IS IT DIRECT SELLING A TYPE OF DIRECT MARKETING? ARGUMENTS.

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Abstract: Direct selling, as a type of relationship marketing, facilitates the construction of a customized relation between the company and its clients and assures a long term collaboration between the two parts. For a direct selling company, direct marketing is a powerful tool used to build strong relationships with the clients. There are more viewpoints regarding the relation between direct selling and direct marketing. The purpose of the research is to investigate the relation between direct selling through salesmen and/or catalogues and direct marketing. The objectives are: (1) to synthesize the approaches regarding the direct selling through salesmen and/or catalogues as a type of direct marketing; (2) to present and to argue the researcher’s own viewpoint. We consider that direct selling is a component of direct marketing.

Key words: direct marketing, direct selling, relationship marketing, customers

1. Introduction

The most popular definition of direct selling is “face to face selling, in another location then a commercial one” (Peterson and Wotruba, 1996, p.2). Another approach defines direct selling as the process of “selling products and services directly to the consumers, at their homeplace of their friends’ houses, at their workplace or other similar places, except stores, using presentations and demonstrations made by the sellers” (Xardel, 1993, p. 3). Direct selling is the process of selling a product or a service, from one person to another, in a location that hasn’t a commercial purpose (Duffy, 2005; Kustin and Jones, 1995). This process is investigated from three different perspectives: operational, tactical and strategic perspective.

From operational perspective, direct selling is a process, a type of interpersonal communication between two parts - the seller and the potential buyer – who exchange information in order to close a deal with great advantages for both parts. Direct selling is a type of operational marketing.

From tactical perspective, direct selling might be considered a way of organizing sales activities and functions. The main aspects taking into consideration are: the seller type (co-worker or employee), the location of the transaction (homeplace, workplace, another neutral location), the type of direct selling (group meeting, door to door selling), the delivery manner.

From strategic perspective, direct selling is a distribution channel, a way to reach the target market. The products are delivered to the consumer through independent sales representatives who have the same functions as the retailers: promotion, selling, distribution, professional advice. The producer doesn’t have a direct relation with the customers.

A lot of companies use direct selling as a type of guerrilla marketing, taking advantage of the opportunity to work with independent sellers.

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(2) To present and to argue the researcher’s own viewpoint.

2. Direct marketing – an instrument for managing customer relationships

For a direct selling company, direct marketing is a good instrument in order to build strong customer relationships (Mallin, 2007).
Many definitions of the direct marketing concept argue its role in creating and maintaining the relationships with the clients. Direct marketing is considered to be a manner of communication that allows “creating a personal, customized and interactive connection with potential customers” (Hermel și Quioc, 1994, p. 34), “establishing a direct dialogue with a certain receiver, specially selected, in order to make him to act or to respond” (Desjardins, 1995, p. 78). Direct marketing is an activity that “creates and exploits a direct relationship between the company and its actual or potential clients (Bird, 2000, p.132).

The professionals consider that direct marketing leads to a more efficient way to achieve the marketing objectives, collecting, analyzing and using information about actual and potential customers. The information is used to better select from the data base those clients who might be interested in a certain service or product or to develop profiles that help the process of identifying the best sources for finding new clients (Thomas și Housden, 2002).

A wider view of the concept consider that the purpose of direct marketing is to gain new clients (Baier, 2003) but also to build loyalty on the long term „in order to maintain a permanent development of the business” (Stone, Bond and Blake, 2004, p. 107).

One of the most popular definitions of direct marketing is offered by Direct Marketing Association that characterizes this concept as “an interactive system that uses one or more types of media to obtain a measurable answer and/or to conclude the deal in any location” (Lee and Johnson, 2005, p. 311).

In a paper dedicated to the definition of direct marketing, Bauer and Miglautsch (1992) identify some deficiencies in the approach of Direct Marketing Association, considered to be too vast and generic. Based on these observations, the authors suggest another definition: “direct marketing is a relational marketing process of prospecting, conversion and maintaining customers that involves feedback and control on individual level using direct response advertising” (Bauer and Miglautsch, 1992, p.12). From their point of view, direct marketing involves three main activities:

(a) Prospecting activities, identifying new clients; this process might be a permanent one for substitute the clients that leave the company.
(b) Conversion- that focuses on changing the status of the client and that is influenced by prospecting activities. A potential client becomes a new client and then a loyal one.
(c) Maintaining the relationship with the customers based on maintaining the actual buying behavior. This category includes activities like: permanent contact with the clients, selecting and testing new products, analyzing profitability, marketing research.

