

# The Business Environment of Selected Direct Selling Companies

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**Abstract:** This study described the business environment of selected direct selling companies. The internal environmental factors focused on the organization and management, marketing, technical, and financial aspect while the external factors focused on legal business requirements, social, economic, and environmental factors. Further, the study assessed the levels of satisfaction of direct selling managers and dealers in terms of products, product promotion strategies, facilities, security/safety, and staff-dealer relations. It likewise tested this null hypothesis of no significant difference in the levels of satisfaction between managers and dealers based on the mentioned variables.

Six direct selling companies were chosen as subject of this study based on these considerations - have been in existence for five years or more; offer similar product lines; and considered as top direct selling business in the Philippines.

**Keywords:** direct selling business, business environment.

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## I. INTRODUCTION

Direct selling has become one of today's fastest and growing businesses in the country, as evidenced by several notable direct selling groups that have proliferated in the Philippines. Some of these are Avon, Boardwalk, Natasha/MSE, Personal Collection, Red Logo, and Tupperware Brands, and many more. These direct selling groups are the makers of fashion, beauty and health care products, as well as durable plastic wares or containers (Sales and Marketing, 2010).

Direct selling offers a good business opportunity for people of all ages, genders, and income levels who want to earn unlimited income while having the flexibility and control over their lives. With the backing of an established company and its wide range of products, engaging in direct selling business without a big investment is definitely a good choice.

As a researcher, this study was conceptualized based on her great motivation to find out how direct selling operates within its business environment. In the process, interested entrepreneurs, young and old alike, may be supplied with reliable information on how to establish/start and/or continue with this enterprise, and be better competitors in the direct selling business.

## II. STATEMENT OF THE PROBLEM

This study aimed to answer the following:

1. Describe the business environment of direct selling companies based on its internal and external environment.

1.1 Internal Environment

1.1.1 Organization and Management

1.1.2 Marketing Aspect

1.1.3 Technical Aspect

1.1.4 Financial Aspect

1.2 External environment

1.2.1 Legal and Business Requirements

1.2.2 Social Factors

1.2.3 Social Factors

1.2.4 Environmental Factors

2. The levels of satisfaction of managers and dealers in their direct selling companies in terms of:

2.1 Products

2.2 Product Promotion Strategies

2.3 Facilities

2.4 Procedures

2.5 Security/Safety

2.6 Staff-Dealer Relations

3. The significant difference in the levels of satisfaction of the direct selling managers and dealers in terms of the abovementioned variables.

**Hypothesis:**

There is no significant difference in the levels of satisfaction of direct selling managers and dealers in terms of products, product promotion strategies, facilities, procedures, security/safety, and staff-dealer relations.

### **III. METHODOLOGY**

The descriptive method of research was used employing questionnaire-checklist, informal interviews, observations as data gathering techniques, and t-test for statistical tool. .

### **IV. FINDINGS**

The findings of the study are as follows:

#### **1.1 Internal Environment**

##### 1.1.1 Organization and Management

\*Form of Organization Majority are corporation type – 66.67% (Avon Company, Boardwalk, Personal Collection, and Red Logo)

All the rest are single form of organization – 33.33% (Natasha/MSe and Tupperware brands)

\*Year Established/years in Operation

1978 Oldest – Avon Company (36 years in operation)

2009 Youngest – Natasha/MSE (5 years in operation)

1989 Boardwalk – 25 years

2002 Personal Collection – 12 years

2008 Red Logo – 6 years

2008 Tupperware brands – 6 years

\*Organizational Structure

- Manager is operator – 33.33%

- Manager is company employee – 66.67%

\*Manpower

1. Managers – monitor/supervise dealers’ sales, collection efficiency rating, and recruitment of dealers

Profile

Age – majority in the 21-30 years old and in the 41-50 years old

Sex – Female dominated -92.86%

Educational Attainment – College graduates – 64%

Managerial as main occupation - 92.86%

Trainings/Seminars Attended

a. Avon managers attended more seminars

b. Seminars attended were on:

