EUROPEAN RETAIL RESEARCH

DIRECT SELLING: CONSUMER PROFILE, CLUSTERS AND SATISFACTION

Bráulio Alturas [1]

Maria C. Santos [2]

ISCTE Business School (Lisbon - Portugal)

[1] Assistant Professor at ISCTE Business School, Av. das Forças Armadas 1649-026 LISBOA, Portugal, Phone: (+351)217903066, Fax: (+351)217903099, E-mail: Braulio.Alturas@iscte.pt

[2] Assistant Professor at ISCTE Business School, E-mail: Maria.Santos@iscte.pt

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Abstract

This study examines the determinants of direct selling adhesion and satisfaction of the consumer. We obtained survey data for 378 Portuguese consumers and carried out a hierarchical cluster and a logit analysis to assess the buyers' profile, choice criteria and satisfaction. We found that the profile pattern influences the level of direct selling preference and satisfaction. The results led to the identification of three specific clusters and confirmed the importance of the buyer's experience with this way of shopping. The interactive nature of direct selling renders the customer highly permeable to the salesperson's influence. These findings contribute to a better understanding and prediction of post consumption behaviour.

Keywords

direct selling, non-store retailing, customer buying behaviour, customer satisfaction, cluster segmentation.

1. Introduction

Non-store retailing and especially Direct Selling is a fast growing activity[3], whose growth and innovation[4] just quite recently has attracted attention from the marketing literature. Indeed, the old age of this form of selling, couldn't avoid a certain misunderstanding behind the Direct Selling conceptualisation and perception by both customers and scholars. The few academic studies are specially focused on the dyadique relationship between salespeople and clients. But other aspects behind the salesperson importance can explain the re-buy, namely the satisfaction with that way of shopping.

[3] According to the international statistics of the World Federation of Direct Selling Association on 2007, this is a $114 billion market (VAT excluded), where the US and Japan count with the biggest part, respectively $30 and $20 billion (www.wfdsa.org), In the European Union sales reached 9.8 billion Euros from the efforts of over 3.6 million (80% women and 67% in part-time) in 2007 (Federation of European Direct Selling Associations 2008). Portugal is a country with only 10 million residents, but its direct sales on 2007 reached 89 million dollars with 3 thousand sales people (WFDSA).

[4] The emergence of the Internet as an alternative sales channel and the continued opening of the worldwide marketplace have challenged DSOs with numerous alternative options (Crittenden & Crittenden 2004).

Direct Selling is defined as "face-to-face selling, away from fixed retail location" (Peterson & Wotruba 1996; Brodie et al 2002b, Wotruba et al 2005). In this selling format the nature of communication is highly interactive, as considerable information is conveyed to customers through face-to-face discussions with the salesperson. Direct salespeople "are usually independent contractors, not company employees, and opportunities with direct selling companies are open to persons from all backgrounds, experience levels, and personal characteristics". The way direct selling retailers communicate with customers relies more on the skills of the sales force than on indirect communications such as advertising (Vander Nat & Keep 2002). However, in the last decade, direct selling organisations (DSOs) significantly expanded the use of the Internet, both to communicate with salespeople and to enhance the consumers' awareness of their products and activities (Alturas, 2003). In spite of the significant importance, both in financial and human terms, of this business activity (Brodie et al 2002b, p.67) and of its highly interactive form of retailing, empirical evidence is needed for a better understanding of the customers' buying behaviour.

Early attempts at market segmentation of direct selling customers include the research of Darian (1987) and Peterson et al (1989). They found that some groups are more likely to be in-home shoppers: house-wives and part-time female workers with preschool children, single males under 40, households where the female head is aged 40-49, and households in the middle income groups (Darian 1987). Purchasers also tended to be younger, more educated, and more affluent than non purchasers (Peterson et al 1989). However, these findings were not supported by appropriate statistical tools such as cluster analysis, a neglect that we intend to overcome in this study. Moreover, a better understanding of the customer satisfaction with direct selling is needed to give insights to the interactive relationship between direct selling retailers, namely salespeople, and the customer. With this study, we also expect to provide managerial guidelines to direct selling retailers and salespeople. Also, the young and educated consumer's profile found can be related with the accessibility of internet and computers (TICs) as well as a more "busy life". Frequently, people do not easily trust in a direct salesperson's arguments neither in the safety of the internet as a shopping channel. In Portugal, is still quite difficult to accept products, ideas, ways of shipping and payments if not very "touchable". Even direct selling can be confused with a not very trust way of sale. But on the last decade, the evolution to a more less time consuming in shopping and the increase of the options of shopping are changing the consumer's perception of direct selling.

