

## New trends and challenges in direct selling: An international expert panel discussion

### Abstract :

This paper presents a comprehensive summary of a panel discussion conducted by a distinguished group of international experts from the direct selling industry. The primary objective of the panel was to delve into the emerging trends and challenges within this industry. Additionally, it aimed to offer readers valuable insights into the nature of direct selling, the industry's current state, and the prevailing sales and sales management practices. The discussion was held after the 9th European Innovation & Trade Colloquium that took place on April 3–4, 2023. The panel consisted of five representatives from professional organizations. Each panelist was asked to answer questions regarding (i) their respective markets, (ii) sales, recruiting and training processes in the direct selling industry, (iii) the impact of the Covid-19 pandemic and (iv) the opportunities and challenges in the industry. Several themes arose from the discussion and are presented in the paper, providing profound insights into the new trends and developments within the direct selling industry and its future prospects.

**Key words:** *direct selling, personal selling, sales management, direct selling industry, panel discussion*

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## INTRODUCTION

Direct selling refers to the business model in which products or services are sold directly to consumers outside of a fixed retail establishment, bypassing traditional retail channels (Msweli-Mbanga & Lin 2003; Peterson & Wotruba 1996). It involves independent salespeople, often referred to as distributors, representatives, consultants, or agents, who personally interact with customers to promote and sell products or services (e.g., Coughlan & Grayson 1998). These salespeople typically operate as independent contractors and are not employees of the company whose products or services they sell (e.g., Biggart 1989). The practice of direct selling encompasses diverse methods, such as one-on-one demonstrations, sales presentations, and home parties. It is a flexible and personalized approach that fosters direct interaction and relationship-building between the salesperson and the customer (e.g., Sparks & Schenk 2001). Companies that engage in direct selling usually offer a wide range of products, such as cosmetics, wellness products, kitchenware, home decor, and clothing (e.g., WFDSA 2021a). The Appendix presents worldwide retail sales by product group in the direct selling industry.

The global success of the direct selling industry is evidenced by its significant economic impact (e.g., WFDSA 2021a), job creation, and high customer satisfaction. It serves as a gateway for individuals to start their own businesses, offering flexible income options and empowering entrepreneurs. Companies provide training, marketing materials, and support to their salesforces to help them succeed in promoting and selling the products effectively.

Direct selling companies have adapted to changing markets by embracing digital technologies and catering to diverse consumer needs. Their ability to reach global markets and contribute to local economies further underscores their success. Worldwide, the industry continues to grow. Table 1 presents the worldwide total retail sales and their recent evolution.

**Table 1**  
Annual retail sales in the direct selling industry worldwide  
(adapted from WFDSA, 2023b)

| Data Year | Year over Year % Change | 3-Year Compound Annual % Change | Total Retail Sales |
|-----------|-------------------------|---------------------------------|--------------------|
| 2019      | -4,3%                   | -1,2%                           | \$168 117 497 146  |
| 2020      | 2,4%                    | -0,1%                           | \$172 146 534 062  |
| 2021      | 2,0%                    | 0,0%                            | \$175 553 652 401  |
| 2022      | -1,5%                   | 0,9%                            | \$172 891 356 376  |

The global sales force includes over 100 million independent representatives and distributors (WFDSA 2021a). Table 2 presents the number of independent distributors worldwide and percentages by gender.

**Table 2**  
Number of independent representatives and distributors worldwide and percentages by gender  
(adapted from WFDSA, 2023b)

| Data Year | Year over Year % Change | Total Number | % Women | % Men |
|-----------|-------------------------|--------------|---------|-------|
| 2019      | 2,5%                    | 114 801 793  | 72,8%   | 27,2% |
| 2020      | 3,5%                    | 118 797 317  | 73,4%   | 26,6% |
| 2021      | 0,3%                    | 119 158 420  | 70,6%   | 29,4% |
| 2022      | -3,6%                   | 114 878 041  | 70,7%   | 29,3% |