Personality development

Credit and collection

Marketing

Operations of the business

Number of years working in the business

1-5 years	35.71%
6-10 years	21.43%
21-25 years	21.43%

Commissions/rebates and Other Benefits Received

10-13% commission/rebates	100%
Monthly based on sales	100%
Promotions (from sales leader to managers)	100%
Awards and Recognition (Best in Sales, Best in Collection)	92.86%
Trip abroad/local if set quota on sales is achieved	50%
Appliances/ gadgets	42.86%

2. Staff – serves as secretary, product picker, and order picker; all around worker in the store/outlet

Salaries/Wages

P4,000 per month	50%
P5,000 per month	28.57%
P3,000 per month	21.43%

Other Benefits Given to Staff

Overtime pay during

Peak season	78.57%
Christmas Bonus	78.57%
Transport Allowance	50%
Meal Allowance	57.14%

Communication Allowance 42.86%

(Cell phone load)

Hiring of additional staff is done during peak season - during “ber” months

3. Dealers – independent agents in direct selling companies who sell company products for commissions or incentives and other rewards. They can be any individual who are willing to perform duties and responsibilities in the company particularly in the marketing and selling activities.

Age - 21-30 years old 34.22%

20 years old below 24.67%

31-40 years old 24.44%

Other dealers belong to

ages from 41 years to

70 years 16.67%

Sex – Female dominated 85.78%

Status – Part-time 69.33%

Full-time 30.67%

Reasons for Working as Dealers

1. Expectations for earning unlimited income 99.22%

2. Flexible work hours 99.11%

3. Due to other incentives offered 97.56%

4. Small Capital Requirement 97.22%

5. “I am my own boss” 96.22%

6. Fastest way to earn money 93.22%

7. No age limit requirement 90.56%

8. Products are easy to sell 88.67%

9. Easy payment term 87.11%

10. No Educational Attainment/level required 80.67%

Strategies for Recruiting Dealers

1. Use of flyers

2. Texting

3. Interviews

4. Party Plan

5. Walk-in

Requirements for registration of Dealers

1. Submission of documents (proof of billing in electricity, water, etc.) 100%

2. Interview 100%

3. Training 85.71%

4. Registration fee (P25.00) 57.14%

Other managers require cash bond deposit, and that applicants be 18 years old and above.

Benefits/Incentives/ Rewards for Dealers

Commission/rebates	85.71%
Promotion	64.29%

Problems Encountered in Organization and Management Aspect

1. Difficulty in recruiting dealers	42.86%
2. Inadequate number of staff	28.57%
3. Risks in business operation	35.71%

Other problems cited were on: lack of dealers, no sales, no income, and non payment of accounts due

1.1.2 Marketing Aspect

Products Sold by Direct Selling Companies

Apparel /Clothes	100%
Baby Care Products	92.86%
Bags	85.71%
Fashion Accessories	85.71%
Footwear	85.71%
Healthcare Products	71.43%
Toiletries	71.43%
Cosmetics	64.29%
Plastic Wares	57.14%
Kitchen Wares	57.14%
Cell phones/Small Appliances	7.14%

Peak Months	Off Months
September	February
October	April
November	August
December	

Types of Customers

Students	45.12%
Households/Housewives	37.86%
Employees	32.57%
Senior Citizens	23.56%

Competitors among Direct Selling Companies

Natasha/MSE	71.43%
Avon Company	42.86%
Personal Collection	21.43%

Tupperware brands	14.29%
Red Logo	7.14%
Boardwalk	7.14%
Place/Location	
- Along main thoroughfares of Cabanatuan City and along the national Road or Maharlika Highway	
- One in Sta. Rosa, Nueva Ecija	
Pricing Strategies Used	
Discounted price like 255 off, etc.	85.71%
Use of odd number in pricing (P99.00)	64.29%
Based on competitor's price	28.57%
Promotion Strategies	
Freebies	100%
Raffle Promo	92.86%
Buy One Take One	85.71%
Discount Coupon	85.71%
Catalogs, Brochures, Flyers	78.57%
Problems Encountered in Marketing Aspect	
Limited Product Stocks	92.86%
Defective Products	71.43%
Delay in product Delivery	57.14%
Stiff Competition	21.43%
Insufficient Number of Dealers	21.43%
Slow Business transaction	7.14%
1.1.3 Technical Aspect	
Payment Terms	
Credit	92.86%
Cash basis	57.14%
Cash bond/Deposit	42.86%
Check	7.14%
Number of Days Given to Dealers to Pay Collectible account due	
31 to 40 days	50%
41 to 50 days	21.43%
21 to 30 days	14.29%
Other companies also allot from 51 to 70 days.	
Charges or penalty to dealers for incurring overdue payments	
5% one day after due date	42.86%