This article is organized as follows. First, it presents the theoretical background supporting the conceptual framework, giving a brief overview of the organization of direct selling retailers, as well as a review of the main research analysing the factors that influence customer behaviour and satisfaction in a direct selling context. Next, the conceptual model is

explained as well as the research methodology and the findings. Finally, implications for researchers and practitioners are discussed.

2. Theoretical Background

2.1 A view of direct selling

Although direct selling is the oldest retailing channel known to mankind, this form of selling is not well understood (Albaum 1992; Peterson & Wotruba 1996). At times, direct selling is improperly equated with undesirable manifestations like the pyramid scheme (Vander Nat & Keep 2002), and is frequently confused with direct marketing (Bauer & Miglautsch 1992). Both are retail formats, in particular non-store retail channels, but direct marketing is an "interactive system of marketing which uses one or more advertising media, to effect a measurable response and/or transaction at any location" (Sargent & West 2001). Therefore, this is another form of non store retailing, which includes several channels, such as telephone shopping, TV home shopping, Catalogue, direct mail order, electronic or web mail. The increasing proliferation of retail channels and the link between stores and non-store forms, give the consumer the need to make channel choices as well as product or brand choices (Michaelidou et al 2004).

Non-store retailing can involve highly personalized services (such as those provided by Mary Kay beauty consultants) or the very mechanical and impersonal interactions associated with a vending machine, TV sales or electronic shopping. Shopping outside a store can be justified by the convenience benefits, which are very appealing to the increasing time-conscious and other consumers with low mobility such as handicapped, elderly or recent-mothers. As direct selling is based on the dyadic interaction between the salesperson and the customer, the information provided can be the main choice driver, given its depth and personalisation. Direct selling seems to fill a legitimate need in the marketplace. Through direct selling, marketers can get significant amounts of information out to consumers in ways that are not feasible using traditional advertising or retail distribution (Muncy 2004).

Research on direct selling is mainly focused either on the DSO (Crawford & Garland 1988; Wotruba 1990; Wotruba & Tyagi 1991; Sheen & Tai 2006), or on the customer (Peters & Ford 1972; Cunningham & Cunningham 1973; Gillett 1976; Taylor 1978; Darian 1987; Frenzen & Davis 1990; Sargeant & Msweli 1999). Several studies have identified a set of advantages and disadvantages of direct selling for the consumers (Peterson et al 1989; Barnowe & McNabb 1992; Kustin & Jones 1995; Wotruba & Pribova 1996).

2.2 Modes and types of direct selling organizations

Almost all DSOs use self-employed independent contractors (ICs) who undertake the selling function, typically on a part-time basis (Bone 2006), predominantly part-time working-women. These ICs usually trade under the brand or logo of a large enterprise. Many of the well-known DSOs such as Avon Cosmetics, Amway, Herbalife, Mary Kay Cosmetics and Tupperware are, in fact, major, multi-national corporations with revenues measured in billions of dollars (Brodie et al 2004). Although often referred by the DSOs themselves as "sales force", they legally are self-employed and their income is based predominantly on sales commissions over the branded goods sold on behalf of the companies they serve (Stanworth et al 2004). They are not company employees and, in that sense, direct selling bears some common features with franchising (Brodie et al 2002a; Stanworth et al 2004).

