

A Review of Literature on Direct Selling Practices

Chandana P Sujathan¹ and Dr. Swati Padoshi²

Research Scholar, Department of Management¹

Professor, Department of Management²

Shri J. J. T. University, Jhunjhunu, Rajasthan

Abstract: *The publication emphasizes direct sales. Known as network and multilevel marketing. Distributors or consultants recruit new downstream products and services, and clients use them directly without marketing middlemen. Company knowledge is shared via direct selling. This article addresses direct selling, which includes home delivery and creator-buyer contact. Female distributors have greater self-employment prospects when a company promotes micro entrepreneurship and needs less startup. It also shows how India's initiatives have made learning and growing easier and how direct sales have empowered women, provided jobs, and helped the government. Direct sales, a legal sector that spawned independent contractors, is also examined in this research. This research investigates how nations without restrictions have separated allowed direct selling via pyramid schemes and other illegal activities from the pioneering decision that may be supplied inexpensively. To assess marketing strategies' benefits and downsides and how they boost network marketing in this competitive era.*

Keywords: Direct Selling, Market Saturation.

I. INTRODUCTION

Prior research has established the groundwork for comprehending the direct sales sector as a feasible and advantageous industry. Prior to its official classification as an industry, direct sales organizations and their representatives operated under a cloud of misconceptions held by the general public, business professionals, regulatory bodies, and legal authorities. This has been the result of unethical or illegal activities undertaken by individuals and companies within the industry, as well as, if not primarily, by those who pretended to represent legitimate direct sales companies or representatives while engaging in unethical or illegal conduct. The industry has encountered legal obstacles arising from the lack of clarity regarding which direct sales companies and activities are lawful and which are not. Ponzi schemes, chain letters, and pyramid schemes are highlighted in the article as three prominent illicit activities that have tarnished the industry's reputation despite never having been considered legitimate components of it. This paper additionally discusses how, as the industry progressed, certain companies that predominantly conducted business legally and exhibited ethical behavior towards their retail clients also participated in dubious activities, as well as the measures that have been implemented to eradicate these practices.

Definitions

Direct selling is defined by the World Federation of Direct Selling (WFDSA) as "a dynamic, vibrant, and rapidly expanding distribution channel utilized for the direct marketing of products and services to customers." The Federation of European Direct Selling Association (FEDSA), an organization established in 1978, provides the following definition of direct selling: "The promotion of products and services to customers through direct, face-to-face means, typically at their residences, workplaces, or other non-permanent locations other than brick-and-mortar stores." Direct selling generally transpires when sales representatives, known as "direct sellers," elucidate or exhibit products.

Agenda for the Direct Selling:

Consumer preference for direct selling encompasses several factors: personalized service, ease of use from both their residences and workplaces, representatives' expertise in the products, assurances, and value-added attributes such as the rapport between the buyer and vendor, the product demonstration, and the quality-price ratio. The ability to obtain items that are unavailable at their place of purchase, purchasing convenience, making unhurried and leisurely purchasing

decisions, paying less for purchases, location convenience, guarantees, the ability to compare prices without leaving their homes, receiving less knowledgeable service from brick-and-mortar retailers, and the capability of locating a specific item are among the reasons why direct mail customers make purchases.

Direct marketing and direct selling both make extensive use of telemarketing. Telemarketing is an expanding merchandising method that operates independently of traditional retailers as well as in support of them.

Cable interactive systems, such as home purchasing networks, electronic terminals, ATMs, videotex, audiotex, and audiotex are also utilized in direct marketing. Since 1985, annual television purchasing has increased by more than a factor of ten, to more than \$1 billion.

II. REVIEW OF LITERATURE

This study examines direct selling's applicability. A literature review identified papers, books, journals, articles, and surveys in the topic. India is one of the world's largest markets due to its population. The direct selling concept has allowed states to train and develop their own capabilities, like industrialized countries. Direct selling is a new marketing concept in our country, hence little study has been done on it. This kind of marketing was common in the US for a long time, prompting various studies in American literature. The bulk of items are online. As a network-based corporation that uses multi-level marketing, direct selling has advantages. Numerous academic viewpoints have examined network marketing (Biggart, 1989; Brodie and Wotruba, 1990; Coughlan and Grayson, 1998; Frenzen and Davis, 1990; Lan, 2002; Pratt, 2000).

