

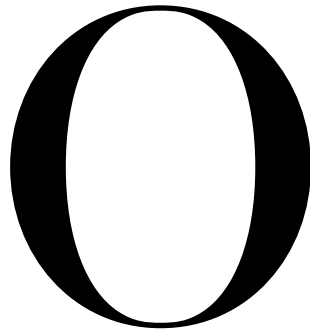


The Evolution of the Direct Selling Channel of Distribution & Impact of the Gig Economy Phenomenon

A Perspective...

BY JOHN T. FLEMING

**The Evolution
of the Direct
Selling Channel of
Distribution
And Impact of
the Gig Economy
Phenomenon**



**OVER THE PAST
100 YEARS, THE DIRECT
SELLING CHANNEL
OF DISTRIBUTION**

has evolved along a similar pathway to what we now refer to as the traditional industrial economy business model found in most mature economies throughout the world. We have read about and studied the impact automation had on the production of multiple products and services essential to the evolution and growth of all economies. Prior to the industrial revolution, cars were not affordable for the average person. Access to any form of transportation was limited. As our methods of transportation evolved, we began to move more freely and so did the products and services we needed to survive and thrive. Fast forward to today and we can be anywhere in the world in a few hours and products grown in other countries can be in our local grocery stores within a few days, remaining fresh and enjoyable to consume.

The industrial economy business model, and its accompanying traditions such as rigid and inflexible work hours, the need for all jobs to be conducted at fixed locations, is now considered a business model in excess of 100 years old. During the course of a century, many things change. Some brands, business models, and channels of distribution no longer maintain the same value as in years past. The traditional industrial economy model is now yielding to what may be described as more of a digital economy than a physical economy. Machines



**THE ORIGINS
of the industrial
economy model,
undoubtedly,
originated in the
United States.**

replace people and they actually improve quality while reducing time and capital invested. Artificial intelligence is no longer the topic of science fiction movies and it is beginning to impact day to day living. During the industrial revolution machines supported people with efficiencies unsurpassed during previous times. People were still needed to operate the machines.

Now comes the technology revolution. The speed at which we accomplish anything and everything accelerates dramatically. Innovative technology enables huge machines to be reduced to smaller and more powerful machines. Some are bots. Our cars are now faster and so is every other form of transportation. Our rocket ships go farther. The space station is real and so will be a trip to the planet Mars. The new titans of industry are now

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titans of technology, and all business models are impacted. One technology replaces another very quickly. The question is no longer whether or not we are experiencing a technological revolution. The question is more about how much we will evolve in our efficiencies and what will our society look like ten short years from now, not 100 years from now.

We are now living in a “less is more” focused society and economy. Simplicity trumps complexity. Vast technological innovation makes it possible. The gig economy is a perfect example of how less, more flexible work can add more to the pursuit of happiness and balance in the life/work equation.

Running parallel to the evolution of the traditional industrial economy model is the direct selling channel of distribution. Originally, direct sellers were those who took the products and services of a brand to the doors and homes of the consumers who would purchase those products or services. This activity gave birth to the expression “door to door salesperson.” The concept worked very well as companies like Avon, Vorwerk, and Stanley Home Products were founded upon these concepts. Ironically, the origins of the direct selling model are also over 100 years old and today, identification of those who may sell products and services door to door has diminished to the extent that we believe it may be zero. From the early days of door to door selling, the direct selling model included what was



referred to as the “party plan” or “group selling” method where groups gathered, primarily in the home of a host, to witness demonstrations and enjoy personalized conversations about a product or service. As the direct selling model continued to evolve so did the label - direct selling. New labels were introduced such as network marketing, party plan selling, social selling, social entrepreneurship, independent business owner, and others to describe direct selling or a direct seller. Multi-Level Marketing also became a term broadly used and abused.

As new labels were applied to the direct selling model, the focus of the business model also evolved. Some direct selling business models began to emulate the newer franchise models by requiring or encouraging significant investments of capital to cover samples, and initial inventory in order to engage. It made sense at the time because franchise models required capital investment of thousands of dollars, often hundreds of thousands of dollars.