As independent contractors, direct salespeople are essentially their own bosses, being free to spend their time as they see fit. Many engage in direct selling as a part-time activity, a supplement to other employment commitments, or as a temporary means of income until another employment opportunity is found (Wotruba et al 2005). Maintaining direct selling activity requires considerable initiative and self-motivation (Pratt and Rosa 2003). Financial compensation depends essentially on commissions or incentive pay, since there are no salaries (Coughlan and Grayson 1998). Usually the salespeople begin with high expectations but, in many cases, the job is harder than they think, leading to high sellers' turnover (Wotruba & Tyagi 1991; Brodie et al 2002a).

DSOs can use personal selling or group selling. Major modes of direct selling include one-on-one selling at home, one-on-one selling at a workplace, a sales party at a consumer's home, and a sales party at a workplace, church, or other location (Peterson et al 1989). The products that are successfully marketed through direct selling should (ideally) possess some form of distinctiveness, require some demonstration, and generate repeated purchases (Peterson & Wotruba 1996). Several types of products can be sold by direct selling. The products can be "big ticket" or "low ticket" products. "Big ticket" usually classifies a single item transaction in excess of €125. In big ticket direct sales, such as vacuum cleaners, DSOs tend to use well-trained, full-time direct sellers. By contrast, on small ticket sales most DSOs rely on part-time sellers (Berry 1997).

DSOs can use two types of organization structures, identified as multilevel and single level (Biggart 1989; Peterson & Wotruba 1996; Berry 1997; Brodie et al 2002a, 2002b; Peterson & Albaum 2007). A multilevel structure is used by companies such as Amway, Herbalife, Mary Kay and Oriflame. The single level structure is used by companies such as AMC, Avon,

Tupperware and Vorwerk. ”In a multilevel (ML) organization, also designed network marketing organization, direct salespeople recruit, train, and supervise other direct salespeople who become part of the recruiter’s organization, often combining friendship and business in the same relationship (Grayson 2007). In return, the recruiting salesperson is compensated by the sales of organization members as well as his or her sales. In a single level (SL) organization, the salespeople do not build their own organization via recruiting and training, but rather focus their efforts on selling and achieving compensation based on their own sales” (Brodie et al 2002b, p.67). Recent evidence shows that salespeople in these two types of direct selling firms have some specific differences in personal characteristics, attitudes, and behaviour. For instance, MLs show significantly greater organizational commitment than do SLs, while SLs place greater importance on job characteristics that involve proving themselves to others when compared with MLs (Brodie et al 2002b).

2.3 Customer Behaviour and Satisfaction with Direct Selling

The dyadic relationship between the customer and the salesperson is a distinctive feature of direct selling. The main advantages that customers attribute to direct selling include convenience, personal attention and ability to examine products (Peterson et al 1989; Wotruba & Pribova 1996), and these advantages can build trust and influence the consumer purchase intentions (Wu & Tsai 2007). These results explain why researchers and DSOs give special attention to the salesperson profile and role. In fact, the influence of the salesperson on the customer satisfaction is quite important, because direct selling regards “the obtaining of orders and the supply of consumer goods to private individuals away from normal retail premises, usually in their homes, or place of work, in transactions initiated by a salesperson” (Berry 1997, p.21).

Furthermore, the face-to-face contact with the salesperson can reduce the perceived risk associated to a buying experience. Research has shown that the willingness to purchase products is inversely related to the amount of perceived risk associated with a purchase decision (Mitchell & Prince 1993). Buying outside a store and using an innovative channel is perceived as riskier than in-store shopping. Studies applied to non-store retailing, such as telephone shopping (Cox & Rich 1964) and catalogue shopping (Jasper & Ouellette 1994) found that consumers perceive higher risk. An USA study shows that buying from direct selling is perceived as less risky than other non-store shopping modes such as telephone shopping (Peterson et al 1989).