5%-20% (w/in 7-30 days)	14.29%
Others have varying rates for their charges	
Strategies Used to Deal with Bad Debts	
Employment of Collection Agent	28.57%
Sending text blasts	14.29%
Sending of letter of notice	14.29%
Sending demand letter	14.29%
Reasons of Choosing Present Location of Store	
Strategic Location	78.57%
Rental Fee is Minimal	35.71%
Physical Facilities	
Building Use:	
As Branch	85.71%
As Outlet store	14.29%
Improvement of Facilities from 1 <sup>st</sup> year of Operation and as of 2014	
Additional Aircon units	85.71%
CCTV Camera	64.29%
e-Wallet	7.14%
Kiosk (queuing)	14.29%
POS (point-of-sale)	85.71%
Time Allotment per Transactions	
30 Minutes	71.43%
31 Minutes to 1 hour	28.57%
Schedule of Products Delivery	
Twice a week	50%
Once a week	35%
Daily	14.29%
Problems Encountered in Technical Aspect	
Delay in delivery of products	57.14%
Lack of operating hours per day	14.29%
Other problems cited are those related to inaccessible location of the store, and lack of bigger parking space	
1.1.4 Financial Aspect	
Problems Encountered in Financial Aspect	
Bad debts	71.43%
Uncollected amount due	71.43%
Unbalanced accounts	35.71%

**2.1 External Environment**

Legal Business Requirements

DTI (Business Name)	100%
Mayor’s Permit	92.86%
SSS	92.86%
BIR (Tax)	92.86%

Social Factors

Provides Employment	92.86%
Community Involvement	78.57%
Provides Scholarship	50%

Economic Factors

Provide income to households in the community considering that more than 7000 individuals work as dealers

Environmental Factors

Majority of the managers (92.86%) were aware on the provision of the environmental laws. They implement environmental laws through the following ways:

Use of eco-friendly material in production	92.86%
Proper waste management	85.71%
Use of paper/brown bag for packaging	78.57%
Promote 3R (reuse, reduce, recycle)	

**2. Levels of Satisfaction of Managers and Dealers on their Direct Selling Business in terms of the hereunder variables**

<b>Products</b>	<b>Managers</b>	<b>Dealers</b>	<b>Both</b>
Products	Very Much Satisfied	Very Satisfied	Very Much Satisfied
Product Promotion Strategies	Very Much Satisfied	Very Satisfied	Very Much Satisfied
Facilities	Very Satisfied	Very Satisfied	Very Satisfied
Procedures	Very Satisfied	Very Satisfied	Very Satisfied
Security/Safety	Very Much Satisfied	Very Satisfied	Very Satisfied
Staff-dealer relations	Very Much Satisfied	Very Much Satisfied	Very Much Satisfied
Grand Mean	Very Much Satisfied	Very Satisfied	Very Satisfied

**3. Comparison on the Levels of Satisfaction of the Managers and Dealers on their Direct Selling Business in terms of the following variables:**

Significant	Not Significant
-Product Promotion Strategies	-Products
-Security/Safety	-Facilities
-Staff-dealer relations	- Procedures
-Overall Result	



## V. CONCLUSIONS

Based on the findings of the study, these conclusions have been derived:

### 1. On the Internal Environment

#### 1.1 Organization and Management Aspect

1.1.1 The managers, the staff, and the dealers are the primary manpower requirements of any direct selling business.

1.1.2 Direct selling business is basically a female dominated world – from the managers to staff and dealers, down to their customers. It could be attributed to the fact that women have more patience to do sales talk on products; sometimes, words are not needed because they themselves model their products for their customers to appreciate and to buy eventually.