Bauer and Miglautsch define direct marketing as a “relational process” (1992, p. 12) that is based on developing and maintaining permanent relations between the company and its customers. From practical point of view, this means frequent contacts with the customers using different types of media channels and direct response advertising.

Additional methods for improving customer relationships include marketing research activities (mail, Internet or phone) and newsletters campaigns. Direct marketing is a process of growing client’s portofolio, focusing on customer’s satisfaction and their life value development for building strong loyalty.

The main purpose of direct marketing is to “obtain a prompt answer from the clients and to cultivate long term relations with them” (Mallin, 2007, p. 71). Direct marketing techniques and instruments facilitate establishing customized relationships with the client. Using information from the data base (demographic or behavioral characteristics), the companies can focus their actions on customers needs and desires, building a real connection with the customers, based on a customized approach.

“Today it is not enough anymore to talk about direct marketing but about customer relationship marketing. The centralized data base became the data warehouse. Nevertheless, the principles didn’t change that much” (Thomas and Housden, 2002, p. 135). Information technology has enabled the storage and management of customer information, building more efficient way for marketing and for creating and managing relationships between the buyer and the seller. From this reason, there are specialists that identify direct marketing with relational marketing (Lee and Johnson, 2005).

To support the theory of relational component integration in direct marketing, we will briefly present three types of relationship marketing programs described in the marketing literature (Parvatiyar and Sheth, 2000, p. 21) and also observed in economic practice:

1. **Continuity programs.** In the context of a growing interest for customer retention and a theoretical framework of knowledge about this phenomenon, many companies have developed continuity programs, in order to retain customers and increase their loyalty (Bhattacharya, 1998). For the consumer goods, these programs take the form of membership or loyalty cards. Rewards range from providing special services to offering points or discounts.

2. **One-to-one marketing.** These programs are designed to meet the unique needs of each individual (Peppers and Rogers, 1994), being extended from business-to-business marketing to the end consumer market. The rapid development of information technologies and the availability of data warehouses and data processing products made available customized information about customers, at low costs.
3. Direct selling

3.1 Direct selling, a type of relational marketing

Direct selling, as a form of relational marketing, creates a customized relationship between the parties involved in the transaction, ensuring its long-term maintenance. From a consumer perspective, personal relationship, face to face with the seller, offers the opportunity of social interaction, a factor highly favorable for the development of direct sales (Luk, et al., 1999). In practice, sales representatives many times ignore the importance of this attribute and that’s why they are perceived as being too insistent and invasive.

Direct selling companies rely more on the sales force’s communication skills than on impersonal forms of communication with potential and current customers (for example, the advertising) (Alturas, 2003).

Persons responsible for the sale are encouraged to include in their current activities modern tools offered by information technology to increase productivity and efficiency: CRM (Customer Relationship Management) and Sales Force Automation technologies. Their use reduces the number of hours worked and also facilitates the adjustment of selling behaviour to customer needs (Buehrer et al., 2005). However, technology can not replace the salesman’s ability to generate trust, to fulfill special requests, to anticipate customers' wishes. Along with the shift from transactional to the relational model, changes are made both for sales tasks and responsible persons’ behavior (Wilson, 2000).

Often, the buyer and seller develop a friendly relationship in addition to the business relationship. This can be both beneficial and risky, the more serious conflicts arising in this case (Grayson, 2007).

Direct selling companies act based on two types of organizational structures: (a) multilevel – the sellers recruit and train other sellers whose sales provide financial compensation for the coordinator; (b) unilevel - sellers do not recruit other persons but work individually and earmark all the incomes.

Recent studies indicate that persons who work on the two types of organizational structures have distinct characteristics, attitudes and behaviors (Alturas et al., 2004). Sellers from the multilevel system show a high commitment to the firm. The others attach greater importance to affirmation opportunities at work (Brodie et al., 2002). Maintaining direct selling business requests for considerable initiative and self-motivation (Pratt, Rosa 2003). Financial compensation is represented by the commissions and awards, not by the monthly salaries (Coughlan and Grayson, 1998).

Direct sales companies use catalogs and Internet as main tools for presenting and disseminating information (Alturas, 2003).

For certain types of products, including cosmetics, the catalog is an instrument for viewing and selling products.

Traditional catalogues are more expensive than the electronic ones, which are easier to make and send (Mallin, 2007). Direct marketing provides many benefits for the buyers, helping them to save time by avoiding going to the shops, offering them a wide range of products in order to select an offer using the catalog (Wilkinson et al., 2007).