The United States is the largest direct selling market, representing approximately one-third of global direct sales (e.g., WFDSA 2021a). Within the European Union, direct sales have demonstrated steady growth, even during challenging times like the pandemic (Seldia 2021). Germany stands out as the largest direct selling market in Europe (e.g., WFDSA 2021a), hosting over 600 direct selling companies with 16 billion euros in net sales and a significant market presence (Universität Mannheim - Bundesverbands Direktvertrieb Deutschland 2023). In France, the direct selling market has surged by almost 20% over the past decade, and by 2% in 2021 (Fédération de la Vente Directe 2022). Companies adapt to evolving consumer expectations and prioritize product quality to meet customer demands effectively.

Direct selling is an ever-evolving and resilient industry that continues to thrive worldwide, benefiting both sellers and consumers alike. Its ability to innovate, adapt, and create opportunities makes it a force to be reckoned with in the global marketplace.

## **CHARACTERISTICS OF DIRECT SELLING**

Direct selling is a progressive business model that satisfies both consumer and seller expectations. Consumers benefit from the convenience of intelligent consumption without the need to travel, while sellers enjoy the freedom to organize their work and establish secure relationships with brands and customers.

What sets direct selling apart is its accessibility and flexibility. Unlike traditional ventures that may require significant capital investment, becoming a direct seller typically involves little to no upfront cost. Additionally, individuals have the freedom to dictate their own schedules, enabling them to invest as much or as little time and effort as they desire. This unique aspect offers the potential for modest supplemental income or even greater earnings, making it an ideal opportunity for self-motivated individuals seeking financial independence, such as self-starters.

Contrary to impersonal advertising campaigns, direct selling places a strong emphasis on meeting human needs and establishing genuine connections with consumers. Sellers engage directly with potential customers, taking the time to explain and present products in a personalized and customized manner. This approach fosters a deeper and more meaningful experience for consumers, allowing them to make informed decisions and feel valued throughout the process. The human touch and personal interaction are core strengths of the direct selling model, creating an authentic and trustworthy relationship between sellers and their clientele.

Direct selling encompasses various approaches, including traditional party plan companies, door-to-door home improvement companies, social commerce, and network marketing. For over 150 years, direct selling has provided consumers with excellent products while offering independent sellers the chance to earn additional income, acquire new skills, and positively impact their lives. Direct selling offers a flexible work-life balance, particularly appealing to parents in the remote working era.

## **RECRUITING AND TRAINING IN THE DIRECT SELLING INDUSTRY**

In the direct selling industry, recruitment processes occur through multiple channels and methods. In today's digital era, a significant portion of recruitment takes place online, utilizing websites and social media platforms. This approach allows for reaching a wider audience and engaging with potential candidates more efficiently.

Another widely employed method of recruitment is through personal interaction often referred as "word of mouth." This organic approach involves individuals recommending or expressing interest in joining a company's salesforce or become a direct seller. Attracting salespeople can also be achieved through sales parties. Consumers who have shown genuine interest in products and have become advocates are approached. Furthermore, potential direct sellers are identified and approached at trade fairs or in shopping malls. It must be emphasized that in the United States, for instance, conventional advertising is not typically utilized for recruitment purposes. By embracing these diverse and personalized recruitment strategies, direct selling companies can build robust salesforces driven by passionate individuals who genuinely believe in the products they promote.

It is however important to distinguish between companies that work with independent self-employed individuals and those that have a staff-based workforce. Companies working with independent salesforces, usually dealing with consumer goods such as cosmetics, kitchen utensils, textiles, etc., primarily rely on cooptation as the recruitment method. Additionally, they may use social networks, job classified ads, and government services to attract potential candidates. On the other hand, companies employing staff mainly handle services or products related to home improvement. Their recruitment efforts are primarily directed through the company itself or overseen by team managers, who play a key role in identifying and hiring new team members. In this process, they frequently harness the power of internet classified ads and

social networks as effective and efficient recruitment tools. By leveraging the reach and connectivity of these platforms, they can easily connect with potential candidates who possess the desired skills and qualifications for the roles they seek to fill.