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In reflecting on the history and evolution of the direct selling channel of distribution, the previous period can be described as a period whereas the business opportunity became as much of a focus as the opportunity to personally engage in selling products and services to consumers. This led to an attraction of business opportunity seekers who saw the business proposition as being inclusive of start-up fees and investment in inventory but of much lesser investment than that of a franchise. This also generated quick commissions which were paid on inventory purchased and not yet sold. The use of multi-level compensation plans and a change in behavior coupled with an ability to be paid on more than one level of activity created a challenging period for direct selling as lawsuits developed and a segment of adversaries criticized the model as much or more so than the unscrupulous behavior that the model attracted. Pyramid scheme was a label tagged onto the direct selling model. We can discover this type of challenge with any business model. Auto dealerships, franchise models, real estate models, and numerous others have found themselves attacked by both consumers and regulatory agencies for the unethical practices and behavior of a few associated with the model. All of the preceding models have survived as ethics has become a priority. The ethical standards of companies that thrive are found to be as important as the business accounting statements.

Fast forward to today and we no longer debate the fact that we have evolved through the agricultural revolution, industrial revolution, and technological revolution, to what is often referred to as multiple sub-sets of the technological revolution, which remains to be clearly defined. We have evolved from

traditional commerce dependent upon physical interaction and exchange to ecommerce which requires no physical interaction. The emergence of super smart technology and the digital platform makes this possible. Stores are now online, and we can shop 24/7 and possibly receive what we purchase within hours or the very next day. Real estate and cars can be purchased online.

People are being replaced and displaced. Gig work opens doors for people to seek work w/o the need to be trained or retrained to do something new. The younger generations already recognize and realize the importance of technology as an enabler. It has been a part of their entire life. They read differently, they seek their entertainment differently, they communicate differently. A drone does not amaze them. Driverless cars may not need a driver, but the car has to be owned by someone. Driverless semi-tractor trailer trucks are already on the highway. Younger generations may prefer that technology drive their car. Most cars are parked over 75% of the time.

Technology, indirectly, will increase the utilization rate of underutilized assets. Technology will also enable more effective utilization of time. As people become available to do new forms of work via tech assistance, marketplace efficiency will increase. The greater society is also expected to benefit.

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Individuals who work differently and experience more flexibility and freedom in how they work may find a bit more of the happiness and peace of mind we all seek.

Public policy makers will learn to embrace change and innovation. Protection of the status quo has never been a winning solution over the long term. Educators will become even more effective as they embrace change and innovation and so will every other profession and form of work. The doctor will not protect against artificial intelligence. The doctor will use artificial intelligence and possibly a bot to provide better care. It's a unique perspective.

Based upon aggregated formal and informal resources, 60 million plus Americans are currently involved in the gig economy in the U.S. generating an economic impact exceeding \$1 trillion dollars. The gig economy reflects people's desires for more flexible work opportunities and greater freedom as to how, when, and where work is performed. The gig economy also represents "proof of concept" where people from all walks of life are finding a way to leverage their underutilized assets be they physical, or more in the areas of knowledge, experience, skills, passions, and even purpose. A single mom or dad obviously appreciate the choices of flexibility and freedom in how work can be accomplished but so does the attorney or similar professional, educator, or highly skilled individual such as a task specialist, who desires to market their value beyond the format of traditional work associated with specific hours. Technology is the greatest enabler of the gig economy.

The marketplace has evolved. We shop differently and consequently, all business models focused on serving consumers have changed. Our expectations

for how and when we will work have also changed and are continuing to change. The choices available to those who seek flexibility and freedom in how they work are greater than at any other time in the history of our civilized society.

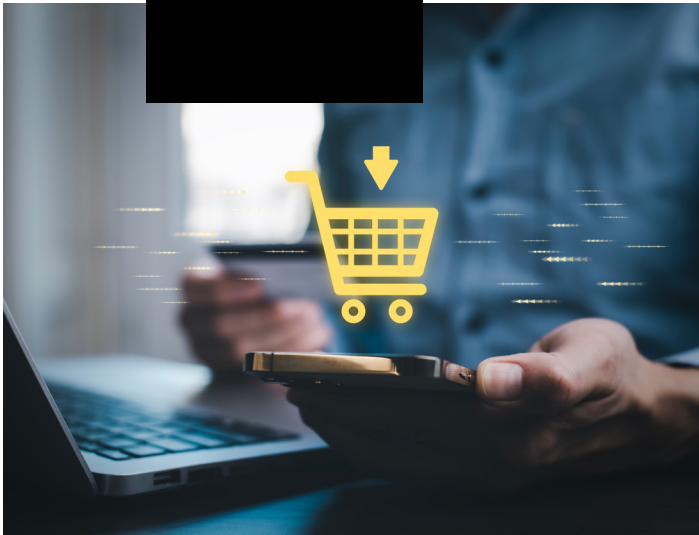
Companies like Uber, Airbnb and a host of others including companies such as Shopify, Upwork, and Amazon make it possible to connect products, services, talent, experience, and labor with those who have a need—workers and consumers. The companies mentioned are mere examples of hundreds that now emulate their business models and corporate behavior. The role and engagement of the independent contractor, as an intermediary, is now estimated to exist in approximately 50% of all corporations and business models.