The researches indicate that there is difference between persons who prefer to buy from the catalog and the others, especially in terms of demographic characteristics, lifestyle, beliefs and attitudes towards mail order (Shim, Drake, 1990). These studies were performed on different product categories: clothing, food or household items.

Buyers from the catalog have a higher level of income (Shim and Mahoney, 1992) and education (Jasper and Lan, 1992). In their lifestyle features are included such as self-confidence, frequent use of credit cards and the importance attached to time. Research shows that they are more likely to occupy managerial positions and to earn higher wages (Kim et al., 1996).

The Internet is a great channel for the development of direct sales. The direct selling companies use the Internet to present the electronic catalogs to the consumers, to communicate with sales force, to take orders from sales representatives.

Direct selling through Internet provides a more efficient way to reach the target market due to cost savings (Mallin, 2007). There is a high degree of activities control, the Internet websites being constantly supervised to check and perform the orders. Data provided by Internet buyers can be automatically loaded into a database, can be managed and used for making the best marketing decisions.

Regarding the categories of products that can be sold using direct selling system, it is considered that they must have distinctive features, to require demonstrations and to generate repeat purchases (Caballero, 1986). The best known direct selling companies sell cosmetics, books, vitamins, products for home and garden.

3.2 The benefits of direct selling

The main benefits of this form of sale are flexibility and beneficial exchange of information. Flexibility is given by the absence of a specific location or a specific activity schedule. The possibility to communicate face to face facilitates...
the integration of all the senses. Potential buyer may explain its requirements and receives the required information. For cosmetic products demonstrations can be made and the consumers can be educated to use correctly the right products.

This purchase type provides one important benefit - comfort - extremely important for people who want to save time or have mobility problems (people with disabilities, the elderly, the sick). How selling direction is based on the interaction between the buyer and the seller, a crucial factor influencing the purchase is the quality of information, including its degree of customization. This form of distribution covers the consumers’ existing needs. It facilitates the transmission of a significant amount of information to consumers on more efficient ways than advertising or distribution in stores (Muncy, 2004).

The buyers’ perception about the advantages and disadvantages of direct sales can be a starting point in identifying the factors that generate repeat purchase. A study made in USA (Peterson et al., 1989), which followed the purchasing behavior from direct selling companies, showed that the main advantages of direct selling are: convenience, low prices and personal attention. The same study identified as a great disadvantage the pressure from the sellers who are very pushing.

3.3 Research directions in Direct selling

Noting the lack of studies in the field of direct sales, Peterson and Wotruba (1996) suggest a long series of issues that should be investigated. Among the most important are: the relationship between buyers and sellers, the characteristics of the sales representatives and the customers who use this form of trading, the purchase reasons and the factors affecting the repeat purchase. Albaum (1992) suggests new research directions within this relational marketing activity, both in terms of buyers and sellers.

Early studies on customer segmentation in direct sales filed were made in the USA (Darian, 1987; Peterson et al., 1989) and identified the groups most likely to purchase from direct selling companies: housewives, single men under 40 years, women aged between 40 and 49 years leading the family and middle-income families. Buyers are younger and more educated than non-purchasers.

These results are only informative and can not be generalized. The studies need to be updated or started from the beginning in the case of Romania, in order to be useful.

Most research is being done in the USA but must be extended to other markets. The authors underline the need to conduct global studies, with common methodology, and the results must be embedded in a common database and be representative in order to be generalized on national or international level (Peterson and Wotruba, 1996).

4. The relation between Direct selling and Direct marketing

In marketing literature we have found conflicting opinions regarding the framing of direct sales in the category of direct response marketing types.

We will present two different approaches that we have identified (a) ones that denies and (b) ones that claims that direct selling is a form of direct marketing:

a. First approach: direct selling is not a form of direct marketing

Bauer and Miglautsch (1992) don’t not consider direct sale as a form of direct marketing, arguing that direct selling companies do sell directly but with the help of the sales representatives, who are often only collaborators. Sales message and customer’s response are registered only by the seller, the company not having a unified database. On the other hand, the same authors consider direct sale as a pure form of relational marketing that integrates direct marketing activities.

The company sends the advertising / sales message directly to the customer, through the media channels (newspapers, magazines, TV, radio, Internet, mail). The message can be sent also personally, by telephone or face to face. Direct marketing can use any communication channel to send the message of direct response advertising. In this case, the seller is the channel that delivers the message (Bauer, Miglautsch, 1992).

