

## **IDENTIFYING KEY TRENDS OF DIRECT SALES IN THE EUROPEAN UNION**

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**ABSTRACT:** *Selling is the most representative marketing action; without customers there is no organization, and without sales there is no customer. Selling does not mean only to conclude a business (giving an economical good and receiving an amount of money), but also to obtain satisfied, loyal customers. An alternative to the traditional sale is the direct sale. The main objective of this paper is to present briefly the opinions of some renowned researchers regarding selling in general, and direct selling in particular; the righteous dimensioning of direct selling within the European Union and Romania, detecting Romania's deviations towards the European Union in relation with the characteristics of direct selling, achieving researches, through the SPSS program, which can detect the main trends of direct selling within the European Union.*

**KEYWORDS:** *sales; direct sales; the European Union.*

**JEL CLASIFICATION:** *M; M2.*

### **1. INTRODUCTION**

Selling is an activity that completes the exchange of marketing in terms of transfer of ownership of goods or services (Hill & O 'Sullivan, 1997, pp. 243). The direct selling is an alternative to the traditional sale, developed on the "old continent" a few centuries ago.

The purpose of this paper is to present direct sales as viable alternatives to traditional sales and to identify their main trends in the European Union. From this point onwards, the main objectives of this work are: a short presentation of the some renowned authors' sale views generally and particularly, correct dimensioning of direct sales in the European Union and in Romania, Romania's surprising deviations in

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relation to the characteristics of European Union's direct sales, achieving research through SPSS program, capturing the main trends of direct sales in the EU.

The main research future direction is to achieve a comparative study between direct sales and Internet sales, both seen as alternatives to traditional sales.

## **2. DIRECT SALES – AN EFFECTIVE ALTERNATIVE TO TRADITIONAL SALES**

### **2.1. Direct sales in literature**

P.R. Smith suggestively presents the level reached in sales, in his work "Marketing Communications" (Smith, 1993, p. 189): *"I used to have an area where I was a free agent... Nowadays, my computer recommends me what calls should I make... my assistant reminds me what to say... my manager knows where I am and I spend half my time in training... but I sell 30% more per year."* This seems to be the level reached in sales. Leave nothing to chance ...

Bill Donaldson noted that - despite the crucial importance that selling activity has for an organization - the economic management and marketing courses only mention the subject of sales in passing, if not ignore it at all. In practice, the same author observes that the situation is different, the best rated companies are well aware of the importance of the sales, that they made the connection between the company and its customers (Donaldson, 1998, p. 3).

The persons dealing with sales are: sales agents, sales representatives, customer relations officials, marketing consultants, sales engineers, area representatives, agents, district managers and marketing representatives. Seller profession is by far one of the oldest known in the world.

Selling is the most representative marketing action; without customers there is no organization, and without sales there is no customer. Selling means not only to make a deal (giving an economic good and receive an amount of money), but to get satisfied and loyal customers. This means moving from a transactional to a relational attitude (Brutu, 2009, p. 12).

In the current economic conditions (Michael, 2008, pp.1), in a dynamic society as it is today, a successful presence on market is becoming increasingly difficult for an organization. A business is an open system, in constant interaction with the external environment (Necula & Baldan, 2007). In most areas the competition is so strong that, in order to survive and grow, a company constantly must communicate with itself. Kept up efforts are needed to establish and improve an effective communication system, and sales force is repositioned in this context from the distribution subsystem in the communicational mix.

An alternative to traditional sales is represented by direct sales. Selling by mail (Le Men & Bruzeanu, 2000, p. 10) developed in Europe centuries ago, along with the invention of printing presses and the first catalogues, which were nothing but extensively written list of papers that publishers used to send by mail to potential buyers (provincial figures, nobles isolated in their castles, booksellers and so on).

The musician Rameau was one of the first users of direct marketing, selling his scores by correspondence all over Europe. First French mail order sales catalogue, Vilmorin's, was published in 1771, a century before the first American catalog, Montgomery Ward Company's, which appeared only in 1872.

In 1917, appeared the U.S. Direct Mail Advertising Association which is currently called Direct Marketing Association - DMA, the most important international organization in the field.

In the U.S. the success of large companies that offer purchase through teleshopping system, QVC and Home Shopping Network highlights the huge potential of home care services.

Due to sophisticated information technologies that allow taking orders 24 hours out of 24, due to highly efficient logistical resources that ensure delivery within 24 hours anywhere in the country, thanks to a "point of sale" exhaustive catalog, the ways products are presented, the sale by mail has a number of advantages capable of attracting consumers.

The golden ratio 80/20 found in traditional sales, which is the fact that 80% of company sales come from 20% of customers – i.e. from loyal customers - is also true in direct sales branch.