Training plays a crucial role in equipping salespeople with the necessary skills and knowledge. Key elements of training include product knowledge, enabling salespeople to effectively demonstrate and sell products by understanding their features, advantages, benefits, and usage. Sales techniques and strategies are also taught to enhance sales capabilities. Fostering entrepreneurial skills is another important aspect, as it offers individuals the chance to acquire and enhance valuable skills, regardless of their long-term commitment to the direct selling industry. Additionally, training encompasses company policies and compliance to ensure adherence to guidelines and regulations, and ethical selling behaviors. Ongoing support is provided through mentorship programs, online resources, and other means to assist salespeople throughout their journey.

### **MOST IMPORTANT DETERMINANTS OF SUCCESSFUL SELLING AND CUSTOMER RELATIONSHIP**

In direct selling the most important determinants of successful selling can be summarized as follows:

- (1) Recruitment: building a strong sales force by recruiting motivated individuals who are aligned with the company's values and goals.
- (2) Sales Activity: consistently engaging in sales activities and actively promoting products or services to potential customers.
- (3) Personalized and customized advice: providing personalized guidance and support to customers, establishing a relationship of trust and care.
- (4) Social network (online and community): leveraging social networks, both online and within communities, to reach and connect with potential customers.

Building and nurturing relationships, along with establishing trust with customers, stands as a fundamental differentiator between direct selling and traditional retail approaches. Moreover, the success of direct selling is deeply reliant on the promotion of innovative and high-quality products or services. An atmosphere of appreciation for the sales force, coupled with upholding high ethical standards and maintaining the company's good reputation, also play pivotal roles in achieving success within the industry. Embracing technology and leveraging digital tools and platforms are essential for remaining relevant and competitive in the face of e-commerce and traditional retailers. In summary, quality, value, trust, credibility, transparent business practices, excellent customer service, timely product delivery, and compliance with ethical standards are vital components that foster customer loyalty.

### **IMPACT OF THE COVID-19 PANDEMIC**

The onset of the Covid-19 pandemic initially created unprecedented opportunities for direct selling recruitment and sales, as numerous traditional retailers closed, prompting people to turn to online purchasing and home-based business opportunities. During this period, direct selling companies adeptly integrated the internet into their salesforce communication tools, resulting in successful outcomes. This shift though has necessitated a delicate balancing act for direct selling companies as they navigated a new landscape that combined online and in-person interactions. As society gradually reopened, sales and recruitment have declined, returning to pre-pandemic levels or experiencing a downturn, while salesforce motivation and commitment have also declined due to changing consumer and work habits. Amidst these challenges, direct selling enterprises were proactively seeking innovative solutions to reignite salesforce enthusiasm and sustain long-term success.

To that end, direct selling companies in Europe have demonstrated adaptability and resilience, modernizing logistics, communications, and business practices to thrive in these difficult conditions. Because of these drastic changes, the pandemic has accelerated the need for regulatory frameworks to keep up with economic and societal changes, and professional organizations were working on policies to shape the future of direct selling. In addition, the period of transformation in the last few years has highlighted the importance of flexible work, youth entrepreneurship and female entrepreneurship. However, the pandemic has disproportionately affected female employment rates, resulting in job and income losses for women (European Central Bank 2023).

Despite the challenges posed by the pandemic, direct selling companies and distributors have demonstrated

remarkable resilience on a global scale. Embracing digital transformation, they swiftly adapted to the new reality by leveraging virtual interactions, enhancing support systems, and implementing virtual marketing strategies. These proactive measures have proven to be instrumental in enabling companies to sustain their support for the salesforce and foster meaningful connections with customers through innovative and dynamic means.