Direct sellers are increasing the use of technologies in their activity, and thus direct selling can be considered a type of relationship marketing (Luk et al 1999), salespeople are being

asked to adopt and use a variety of technologies to increase their selling productivity and efficiency, including sales force automation (SFA) and customer relationship management (CRM) technologies (Buehrer et al 2005). Some authors have studied the reason why sales people use technology, finding that more productivity and efficiency was the main reason why salespeople use technology (Buehrer et al 2005), and that SFA usage has direct impact on effort, thereby reducing number of hours worked, and CRM usage has a direct positive impact on adaptive selling behaviours (Rapp et al 2008). However, high technology can never fully replace the salesperson's ability to establish trust with the customer, respond to subtle cues, anticipate customer needs, provide personalized service, nurture ongoing relationships and create profitable new business strategies in partnership with costumers (Anderson 1996). As we move from a transaction-based model of the selling task to a deep relationship model of the exchange process, not only the selling tasks change but also who performs the tasks changes (Wilson 2000). Often salesmen and costumer become friends, and although combining friendship and business in the same relationship can be beneficial, it can also create conflict. A recent study suggests that this conflict is more severe for friendships that become business relationships than for business relationships that become friendships (Grayson 2007).

In spite of the importance of analysing customer satisfaction with this format of retail, to the best of our knowledge, previous research in direct selling customer satisfaction is quite insufficient. A pioneering study of direct selling satisfaction, outside the USA, was carried out by Wotruba & Pribova (1996). They reported on the experience of buying from direct salespeople in households in the Czech and Slovak Republics and the results are compared with similar studies about the USA.

A brief review of the consumer satisfaction research shows that the theoretical background and empirical measurement are quite large. Since the early 80's, a growing body of literature proposes models for analysing and measuring customer satisfaction (Oliver 1980; Woodruff et al 1983; Oliver & DeSarbo 1988; Bolton & Drew 1991; Schlesinger & Heskett 1991; Anderson & Sullivan 1993; Woodruff & Gardial 1996). Despite the complexity and multi-dimensional nature of the satisfaction concept, most researchers used simple measuring tools (Westbrook 1980, Peterson and Wilson 1992). Satisfaction is considered a post choice evaluative judgment concerning a specific purchase selection (Oliver 1980; Soscia 2002). Most researchers agree that satisfaction is the result of a complex psychological comparison between expected and received product/service performance levels. The concept of customer satisfaction describes the emotional reaction to the degree in which a product meets a buyer's expectations (Oliver 1980; Swan & Trawick 1981; Helm & Höser 1995). A customer is satisfied if the perceived performance clearly exceeds his expectations. He is dissatisfied if the perceived performance clearly fails to match his expectations. Within a "zone of

indifference", where the gap between expectations and perceived performance is too small to generate an emotional reaction, neither satisfaction nor dissatisfaction arise (Woodruff et al 1983; Helm & Höser 1995).

3. The Conceptual Framework

The purpose of this study is to contribute to the literature on customer behaviour in a direct selling context, given the lack of empirical studies about the factors influencing direct selling choice and satisfaction. Following the previous discussion, two basic research questions are suggested:

1. What are the determinants of direct selling preference and how do they relate with the subsequent customer's satisfaction?

2. Is it possible to find different direct selling consumer segments using cluster analysis?

Based on previous marketing literature and research on the above topics, we have developed a conceptual framework (see figure 1 in which the rectangles represent the independent variables and the circles represent the dependent variables), and proposed a set of related hypotheses:

H1: The most significant factors that influence the consumers' choice of direct selling are convenience and experience with the sales person.

H2: The most significant factors that influence the consumers' satisfaction with direct selling are related to the price, quality and availability of products.

