

Corporate America Embraces Direct Sales

In a recent issue of Fortune magazine (the one with Bill Gates on the cover) you'll find an interesting article focusing on the sputtering economy, and the independent contractors (distributors) who are reenergizing the U.S. retail industry through the art of direct selling.

Here are a few particularly interesting paragraphs:

"Call it the age of direct selling. With its emphasis on personal, one-on-one relationships between distributor and consumer, convenience, and a high degree of consumer education, the industry may be tailor-made for today's consumer and company.

"The result: The industry, with U.S. sales of \$28.7 billion in 2002, up 7.5% from the year before, has become a magnet for both corporate behemoths lured by its efficiencies and dozens of entrepreneurs attracted by the lower cost of market entry ...

"Last year, for example, Warren Buffett's biggest purchase was The Pampered Chef ... Hallmark's Binney and Smith is launching its own direct-selling company, called Big Yellow Box by Crayola ..

"Most direct-selling businesses now employ a multilevel system, in which distributors earn money on their own sales in addition to those of people they recruit (called the 'downline') and individuals brought in by their personal recruits.

"That's different from the single-level approach, in which you only get commissions on your own sales. In 1990, about 20% of the Direct Selling Association members in the U.S. used the multilevel plan; today, it's about 80% ...

"I saw ... something that I could do with my sons,' said Russ Widger Sr., a former manufacturing company owner ... 'I thought, with this business, they could do in about 10 years or less what had taken me more than 20 years with conventional business.'

"[Direct sales] provided me with security that I would not have achieved if I had continued working a regular job, 'claimed Meg Kelly-Smith, a former banking executive. 'I compressed an entire career's worth of earnings into about five or six years.'

"A growing number of distributors are placing orders through their company's web site instead of using the usual faxes or snail-mail orders. Distributors are using ... web sites for help in recruitment and training ... and as a channel for customer reordering.

"In 1990, Lisa Wilbur was laid off from her \$15,000-a-year secretarial job, living in a 12- by 70 foot trailer with her husband, and trying her best to stave off creditors. Then she decided to sign on with Avon. Over the past ten years she's made more than \$1.4 million in bonuses ... not every representative makes nearly that much money ? or wants to. Many reps ... get into the business with the intention of working part-time or even, say, earning a little extra round the holidays.

"Although today's economic times offer a variety of challenges, solutions are available for those individuals willing to seek them out. With direct selling companies providing alternate avenues for income generation, more and more people are able to give their current jobs the pink slip."

- Fortune, The Power Issue, vol. 148, No. 3