## **CHALLENGES AND OPPORTUNITIES**

In some markets, direct selling experienced significant growth in 2020 and 2021, but the industry faced more difficulties in 2022 with lower growth rates (Universität Mannheim - Bundesverbands Direktvertrieb Deutschland 2023). Several factors played a significant role in this decline, including the impact of high inflation rates, decreased salesforce activity, and challenges in recruitment due to demographic changes in some countries (Universität Mannheim - Bundesverbands Direktvertrieb Deutschland 2023). Specifically, the surge in inflation rates placed additional pressures on consumers, influencing their purchasing behavior and overall spending patterns.

Consequently, this influenced the demand for products and services offered through direct selling channels. The changing circumstances and evolving consumer preferences affected the engagement levels and productivity of the salesforce, leading to a dip in overall sales performance. Finally, as the demographics of potential salesforce members shifted, direct selling companies had to devise new strategies to appeal to different age groups and target audiences effectively.

As we move to the post-pandemic era, the direct selling industry will continue facing challenges in the evolving digital world, including staying current with social media and effectively reaching consumers and potential sellers. The digital transition is essential, and investments in infrastructure and building consumer trust are crucial for direct selling companies to fully leverage the benefits of e-commerce and the digital era.

In certain markets, selling is perceived as a positive entrepreneurial initiative. However, a key challenge lies in striking the right balance between presenting potential earnings realistically without creating unrealistic expectations among salespeople. Providing transparent and accurate information about earnings becomes essential, as well as the ability to pay commissions quickly and efficiently. For instance, in some markets, alternative supplemental income providers often offer daily commission payments, creating higher expectations for payment speed and convenience. As a result, direct selling companies need to modernize compensation plans and streamline the process of paying commissions promptly, adapting to the preferences of today's fast-paced business environment. While modernization is crucial, direct selling companies must also uphold the core principle of fostering and maintaining person-to-person relationships, which form the very foundation of the industry.

There is no doubt, that the industry is evolving rapidly. Regulatory environments need to adapt to support this transition in Europe, aligning with EU directives and policies related to the digital and green transitions. Discussions on upskilling, reskilling, employment policies, and social policies are necessary to ensure direct selling remains attractive, provides portable skills and rights, and embraces sustainable practices. There are also more global challenges to overcome, such as demographic changes and declining birth rates in some countries, or political challenges related to self-employment.

Despite the challenges posed by the fast-paced business environment, there are also opportunities for the direct selling industry. The rising demand for work flexibility from more people and high inflation rates have made a second flexible income opportunity increasingly appealing, providing a valuable means to cover essential expenses and achieve financial stability in uncertain times. In addition, direct selling companies have the opportunity to reinvent their role in the digital world, expand their impact by reinventing who can be a direct seller and how they are compensated, and redefine the industry's image as a diverse and inclusive economy. Corporate social responsibility plays a significant role in the sector, with trust being a key value. Sustainability initiatives, such as planting trees and publishing sustainability reports, demonstrate the industry's commitment to its social, environmental, and business impact.

In sum, the direct selling industry must navigate the challenges and opportunities presented by the digital world, adapt to changing regulations and market demands, and embrace sustainability and corporate social responsibility to ensure long-term success and a positive legacy.

## **CONCLUSIONS**

Direct selling sets itself apart by prioritizing personal interaction and offering convenience to consumers while granting sellers the flexibility they desire. Recruitment methods encompass personal interactions, social networks, and

other means. Once recruited, salespeople receive comprehensive training covering product knowledge, sales techniques, and company policies. Vital for success in direct selling are recruitment, consistent sales activity, personalized advice, and leveraging social networks.

During the Covid-19 pandemic, direct selling saw initial opportunities, but sales and recruitment declined as the society reopened. In response, companies and sellers adapted through digital tools and finding a balance between online and in-person interactions. However, the industry encountered challenges in staying current with social media, modernizing compensation plans, and maintaining personal relationships. To secure long-term success, direct selling must embrace regulatory support, sustainability initiatives, and the seamless transition to digital platforms.

Despite the challenges, direct selling continues to offer both business opportunities and flexibility. Corporate social responsibility, trust, and ethical standards play a significant role. By adapting to market demands, supporting salespeople, and fully embracing digital tools, direct selling strides ahead into the future.