Amazon can be described as a digital platform. Some describe Amazon as a search engine because you can find just about anything you might be looking for on Amazon, even parts for your automobile. Etsy is a global marketplace. There are no physical stores and Etsy is available 24/7 providing some of the most unique products you could ever expect to find, many made by artisans (independent contractors) located throughout the world. People from all walks of life participate in the gig economy. Their involvement is diverse in age, type of gig selected and the manner in which they choose to work.

The gig economy represents proof of concept! Gig-providing companies like those previously mentioned have pioneered a new way to participate in the distribution and access of products and services. The new way is efficient for both the

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provider and the participant. Amazon has proven that excellence in customer service matters. Such excellence attracts and retains customers. Amazon and others are also proof of the concept that ecommerce is real, and products and services can be engaged without physical presence being a prerequisite. Companies like Shopify enable anyone with talent, skills, and desire to present themselves and their products/services via a digital platform vs the traditional requirements of brick-and-mortar presence/visibility. This is a viable approach to engaging the marketplace in what you offer. Major corporations are noticing these events and adjusting strategic priorities accordingly.

What we find to be most interesting is the transformation of many direct selling brands to make their business model more appealing as a choice within the gig economy. It is also interesting to note that direct selling, in its original format, can arguably claim to have been the first form of gig work. Direct sellers have always been independent contractors who worked flexible hours of choosing their work hours vs being required to work specific hours as traditional employees. Direct sellers have never been eligible for company benefits similar to those provided full-time employees who worked the minimum 40-hour work week for a traditional company. Direct selling, as a channel of distribution and business model, is proof of concept that independent contractors can be utilized effectively to promote brands, attract, and retain customers and provide an income opportunity for those seeking to affiliate with the brand. These attributes are not new however, the gig economy and its efficiencies have taken the basic principles and concepts associated with micro entrepreneurship and the value of independent contractors to new levels.

Direct selling companies are observed to be adjusting and evolving to become more relevant in the growth of the gig economy and are expected to gain much greater market share of those projected to participate in the growth of the gig economy over the next few years...one hundred million participants are forecasted by 2027.



The following insights are developed from research initiated by the Ultimate Gig Project in 2020, 2021, and 2023. These insights are very favorable to direct selling as a growth segment within the gig economy.

1 / There is a tendency for more individuals to pursue multiple gigs in 2023 than in 2020 and this trend remains strong. More specifically, a sizable number of people entering the gig economy are interested in pursuing multiple gigs. Research findings relating to this trend have special relevance for direct selling. Since our prior research has determined that a direct selling gig often tends to be a secondary gig, not a primary gig, the multiple gig trend would seem to bode well for direct selling and provide revenue growth and recruiting opportunities. This seems especially true because the increase in multiple gigs is correlated with less time being spent on a primary gig. It is possible to speculate that only working one gig is becoming less popular because many gigs are complementary to other gigs. Since gigs often involve underutilized time, hard assets, knowledge, and skills, the trend toward working multiple gigs may also indicate a desire to leverage such assets as effectively as possible. Moreover, working multiple gigs could be a leading indicator that a gig worker is taking steps toward becoming more micro-entrepreneurial.

2 / Approximately 70% of gig workers clearly indicate their motivations for working a gig are to pay household bills and/or save and invest more. Flexibility in terms of how work can be accomplished also remains a strong motivation. Whereas women represented approximately 30% of all gig workers in 2020, women now represent approximately half of the gig economy with men, according to the latest survey results, representing 51% and women 49%.

Digital platform support of gig workers is expected to continue to play a significant role in the growth and success of the gig economy. The digital platform would appear to support the direct selling model, especially when direct selling companies provide their distributors with appropriate technology tools and support. There are no physical constraints nor limitations of geography or time zone when working a business based upon a digital platform that is open for business 24/7.

3 / The third trend is a continuation of realistic earnings expectations among gig workers.