Another argument claims that in direct marketing the products are sold by mail, phone or direct response advertising (Kustin and Jones, 1995) while personal selling requires the presence of a sales representative (Peterson and Wotruba, 1996).

b. Second approach: direct selling is a form of direct marketing

The direct marketing strategies presented by Mallin (2007, p. 71) include also direct sales, along with marketing by mail, catalog, telephone and direct response advertising (TV, radio, magazines, newspapers) (Mallin, 2007). Berry (1997) is another author who considers that direct selling is a form of direct marketing in which the consumer is directly approached to be persuaded to make the decision to purchase. Kotler (2000) considers that the direct sale is “the oldest and the original" way to do direct marketing.
In order to support the approach that direct sales belong to the forms of direct marketing, we consider it is appropriate to mention the views of experts, as they appear in the literature:

"Direct marketing include direct selling and direct response advertising" (Lee and Johnson, 2005, p. 312).

"Direct selling is a form of direct marketing addressed to the consumer, implemented using personal explanations or demonstrations of the way products can be used" (Lumpkin et al., 1989, p. 2).

"Direct marketing has evolved from initial forms, such as selling by catalog to various activities such as direct mail, direct response advertising, telemarketing, direct sales through the Internet (...) Direct marketing categories are: outside the store retailing, direct sales and direct response activities "(May and Ness, 1997, p.707).

The approach we support in the present research is the second one, considering that direct sales through sales representatives and catalog is a component of direct marketing.

To justify this approach, we synthesized, starting from the definitions of direct marketing, the characteristics of this discipline, characteristics that we considered common with the features of direct selling:

- Direct marketing is an interactive system (Stone and Jacobs, 2004). An interactive system involves at least two independent components that interact between the company and the consumer. The offer, the presentation type and the communication are adjusted to the customer typology. These features are common to direct sales based on the catalog. The sales representatives adjust their presentations and the relationship with the clients. The interaction between the two parts is done face to face or by phone. The consumer’s response has an immediate effect on the seller, who can change the style of his presentation or the offer. The development of information technology has facilitated the development of personalized communication through the Internet and databases (Lee, Johnson, 2005).

The sales representatives of direct selling cosmetic companies maintain the connection with the clients using the telephone or the Internet, presenting them current offers or taking orders.

- Direct marketing allows to obtain a measurable response and / or the success of the transaction (Zait et al, 2006), at the individual level. In direct sale, both the costs and the obtained benefits can be concretely evaluated. Direct selling cosmetics companies don’t have a common database with all the customers but this evidence is kept by sales representatives. The sales representatives know the number of customers and the value of each sale. In this case, we can state that the person responsible for the sale of the products uses direct marketing activities.

- Direct marketing involves the use of one or more media channels (Internet, telephone, mail, TV, press) (Lee, Johnson, 2005). In direct sales, Internet and phone are the most common communication and sales channels. With regard to Internet sites, it is very important that they be perceived as credible by potential clients (Țugulea, 2014). Also, a direct marketing instrument is the catalog that customers get to study business offers.

For direct selling cosmetics companies, the sales representatives provide catalogs for current and potential customers who can consult them and choose the products. The catalogs present the products and prices and also the contact details of the seller, where they can order. The catalogs are sent by email, post or are brought by the sales representative. The order can made only through the sales representative, based on the catalog, the telephone, Internet or in person.

- Direct marketing is not restricted to a specific location. Communication and sales can be achieved by multiple means, on the phone, Internet or mail. The order can be made at any time and the products are delivered to the location desired by the customer (Lee and Johnson, 2005). In the case of direct sales for cosmetics, orders are placed by telephone, by Internet or in person at the meeting with the seller.

5. Conclusions

The purpose of this paper was to synthesis different approaches regarding the relation between direct sales through sales representatives and / or direct catalog and direct marketing and to present and argue the vision of the researcher.

There are currently conflicting views regarding the inclusion of direct sales in the category of direct response marketing types. Some of these opinions deny that direct selling is a form of direct marketing while anothers claim the opposite view.

Investigating both approaches, including the arguments of the researchers, we have concluded that direct sales through sales representatives and catalog represent a direct marketing component. In this sense, we have argued that both direct marketing and direct selling are two interactive systems, allow obtaining a measurable response and / or the closing of the transaction, involves the use of one or more media channels and are not restricted to a particular location. In the context of confusion in the Romanian business literature market regarding the terms of direct marketing and direct selling, this paper contributes to clarify the differences and similarities between the two concepts and supports the need to address the importance of direct selling as a form of direct marketing.
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7. References