## **ADDENDUM: PANELISTS' SHORT BIOGRAPHIES**

### ***Laure Alexandre***

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Mrs Alexandre joined the European Direct Selling Association (Seldia) as Executive Director in September 2020. A French national, she has been working in European Public Affairs in Brussels, Belgium, for the past 17 years, specializing in health and consumer policy. She previously worked for the European Advertising Standard Alliance and spiritsEUROPE, promoting and advancing effective self-regulation and corporate social responsibility.

### ***Frédéric Billon***

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In 2023, Mr Billon was hired to serve as the French Direct Selling Association (FVD) General Manager. He graduated from ESSEC business school in Paris, France. He joined the FVD after 25 years as CEO or Executive Director in different companies in France and other countries. His goal is to increase the notoriety and reputation of the direct selling industry and to represent its interests.

### ***Jochen Clausnitzer***

General Manager

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Mr Clausnitzer is the General Manager of the German Direct Selling Association (Bundesverband Direktvertrieb Deutschland). Prior to this position, he worked as the Head of the Department of International and European law at the Brussels office of the Association of German Chambers of Commerce and Industry (DIHK). With over 20 years of experience in various business associations, Jochen Clausnitzer is responsible for representing the interests of the direct selling industry in Germany and promoting its positive impact on the economy and society.

### ***Adolfo Franco***

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Responsible for managing and directing the government relations efforts for the association in Washington, DC and throughout the United States, Mr Franco is Executive Vice President at the Direct Selling Association (DSA). In this capacity, he represents the association and the member companies. He works to promote the direct selling industry's interests with Members of Congress, State Legislatures, as well as both Federal and State regulatory authorities. He also

provides advice and counsel to member companies engaged in international activities, including serving as liaison to U.S. Government agencies.

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Mrs Gabilaia serves as the Executive Director and Chief Operating Officer of the World Federation of Direct Selling Associations (WFDSA). In her capacity, she leads and oversees the WFDSA initiatives that focus on advocating direct selling industry's position with external stakeholders, promoting women's economic empowerment initiatives, fostering the highest ethical conducts in the marketplace and enhancing local association management. She works with various governments, consumer groups and academics around the world and serves as the global spokesperson for the industry.

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## Appendix

Worldwide retail sales in percentage terms by product group (adapted from WFDSA, 2021b and from WFDSA, 2023a)

| Data Year | % Clothing & accessories | % Cosmetic & Personal Care | % Home Care | % Household Goods / Home Durables | % Wellness | % Books, Toys, Stationary, Etc. | % Foodstuffs & Beverages | % Home Improvement | % Utilities | % Financial Services | % Other Products & Services |
|-----------|--------------------------|----------------------------|-------------|-----------------------------------|------------|---------------------------------|--------------------------|--------------------|-------------|----------------------|-----------------------------|
| 2018      | 6,1%                     | 29,4%                      | 1,9%        | 13,1%                             | 34,2%      | 2,4%                            | 2,8%                     | 2,0%               | 2,8%        | 3,3%                 | 2,0%                        |
| 2019      | 6,1%                     | 26,8%                      | 2,7%        | 11,8%                             | 36,7%      | 2,1%                            | 3,3%                     | 1,8%               | 3,1%        | 4,0%                 | 1,5%                        |
| 2020      | 4,7%                     | 26,2%                      | 2,6%        | 14,5%                             | 36,2%      | 2,9%                            | 2,9%                     | 1,3%               | 2,5%        | 3,7%                 | 2,6%                        |
| 2021      | 4,5%                     | 24,5%                      | 2,9%        | 16,0%                             | 34,8%      | 3,2%                            | 2,8%                     | 1,5%               | 2,1%        | 4,0%                 | 3,7%                        |
| 2022      | 4%                       | 23%                        | 3%          | 15%                               | 30%        | 4%                              | 4%                       | 3%                 | 4%          | 5%                   | 6%                          |