on the direct selling industry.
Sellers and Buyers in Direct Selling. Similarly there is a need for basic research on direct selling salespeople and consumers who purchase through direct selling. Unfortunately, most "people-oriented" research in the direct selling arena has been limited by small convenience samples that too often appear to be idiosyncratic. Research on direct selling agents typically has employed firm-specific samples, whereas research focusing on consumers has tended to be constrained geographically. Consequently, there is a need for generalizable research that addresses who direct selling agents and direct selling customers are and, more importantly, why they are direct sellers or direct selling customers. How many individuals have at one time or another been direct sellers? Do the characteristics of direct salespeople vary according to the products and services sold or across direct selling firms?

In particular, the motivations of direct salespeople and customers would appear to be a fertile area for research. For instance, what factors produce a strong and lasting relationship between a direct salesperson and his or her customers? Is there any link between the reasons why individuals buy from direct salespeople and the reasons why individuals become direct salespeople? Is it possible to construct an index of propensity to purchase through direct selling that would predict who would or would not be a direct selling customer?

International and Comparative Analyses of Direct Selling. Extant research on direct selling is dominated by studies conducted in the United States on direct selling firms, direct selling salespeople, and direct selling customers. This research must be expanded to other markets and countries, and the resulting findings integrated into a comprehensive knowledge data base. For this to happen, a coalition of cooperating researchers from a variety of countries is required. Such a coalition would employ a standard research methodology, would address common as well as unique direct selling issues, and would compile data bases that could be shared with all interested researchers. Properly carried out, the research should be cost-effective (due to both the common methodology and the likelihood that funding would be shared) and generalizable (allowing comparisons across markets and countries).

A number of issues could be addressed by such research. For instance, are there some general principles regarding direct selling that have universal application? Is there a relationship between a country's extent of economic development and the relative success of direct selling vis-a-vis other distribution methods? Direct selling firms are expanding internationally (beyond their respective borders) at an increasing pace. Success in such operations would be aided by research on the macro conditions (i.e., infrastructure, economic, political, cultural) that foster or inhibit direct selling success at both the industry and business unit level.

Practice of Direct Selling

At the same time, there is a need for applied research on direct selling. This research could be structured along the three dimensions set forth earlier—operational, tactical, and strategic.

Operational Perspective on Direct Selling. At an operational level, research should focus on direct selling as a communication process. As such, there is a plethora of research in psychology, communications, sociology, and linguistics that could be brought to bear on direct selling issues and that could provide useful insights. Hypotheses involving adaptability, negotiation, listening, trust-building, and various rhetorical and persuasive devices could be tested in a direct selling setting. The fact that (operationally) direct selling is an applied communication process suggests that it could serve as a vehicle to explore issues and theories that heretofore have been investigated under frequently artificial laboratory conditions.

Tactical Perspective on Direct Selling. Direct selling is in the throes of change. For example, competition, not only from within the direct selling industry, but also from other forms of nonstore retailing such as telemarketing, catalogs, electronic merchandising, and television-based home shopping, has increased tremendously. These changes have increased the pressure on direct selling firms to more effectively, efficiently, and creatively develop and employ "optimal" configurations of tactics for specific product and/or service options. What are the synergies created by various tactical combinations? Under what conditions (e.g., products or services sold, markets targeted, competitive conditions faced) are the various tactical combinations most effective?

As a topic of particular importance, consider direct selling agents. They are the revenue generators for a direct selling company, and research is warranted to determine how to place a "value" on these agents. Analogous to a customer, a direct
selling agent possesses a dollar value. A direct selling agent not only has value from selling to end buyers, but many direct salespeople also have value as end buyers themselves. In addition, a direct selling agent in a multi-level organization has value as a recruiter of other direct selling agents (i.e., his or her downline). In fact, the value of a downline is a key question in developing compensation plans for salespeople in multilevel organizations. For instance, how much compensation should be targeted for the personal sales of a selling agent and how much should be targeted to reward the selling agent for the sales of his or her downline? Given the many functions that a direct seller performs, a firm needs to be able to place a dollar value on each of its salespeople to better inform and facilitate decisions on recruiting, training, compensation, multilevel structure, and indeed virtually all aspects of direct selling.

A fundamental tactical choice by most direct selling firms is whether to use independent contractors working part time or full-time company employees as salespeople. By definition, independent contractors are subject to less management control than are company employees. Part-time workers vary considerably in the amount of effort they devote to the job, not only from one worker to another but also for many individual workers across time. The part-time independent contractor is not tied to the direct selling firm through fringe benefits provided in full by the firm or supported in part along with payroll deductions. This scenario leads to many research issues. Are part-timers more productive than full-timers in direct selling? Are the benefits from using part-timers greater than the problems (such as turnover and inconsistency in amount of effort)? What are the tradeoffs between use of independent contractors and company employees? What are the impacts of these tactical alternatives on customers, the salespeople themselves, the direct selling firm, the firm's direct-selling and non-direct-selling competitors, and the public at large?

Strategic Perspective on Direct Selling. Finally, there is a need for research on direct selling at a strategic level. How does the direct selling channel compare with alternative marketing methods in achieving specific strategic goals? Is there a definable set of circumstances under which a firm should shift its marketing efforts more into direct selling or, conversely, away from direct selling and into other marketing methods? Given the trend toward integrated distribution channels, research on channel blending or melding is necessary to determine how direct selling should be aligned with other marketing functions and channels to better serve consumers. The earlier discussion of direct selling as a push marketing strategy noted that it might be an effective method for successful market entry in less-developed economies. Research on this issue and in particular on the circumstances related to such success could prove very useful to managers.

What about direct selling in the future? Is direct selling emerging as the marketing strategy best suited to succeed with micro-market segmentation? Can direct selling provide the individually tailored attention and satisfaction that consumers demand more effectively and efficiently than the more "mass" methods of promotion and distribution? What are the implications for advertising strategy if direct salespeople become increasingly prominent in company promotional efforts? What are the implications of the growing use of direct selling for traditional retailing institutions (stores, malls, shopping centers) as well as for the many newer nonstore retailing approaches?

Conclusion

Even though widely discussed, direct selling is not well understood, and the term itself is often abused and misused. A suggested definition is "face-to-face selling away from a fixed retail location." Although this is effectively an operational definition, it possesses both tactical and strategic implications for the practice of direct selling. Moreover, by defining direct selling in this manner, the definition can be used as the basis of a paradigm that can guide future research on the phenomenon as well as serve as a pedagogical guide when teaching direct selling.

Despite its history and pervasiveness, relatively little public knowledge exists about the direct selling industry, direct selling companies, direct selling agents, and individuals who purchase through a direct selling channel. Most of the research that is available has been conducted in the United States. However, the generalizability of this research is suspect. What is needed is large-scale programmatic basic research carried out cross-nationally by teams of cooperating researchers. This research should address issues relating to motivations of direct salespeople and their customers as well as the macro conditions conducive to direct selling success. Many opportunities for applied research also
exist. Of particular use to managers would be research addressing such issues as communication effectiveness in the direct selling process, tactical options and their combinations, direct selling as an effective market entry strategy, and strategic choices, tradeoffs, and blends involving direct selling and other marketing methods. Only through such efforts will it be possible to systematically achieve a comprehensive understanding of direct selling.

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