Due to its technology and ingenuity, the mail order sales (Le Men & Bruzeanu, 2000, pp. 13-15) is, to some extent, the antechamber of direct marketing. However one can not restrict direct marketing to the small direct sales. The U.S.A launches in about 2,000 sales catalogs by mail, effectively completing the sale in stores.

**Teleshopping** is buying through television. Teleshopping U.S. market is dominated by two mammoth-companies: Home Shopping Network and QVC, addressed to 50 and respectively to 47 million subscribers to home cable television, 24 hours a day and 7 days a week.

It is impressive how program hostesses praise a product, staring at the monitor showing the exact number of existing products in stock, the number of products sold and turnover. 2,000 HSN telephonists receive telephone orders that are immediately processed and delivered in four centers located throughout the U.S. (approximately 4,500 packages per day). Stars like Omar Sharif turns to vendors to sell their own products.

In addition to the economic advantages (prices are usually 20-30% lower than in traditional commerce), this sale presents social benefits, 80% of HSN's buyers are women, here so that mail order sales is a viable alternative to traditional sale.

## **2.2. Direct marketing – a support for direct sales**

Direct selling is closely related to direct marketing. In less than a century, direct marketing has grown considerably, far exceeding the limits of its roots in traditional mail trade, acquiring many new technologies, techniques for building customer relationships and performance evaluation, which have set benchmarks for future marketing communications. It has become a powerful tool that every company should consider as part of an overall integrated marketing strategy (Stone & Jacobs, 2004, p. 3).

**DMA** (The Direct Marketing Association) considered in the early 80's that direct marketing was "an interactive system of marketing that uses one or more medium to obtain a measurable response or, if possible, even buying" (www.the-dma.org). Today, **DMA** redefines direct marketing as "*an interactive marketing that uses one or more advertising media to achieve measurable results and / or to finance a transaction in any field.*"

DRI – WEFA Group and The Direct Marketing Association defines direct marketing as (Vegheș, 2003, pp. 35-37): "*Direct communication with a consumer or institution designed to generate a response in the form of an order (a direct order), a request for information (sales training) and / or visit a store or other place to buy a certain product or service (create traffic)*".

The definition is further explained in terms of each objective pursued:

- **Direct orders** include "*all communication with direct response actions, regardless of the medium used, which are designed specifically to facilitate or complete a transaction. All necessary information for the prospective client to take the decision to purchase and make the transaction will be properly completed in advertisement.*"
- **Preparation sale** includes: "*all communication actions with a direct response, regardless of the medium used, intended to generate interest in a product or service and providing potential clients the means to request and receive information about products or services.*"
- **Creating traffic** concerns "*all communication actions with a direct response regardless of the medium used, which are designed to motivate potential customers to target a store, restaurant or other point of sale to buy the product or service promoted.*"

Călin Vegheș gives a Romanian definition of direct marketing as "*a set of concepts, techniques and marketing tools, resulting in an directly targeted approach, personalized and interactive towards the consumer, following generalization of measurable reactions to it (embodied in buying a product or service request additional information from the organization, providing information about the characteristics and buying behavior and consumption, interaction with traditional points of marketing and / or sales organization) and create a long-term relational marketing platform*" (Vegheș, 2003, p. 37).

In the direct marketing, there are some elements of the marketing mix (Vegheș, 2003, pp. 115, 120, 160):

- **Database** - operational support of direct marketing campaigns carried out by the organizations. It is defined as a computerized data management system whose components are the data contained and structured, management equipment (hardware database components), management apps (software database components), users (intermediate or final) and specific operating procedures.
- **Offer** - seen as a synthesis of all the traditional marketing mix components, including elements both on the product and price but also distribution and communication.

- **Communication** - that includes conceptual and operational elements as in traditional communication.
- **Logistics** - activities similar to physical distribution conducted in the context of traditional marketing.

Graphically, the direct marketing mix could be presented as shown below:

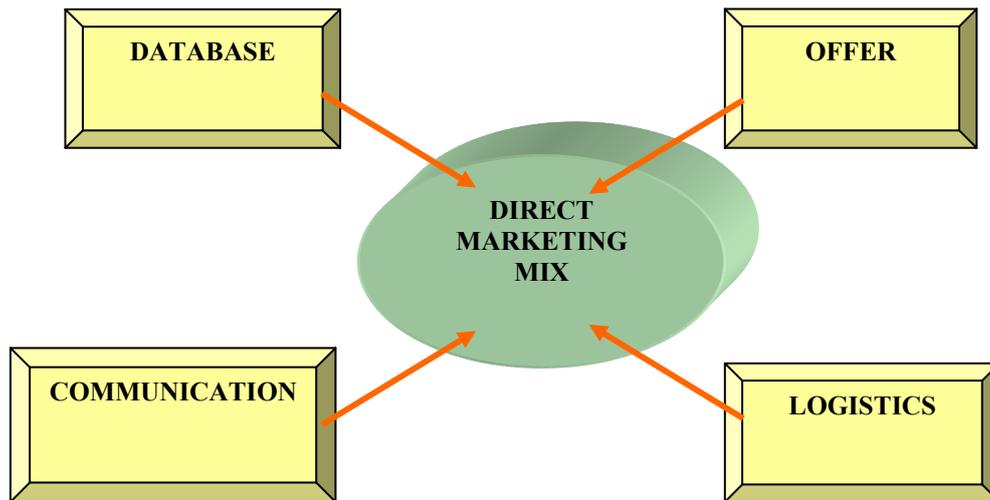


Figure 1. Direct marketing mix

Viral marketing can also help sales. Is a dynamic phenomenon as the message recipient triggers a reaction that will talk about it or send it on (Gîrboveanu & Puiu, 2008, pp. 223-230).

### 3. DIRECT SALES TRENDS IN THE EUROPEAN UNION

#### 3.1. Brief analysis on the size of direct sales in the European Union

Direct sales are alternatives to traditional sales. Evolution of these sales in the EU and in Europe in general, is presented in table 1.

Table 1 shows that the EU direct sales have increased by over a quarter of the value, for the analyzed period (25.37% increase in 2011 compared to 2009). Also in the same period, the number of vendors has increased by about 600,000. Over 80% of the sellers are part-time employed women, and the most used selling method is from person to person.

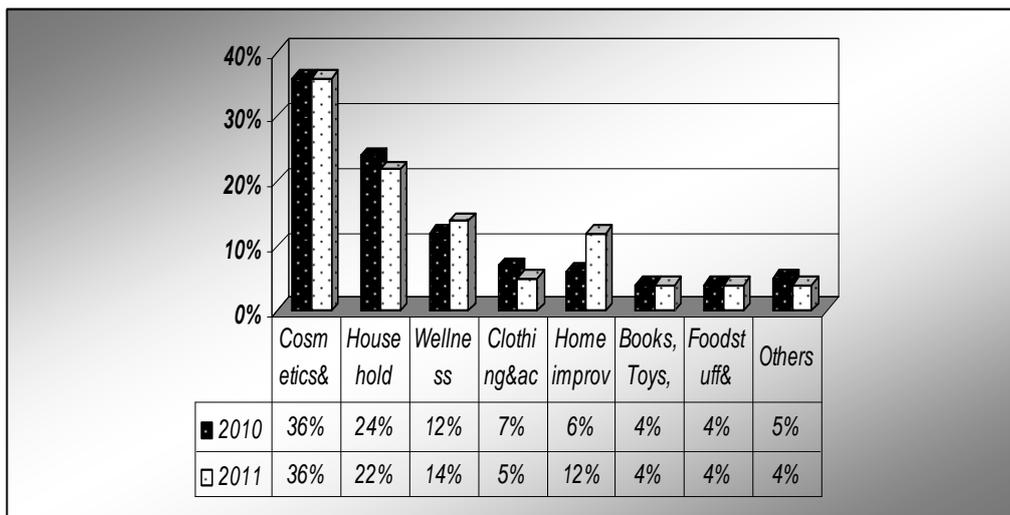
The main markets in direct sales are cosmetics and body care products, about 35% of the entire market (Figure 2).

Household goods and wellness products are the occupants of seats 2 and 3 with over 20%, respectively over 10% market share.

**Table 1. Size of direct sales in the EU (2009-2011)**

	Sales (billion euros)	No. of sellers	% women	% part- time	"Person to person" sales method	"Party Plan" sales method
<b>2009</b>						
Totals in Europe	14.230,41	11.204.898	81%	70%	67%	33%
U.E.	10.717,45	4.058.464	77%	81%	68%	32%
<b>2010</b>						
Totals in Europe	15.365,927	11.028.615	87%	73%	70%	30%
U.E.	11.583,757	4.493.256	82%	82%	70%	30%
<b>2011</b>						
Totals in Europe	17.842,92	11.374.219	81%	70%	70%	30%
U.E.	13.436,48	4.654.817	84%	82%	70%	30%

Source: Adapted from the European Direct Selling Association, Annual Report, 2009, 2010, 2011



Source: Adapted from the European Direct Selling Association, Annual Report, 2009, 2010, 2011

**Figure 2. Direct sales market share**

### 3.2. Direct sales in Romania

In Romania, the direct selling industry has a recent history. At the end of 1990 (www.rodsa.ro) network marketing systems have emerged by entering the local market through individual life insurance agents from Austria, collaborators of Sefe Invest Holding. Official start for such companies was hampered by economic conditions, lack

of adequate legislation and reluctance of people to start a business on their own. For 4 - 5 years the market has been bashfully tested by collaborators from Italy, the Netherlands, Austria, Hungary, Germany and the United States trying to build networks for various companies such as Herbalife, Amway etc. These activities are carried unto the breach, as none of supplier companies was registered in Romania.