Whereas our prior research found that about two-thirds of the people entering the gig economy expected to earn less than \$500 per month from a gig (and actually did so), current research indicates that this income expectation has actually increased a bit. About 71 percent of the gig workers surveyed in October 2021 have that same expectation. Likewise, the primary motivations that gig workers report for working their gigs have not changed over the past year. More than 80 percent of the gig workers surveyed in 2020 and 2021 stated that paying bills, saving, investing more, and improving personal lifestyles motivated their gig work. These characteristics seem to line up with the expectations and motivations of a majority of direct selling distributors and reinforce an opportunity for direct selling growth if properly communicated.

Contrary to popular belief, gigs are much broader than transportation/service gigs as 79% of gig workers are not involved in transportation or delivery services. 59% of gig workers work 8 hours per week or less and less than 10% of gig workers earn in excess of \$2,000.00 per month.

THOSE LEADING the architecture of today's direct selling companies have obviously benefited from a rich past which parallels the emergence and growth of the industrial economy. As we have evolved from a dependency on the physical aspect of life and work to embrace digital platforms, our lives become more efficient and so do our business models. The new taxi cab company does not exist in most markets. Transportation is more likely to be offered by a micro entrepreneur/gig worker who actually owns the vehicle and provides the service. When a company needs the experiences, skills, and knowledge of an executive

on a short term/project basis, this type of need is easily filled by a gig worker who may be an attorney, educator, strategist, graphic artist, or task specialist. This is the new "fractional executive." All of this is now possible through platforms that make the connections digitally.

Direct selling companies, through independent direct sellers/intermediaries, have always taken pride in the quality of products and services offered through their independent contractors who would personalize, in their own manner, the introduction of the product or service to a prospective consumer. This personalization of service is unsurpassed when executed well. However, personalization no longer needs to be a physical interaction. Personalized notes, emails, blogs, video calls, conversations on a social platform in conjunction with the use of digital tools that enable one person to introduce a new product or service to another person or groups of persons now takes place with a click, or just a few clicks. The new direct seller sends a link or directs a prospect to a digital platform. Today's direct selling model has evolved. The model, well over a hundred years old in its original format, is predicted to compete in a new way in the more digital focused economy.

Innovative rewards and recognition programs have always been a distinctive attribute of the direct selling business model. Being paid on the commitment of others on initial purchases of inventory are no longer integral to new direct selling models. Commissions are earned on customer acquisition and retention. The benefits of such rewards and recognition plans mean benefits and earnings extend beyond the first transaction when customers continue to purchase the products and services over a period of time. The lifetime value of a customer becomes very real and very important when the influencer can qualify to aggregate and receive rewards and

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benefits associated with attracting and retaining customers who continue to purchase the brand. The ability to sponsor others who also participate in customer acquisition and retention behaviors is a unique form of direct selling compensation that is expected to be adopted and copied to some degree by other business models.

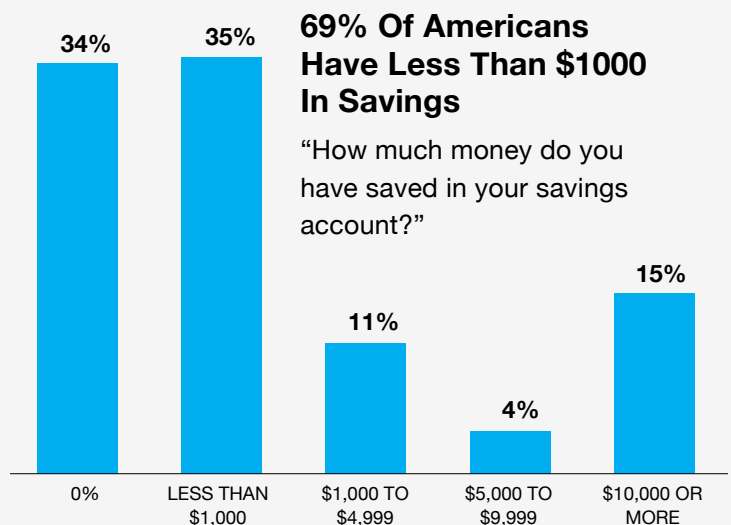
Those who choose direct selling as a choice of gig work are expected to grow as the gig economy continues to grow throughout mature economies in the world. Younger generations seek to work differently and more mature segments within society look for solutions to having been replaced, displaced, and retirement plans that did not work out as envisioned. The trends in the gig economy create great new opportunities for direct sellers who engage to represent brands they love and the opportunity to benefit financially via affiliation in the growth and retention of customers and others who choose to affiliate.