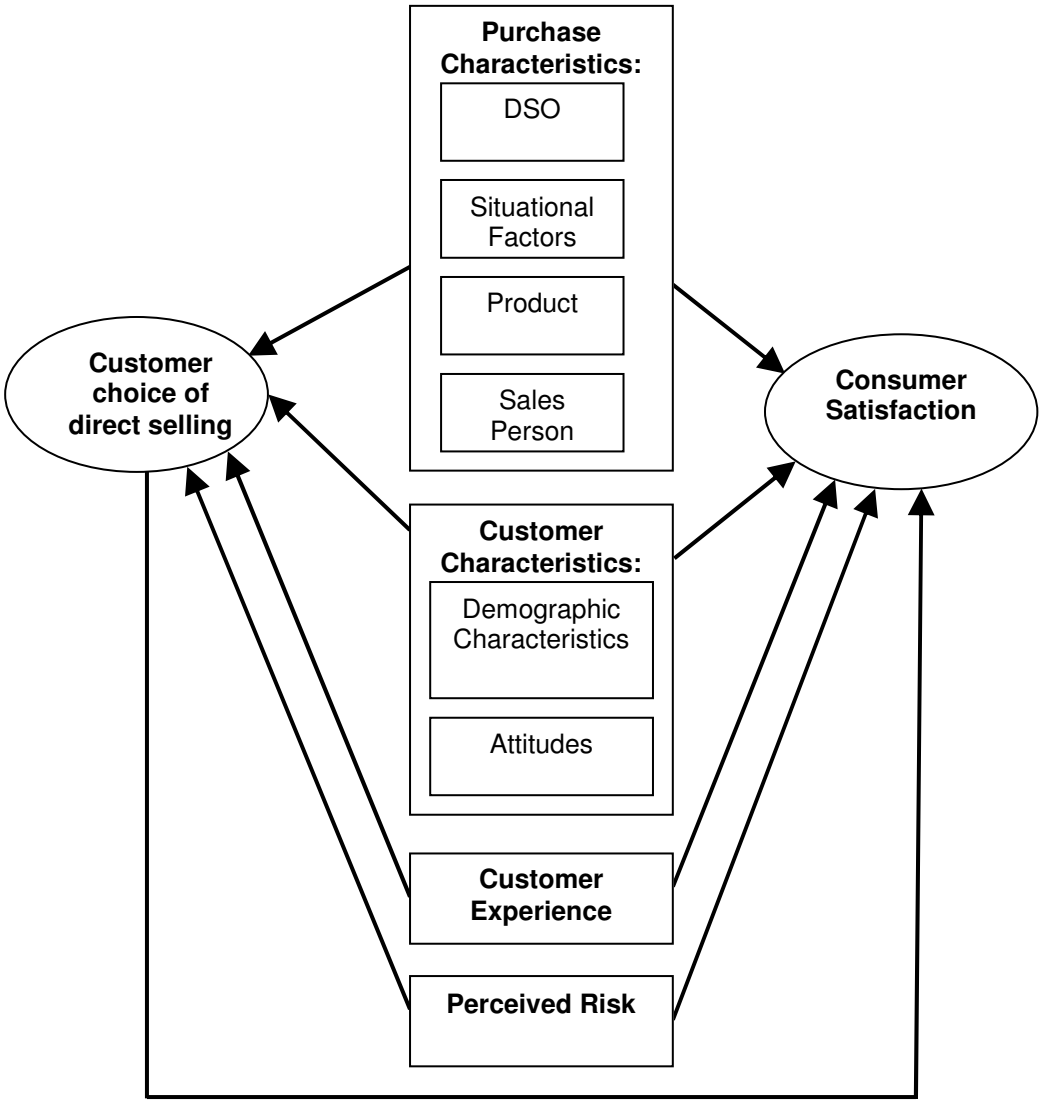
H3: The shopping characteristics can be used for the identification of consumer segments.

H4: There are well defined segments of direct selling consumers.

Due to the lack of studies directly connected to the direct selling buying behaviour context, an exploratory phase was also conducted with the industry professionals and clients. We expect a direct relationship (i.e. not mediated by any effects) between the costumer choice to buy a product from direct selling and the derived satisfaction. Therefore, the determinants of direct selling preference must also influence the customer's level of satisfaction. To measure the constructs considered in the framework, a previous review of literature regarding each one was carried out. When applicable, we used the same measures as other direct selling studies, such as Wotruba & Pribova (1996), who proposed a customer's profile.

Moreover, we build on previous contributions to direct selling market segmentation (Peterson et al 1989; Frenzen & Davis 1990), to compute a cluster analysis with the objective of identifying the existence of different consumers' profiles. The obtained segments can be considered representative if the clusters are homogeneous and clearly identified and if the identified clusters are internally homogeneous and heterogeneous in some relation to the other ones (Van Raaij & Verhallen 1994).