1994 is the year of the first official record of MLM companies in Romania (Seif Invest România, Serveco Romania, GWC) and a few years later big Network Marketing companies appeared (Oriflame, California Fitness, Amway, Golden NeoLife Diamite, Carion, Forever Living Products, Avon, Eurolife etc). At the same time local MLM\* companies emerge, but they not record the desired success due to lack of capital and experience in management. During 1999-2005, direct sales turnover exceeded EUR 553 million.

In 2009-2011, the situation of direct sales in Romania was the following:

**Table 2. Direct sales in Romania between 2009 and 2011**

Year	Sales (billion euros)	No. of sellers	% women	% part-time	Person to person	Party Plan
2009	147,21	245560	84%	31%	92%	8%
2010	177,127	272724	82%	11%	97%	3%
2011	209,47	289621	82%	11%	97%	3%

Source: adapted from SELDI Annual Report 2009, 2010 and 2011

From the above table it can be seen that direct sales are growing in Romania, as well as the number of sellers. The share of women among direct sellers is overwhelming, more than 80%. Surprisingly small percentage of people who practice this profession in part-time system (compared to the EU average, where the percentage is around 80%).

### 3.3. Direct sales trends in the European Union

To capture the main trends of the EU's direct sales the Pearson correlation coefficient has been used. The results obtained using SPSS programme are summarised below:

The p-value of 0,006 (value under the significance level of 0.01 and 0.05) shows the probability of getting the correlation's intensity and sense (0,535) only by chance, thus, due to this small value (0,006) we can conclude that there is a medium and pozitiv correlation between the considered variables.

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\* Multi Level Marketing

**Table 3. Correlation between total direct sales and the number of sellers in UE countries**

		Correlations	
		Total sales	No. of sellers
Total sales	Pearson Correlation	1	,535**
	Sig. (2-tailed)		,006
	N	25	25
No. of sellers	Pearson Correlation	,535**	1
	Sig. (2-tailed)	,006	
	N	25	25

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Table 4. Correlation between total direct sales and "Person to person" sales method in EU countries**

		Correlations	
		Total sales	Person to person
Total sales	Pearson Correlation	1	-,176
	Sig. (2-tailed)		,401
	N	25	25
Person to person	Pearson Correlation	-,176	1
	Sig. (2-tailed)	,401	
	N	25	25

There is a negative correlation between the sales volume and the percentage of "Person to person", and sales decrease as the method is used extensively. Significance level is 0.401 (value above the significance level of 0.01 and 0.05), and the degrees of freedom are 23.

Between sales volume and percentage of "Party Plan" sales method there is a positive correlation, i.e. sales increase as more intensive the method is used. Significance level is 0.280 (value above the significance level of 0.01 and 0.05), and the degrees of freedom are 23.

Therefore, the research led to the following conclusions:

- ◆ There is a direct relationship between the volume of direct sales and the number of sellers in the 25 EU countries;
- ◆ Although the "Party Plan" method is less used there is a direct relationship between increased use of it and increased sales.

**Table 5. Correlation between total direct sales and "Party Plan" method**

		Total sales	Party Plan
Total sales	Pearson Correlation	1	,225
	Sig. (2-tailed)		,280
	N	25	25
Party Plan	Pearson Correlation	,225	1
	Sig. (2-tailed)	,280	
	N	25	25

#### 4. CONCLUSIONS AND FUTURE RESEARCH DIRECTIONS

Direct selling is an alternative to traditional sales, being developed in Europe a few centuries ago. Direct selling is based on direct marketing, defined by DMA as *"an interactive direct marketing system that uses one or more advertising media to achieve measurable results and / or to finance a transaction in any field."*

In 2011, the European Union has recorded a sales volume of 11,583.757 million, of which EUR 209.47 million made in Romania. The number of direct sellers in the EU in the same year was 4,493,256 (out of which 289,621 in Romania). The main products are directly marketed cosmetics and personal care items.

An EU research has been conducted to observe the main trends of direct sales. The research led to the following conclusions:

- ◆ There is a direct relationship between the volume of direct sales and the number of sellers in the 25 EU countries;
- ◆ Although the "Party Plan" method is less used there is a direct relationship between increased use of it and increased sales.

Future research could be extended in several directions: Making direct research to detach the main features of the sales force in Romania. Direct research will be used as this research provides a more complete picture of the phenomena studied by direct collection (Nenciu, Rye, 2008). Expanding global research and observation of differences between EU direct sales and direct sales worldwide. Making a comparative study between direct sales and Internet sales, both seen as alternative to traditional sales methods.

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