What has not changed that much for Americans over the past 50 years is the success rate of those who always earn more than what is spent. Therefore, a key motivator for incremental work and the opportunity to increase earnings is actually very basic. Perhaps, we do not really need to attempt to inspire people to reach for new heights as much as we need to help them realistically understand how to move from where they are to a better place of enjoyment for the life/work experience. The high satisfaction rate we find for gig economy participants may be more related to the fact that expectations are very realistic and most who participate meet their expectations. A few hundred dollars, successfully achieved in a sustainable manner can make a difference over a period of time. The trend toward multiple gigs may also be related to a desire to embrace that which is clearly understood and rather flexible to engage

in vs the amount of money that is earned. Multiple gigs, we assume, means multiplication of the income possibility for the gig worker.

The following reminder was published in 2016. Far too many people obviously spend more than they earn and save very little. Direct Selling Companies who remind their direct sellers of this basic stat and fact may help direct sellers to better understand, ... they have chosen an ultimate gig when they become a direct seller.

Forbes online contributor, Niall McCarthy, posted a very significant graphic in 2016 that, most likely, has not changed that much over the past seven years. It is worth noting:



Note: Inclusive of all generations: From Generation Z to Millennials to Gen X to Baby Boomer. Forbes Online, Sep 23, 2016. 07:46am EDT

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**THERE IS no going back to a
traditional form of work**

Modern technology is being developed exponentially and it has impacted the general economy and the average person, perhaps, greater than any of the earth-changing inventions of the past. The Smartphone makes everything about living and working much easier and we hold it in the palm of a hand. The smartphone is truly a representation of thousands of advancements condensed into one. What we see and experience is the result of decades of ingenuity and collaboration.

There is no going back to a traditional form of work. We will not go back to a form of telephone used 50 years ago. Work from home is no longer a nice phrase sought after by a few who could not leave home because of physical limitations or family responsibilities. Work from home is now an expectation of more people who seek work more-so on their term's vs the employee manual. This phenomenon is not limited to manual work, hourly work, non-skilled or highly skilled work, nonprofessional vs professional. Perhaps there are no distinctions or at least there will be fewer distinctions in how we describe some forms of work. The focus will be more on "how" to get the work done as cost effectively as possible. This is considered "win-win" for both company and worker.

The concept of "work" provided by the people is essential to the health and future of society. The future of work will be different in all formats. Debates and discussions will continue regarding how gig workers should be classified and who is responsible for the benefits. Gig workers are not employees, nor do they desire to be bound by the employee manual. Gig providing companies are not employers, they are entrepreneurial in philosophy, and they make a form of entrepreneurship (micro entrepreneurship) available to the masses. "Less is more" has become a strategic imperative as a consequence of the pandemic, and businesses are learning to do more with less. Technology is the great enabler. While new workers want more, perhaps they want to do less, be compensated more efficiently and in a timely manner, or simply work more efficiently. Workers no longer tolerate complexity. When they find complexity, they move to find simplicity.

Direct selling as a channel of distribution is very different from its origins of over 100 years ago. The evolution will continue! The current marketplace and the trends toward the use of digital platforms in support of brand awareness and access will be enhanced further by direct sellers who add passion and purpose to their efforts when affiliating with a direct selling company. The personalized conveyance of passion and purpose in conjunction with the sharing of products, services and opportunity, supported by state-of-the-art technology, will form a new competitive advantage for the direct selling channel of distribution. The new titans utilizing direct selling concepts will not necessarily identify themselves as direct sellers. The new titans will focus more on being relevant in a growing and exciting marketplace! ■

AUTHOR

John T. Fleming is author of *Ultimate Gig: Flexibility, Freedom & Rewards* published by Emerald Publishing. The book is available at major book outlets (www.ultimategigresource.com). *Ultimate Gig* provides an in-depth glimpse of the future of work and how the gig economy has fueled the growth and appeal of flexible work opportunities. John is principal of Ideas and Design Group, LLC.

John has received the Direct Selling Association Hall of Fame Honor, the Direct Selling Education Foundation Circle of Honor recognition, and the Direct Selling News Lifetime Achiever recognition. John's latest work published in eBook format is titled *LEVERAGE and IRRELEVANCE*.

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Robert A. Peterson, Ph.D., is a professor and holds the Stuart Chair in Business Administration at The University of Texas at Austin. He has been observing and researching direct selling for more than 30 years; in 1991 he received the Circle of Honor Award from the Direct Selling Education Foundation in recognition of his contributions to the body of knowledge considered most valuable to audiences interested in better understanding the direct selling business model.

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