They explained how network marketing is the most frequent direct selling method and how its income rose from 31.63 billion US dollars in 2012 to 32.67 billion in 2013. Amway, Herbalife, Avon, Oriflame, and others have been highlighted in academic and popular media. A business model that relies on an existing social network for customers is not followed by all network marketing agents, according to study. The phrase "Network Marketing" (Berry 1997) is used in commercial journals like The Network Marketing Times.com and the Network Marketing Business Journey and scholarly works. Other famous titles include "Multi-level Marketing" (Clothier 1994). Consumers dislike direct selling, according to Nowland (1982).

Some agents decide that "the effort and potential social cost associated with selling to friends are too high" (Grayson 1996) and that "strangers or remote friends are 'better' targets than close friends because distributors feel less pressure" (Lan 2002) due to concerns about upsetting friends and acquaintances. In their examination of network marketing sales strategies, Merrilees and Miller (1999) show that some agents intentionally recruit and sell to strangers. However, if a non-friend joins a down line, their up line sponsor may want to get to know them.

Challenges: Direct Selling In India

The direct selling sector, akin to conventional consumer industries, encounters obstacles such as the establishment of manufacturing facilities and the management of import duties. Lack of regulation is a formidable obstacle for the direct selling industry in India. As a consequence, direct selling companies are frequently misidentified as fraudulent pyramid or Ponzi enterprises. Union territories such as Chandigarh and Andhra Pradesh, Kerala, and Sikkim, have on multiple occasions confused legitimate direct selling companies with fraudulent ones due to the lack of necessary regulatory clarification. Uncertainty of this nature is probably hindering the expansion and standing of direct selling firms in India. Local law enforcement and state administrations have plagued representatives of direct selling companies on numerous occasions as a result of ambiguity. These types of incidents often impede the expansion of the sector and may negatively impact consumer trust.

Direct Selling In India

One may argue that 1980s India is where contemporary direct marketing began. After liberalization, various overseas corporations entered the Indian market, expanding the company. Avon, Oriflamme, and Tupperware entered India in 1996, with Amway entering in 1995. Medicare was one of the first Indian companies to employ this distribution approach. The Indian direct selling market is expected to be worth INR 72 billion. We heard from industry participants that the sector has also improved various social and economic issues, including: a. new income opportunities: Direct

selling promotes micro-entrepreneurship and provides many people additional revenue possibilities. The market has approximately 5 million direct sellers, and that figure will grow as it grows.

Direct selling offers income opportunities and transferable management and sales skills. b. Women's empowerment: Direct selling empowers many people, especially women. Direct-selling women manage their time and lives better. The 2013 Financial Year saw 3.4 million female distributors self-employed. c. SME growth: Many direct selling organizations use SMEs to make their products. Direct selling companies give manufacturing knowledge, technology, and processes to SMEs to make high-quality products. Many direct selling companies invest in manufacturing equipment for SMEs. d. Employment: This industry produces many jobs and gives direct sellers greater opportunities to earn money. Most direct selling companies outsource manufacturing, packaging, and delivery, generating direct employment along the value chain.

e. CSR efforts Direct sellers have set the standard for social responsibility. Many direct selling companies donate to charity. The social impact of Avon's Breast Cancer Crusade and Amway's Sunrise education program is well known. f. Taxes to the government: Direct selling generates taxes along its value chain. Direct sellers are estimated to pay INR10 billion in taxes in FY13. VAT, import fees, and corporate income taxes are included. The industry may impact India's social and economic environment in the future. Our forecasts show that rising consumer markets and global direct selling penetration might make the firm worth INR 645 billion by 2025.

The Legal Environment for the Direct Sales Industry

The legal landscape of direct selling and the Direct Sales Industry has alternated between challenge and support. As the public and policymakers learn more about the Industry, the legal environment is improving.

Although legal and practical problems remain, reputable Direct Sales organizations are highly regarded in the US. Federal and state governments and agencies increasingly aid and advise the Industry. The IRS recognizes Direct Sales as a legitimate profession and has prepared instructional material and films about its rules and procedures respecting Independent Representatives as Independent Contractors. Many states have laws that establish objective requirements for Direct Sales firms. Using certain objective signs, a valid Direct Sales opportunity may be identified from a Pyramid Scheme or other criminal operations even in jurisdictions without industry-specific regulations.