#### 1.2 Marketing Aspect

1.2.1 Most of the products catered by the selected direct selling businesses are used for personal products like clothes/apparel, bags, cosmetics, fashion accessories, footwear, etc.; kitchenware, general home care products, and baby products.

1.2.2 The use of discounted price in selling products is the highly preferred pricing strategy by the direct selling companies because of the resulting brisk sales whenever this is applied.

1.2.3 Various promotional strategies have proven to be very effective in direct selling business, foremost of which are the use of freebies, raffle promos, buy one take one, and the use of discount coupons.

1.2.4 Various types of customers patronize direct selling products but the greatest majority of them are the students followed by the housewives, employees, and senior citizens.

#### 1.3 Technical Aspect

1.3.1 Modern technology gadgets like e-wallet, kiosk, and POS are being utilized by direct selling branches because these aid them to achieve faster, smoother, more accurate, and therefore more efficient and effective transaction.

1.3.2 Most of the direct selling branches and/or outlets are strategically located in accessibly and highly visible areas.

1.3.3 From their first year of operation to the present, the branches/outlets have undergone great improvement in their physical facilities. As demanded by the business, aircon units, CCTV cameras and ample parking space have been added for the convenience of the staff, dealers, and customers.

#### 1.4 Financial Aspect

1.4.1 Data on the Sales, Net Income, and Return on Sales have shown that the direct selling business is a profitable business.

1.4.2 The greatest problem met under this aspect are those related to uncollected accounts due, bad debts, and unbalanced accounts, thus rendering the direct selling as a risky business, and therefore must be handled with proper financial accounting and management procedures.

### 2. On the External Environment

2.1 The external environment is composed of the forces and conditions outside of the business which are not within the control of its management, but which greatly affect business performance.

2.2 Direct selling is a good source of additional and/or main family income for the dealers. Being so, the business contributes to better economic life in the community.

3. Managers and dealers have manifested different levels of satisfaction on their direct selling business in terms of these variables: products, product promotion strategies, facilities, procedures, security/safety, and staff-dealer relations. The managers are very much satisfied with their direct selling business while the dealers are only very satisfied.

4. The comparison done on the levels of satisfaction of the managers and the dealers on their direct selling business has shown significant differences along the variables of product promotion strategies, security/safety, and staff-dealer relations. However, they have same level along the variables of products, facilities, and procedures.

## **VI. RECOMMENDATIONS**

The following recommendations are offered in the light of the findings of the study:

1. On the organization and management aspect of the direct selling business
  - 1.1 Managers should attend more seminars/trainings along these concerns to help them better cope with the problems appurtenant to the management of direct selling business.
  - 1.2 Policies and procedures should be followed when recruiting dealers.. Managers should give themselves ample time to do character investigation on the applicant dealers; they should take time also to verify the authenticity of their submitted documents. Managers should not solely rely on the strong recommendation of their old dealers who may be greatly motivated only by their desire to establish a good record of having recruited many dealers.
  - 1.3 All businesses face risks/disasters like those of fire, flooding, theft and robbery. A security guard on night duty should be maintained, and should be aided by CCTV camera, to better insure the safety of the premises of the branch/store.
2. On the marketing aspect of the business
  - 2.1 To remain highly competitive in the direct selling business, the company management has to always think of new product lines to be introduced to the market.
  - 2.2 Good quality control on manufactured products has to be highly observed by the licensed manufacturers of the products of a given direct selling company to avoid recurrent problems on defective products.
  - 2.3 Branch/store managers need to employ new or better techniques/procedures to ensure that their stockrooms have enough products to be purchased by dealers. One greatest disappointment being met by dealers is when their product orders are not available.
3. Managers and dealers should be aware of the materials /chemicals/components used on products they are selling.
4. Managers and dealers as well need to be well-versed in the use of store gadgets like the kiosk, and the e-wallet. Using these gadgets saves their transaction time while in the store, and instead use their valuable time for actual selling.
5. Management/dealer relations have to be cordially maintained, thus tensions caused by bad debts accounts due should be avoided. Managers should have updated data on their sales, income, and on account to be collected.
6. Similar studies be conducted using other businesses as subject, so that background information may help young would-be entrepreneurs to put up their own businesses.

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