Direct sales firms are legally sound. Amway Corporation won a 1979 lawsuit and got FTC permission for its marketing method. This ruling strengthened existing Direct Sales organizations and allowed many more to be founded with a better legal guarantee of success. Industry legal norms include this judgment.

III. CONCLUSION

The analysis of direct selling through a review of the literature reveals that this distribution method remains a significant and evolving channel in the global market. Direct selling, characterized by personal interactions between sellers and consumers outside traditional retail environments, has shown resilience and adaptability, particularly in response to technological advancements and shifting consumer behaviors. The literature highlights several key factors contributing to its sustained relevance: the personalized customer experience, the flexibility it offers to sellers, and the strong sense of community and trust it fosters. Moreover, direct selling companies have increasingly embraced digital tools and social media, enhancing their reach and efficiency. Challenges such as regulatory scrutiny, market saturation, and the need for continuous innovation are also evident. However, overall, the literature suggests that with strategic adaptation and leveraging of technological trends, direct selling can continue to thrive and expand in the contemporary market landscape.

REFERENCES

- [1]. Albaum, Gerald (1992). "Current Status and Future Directions for Research on Direct Selling Channels". Journal of Marketing Channels, 2, 2, 95-117.
- [2]. Alturas, Bráulio (2003). "Direct Selling: From door to door to e-commerce". Proceedings of the IADIS International Conference: WWW/Internet 2003, Lisboa: Pedro Isaías & Nitya Karmakar, 1153-1157.
- [3]. Anderson, Eugene W. and Mary W. Sullivan (1993). "The antecedents and consequences of customer satisfaction for firms". Marketing Science, 12, 2 (Spring), 125-143.

- [4]. Barnowe, J. Thad and David E. McNabb (1992). "Consumer Responses to Direct Selling: Love, Hate... Buy?". *Journal of Marketing Channels*, 2, 2, 25-40.
- [5]. Batra, Rajeev and Sinha, Indrajit (2000). "Consumer-level factors moderating the success of private label brands". *Journal of Retailing*, 76, 2 (Summer), 175-191.
- [6]. Bauer, Connie L. and John Miglauth (1992). "A conceptual definition of direct marketing". *Journal of Direct Marketing*, 6, 2 (Spring), 7-17.
- [7]. Berry, Richard (1997). "Direct Selling: From door to door to network marketing". Oxford: Butterworth-Heinemann.
- [8]. Biggart, Nicole Woolsey (1989). "Charismatic Capitalism – Direct Selling Organizations in America". Chicago: University of Chicago Press.
- [9]. Bolton, Ruth N. and James H. Drew (1991). "A Multistage Model of Customers Assessments of Service Quality and Value". *Journal of Consumer Research*, 17, 4 (March), 375-384.
- [10]. Brodie, Stewart; John Stanworth and Thomas R. Wotruba (2002a). "Direct Sales franchises in the UK: A self-employment grey area". *International Small Business Journal*, 20, 1(February), 53-76.
- [11]. Brodie, Stewart; John Stanworth and Thomas R. Wotruba (2002b). "Comparisons of Salespeople in Multilevel vs. Single Level Direct Selling Organizations". *Journal of Personal Selling & Sales Management*, 22, 2 (Spring), 67-75.
- [12]. Cardozo, Richard N. (1965). "An Experimental Study of Consumer Effort, Expectation and Satisfaction". *Journal of Marketing Research*, 2 (August), 244-249.
- [13]. Churchill, Gilbert A. Jr. and Carol Surprenant (1982). "An Investigation into the Determinants of Customer Satisfaction". *Journal of Marketing Research*, 19, 4 (November), 491-504.
- [14]. Cox, Donald F. and Stuart U. Rich (1964). "Perceived risk and consumer decisionmaking – The case of telephone shopping". *Journal of Marketing Research*, 1, 4 (November), 32-39.
- [15]. Crawford, John C. and Barbara C. Garland (1988). "A Profile of a Party Plan Sales Force". *Akron Business & Economic Review*, 19, 4 (Winter), 28-37.