Figure 1 – Factors that influence the customer choice and satisfaction of direct selling



4. Methodological considerations

As explained above, we designed a two-phase methodology:

1. Exploratory phase, including in-depth interviews with 11 top managers of DSOs (from the 36 that we found operating in Portugal), and interviews with salespersons and costumers of those DSOs.

2. A quantitative phase, based on a questionnaire built upon the literature review, the research questions and the contributions obtained in the interviews of the previous phase. We raised questions about the purchase frequency, the intention to buy, the characteristics of the purchase, the consumer characteristics, and have also included some questions that compare direct selling with other forms of non-store retailing. The theoretical universe for this research is the adult Portuguese consumer from the metropolitan area of Lisbon. Data were collected by a group of carefully instructed students from a High School in Lisbon who administered the questionnaire in their neighbourhoods. We obtained 378 responses to the questionnaire, from a total of 1200 selected potential respondents (response rate of 31.5%).

In order to evaluate the importance of the purchase characteristics respondents were asked to rate a set of 40 items (9 about the DSO, 14 about the contextual factors, 7 about the product, and 10 about the sales person) in a 5-point Likert scale anchored by 1 (not important at all) to 5 (extremely important). A 5-point Likert scale was also used for the intention to buy (from 1 "absolutely yes" to 5 "absolutely no") and for the satisfaction (from 1 "not satisfied at all" to 5 "extremely satisfied") (Alturas et al 2005). Respondents were also asked to answer about some demographic characteristics. We chose four characteristics used by Wotruba & Pribova (1996): gender, age, education, monthly household income, and we added: occupation, marital status and location of residence. We also asked about the consumer attitudes as a buyer with a set of 9 items in a 5-point Likert scale (from 1 "never" to 5 "always") and 17 items about their experience with direct selling also in a 5-point Likert scale (from 1 "I disagree completely" to 5 "I agree completely").

Finally, in order to evaluate the perceived risk, we have followed the methodology used in the study of Peterson et al (1989). Respondents were asked to rate a set of 8 non store purchasing methods (4 direct selling modes: One-on-one at home, Sales party at home, One-on-one at workplace, Sales party in a location different from home. We included 4 non direct selling modes: TV shopping, Telephone shopping, Mail order and catalogue shopping, Internet shopping) in a 5-point Likert scale anchored by 1 (not risky at all) to 5 (extremely risky).

5. Findings

The results of the descriptive statistics show that 13.5% of the respondents will (absolutely yes) choose the retail format of direct selling to buy some products in the next 12 months, and 19.3% will most probably buy. Also 38.6% will probably buy some products by direct selling, 20.4% will most probably not buy some products by direct selling and finally 7.7% will not buy any product by direct selling.

The mean value of the perceived risk for each non-store retail format, was: One-on-one at home (2.60), Sales party at home (2.61), One-on-one at workplace (2.76), Sales party in a location different from home (2.87), TV shopping (3.49), Telephone shopping (3.89), Mail order and catalogue shopping (3.07) and Internet shopping (3.36). Our results are consistent with the findings by Gillett (1976) and Peterson et al (1989) that buying from direct selling is perceived as less risky than other non-store shopping forms. Perceived risk is highest in Telephone and Internet shopping.

After having computed a principal component factor analysis to reduce data, we found three composites about the importance of the DSO: Credibility (Cronbach Alpha (CA) of 0.74), Availability of Products (CA of 0.86) and Company Image (CA of 0.66); four composites about the importance of Contextual Factors: Purchase in Group (CA of 0.86), Product Selection (CA of 0.88), Convenience (CA of 0.75), and Flexibility (CA of 0.68); two composites about the importance of the Product: Value for Money (CA of 0.75) and Specificity of the Product (CA of 0.63); three composites about the Sales Person: Professionalism (CA of 0.89), Pressure to Buy (CA of 0.80), and Trust (CA of 0.73).

We also found three composites about the consumers' attitudes: Hetero-information on the products (CA of 0.71), Auto-information on the products (CA of 0.68), and Importance of the promotions (CA of 0.69); four composites about the consumers' experience: Experience with the DSO (CA of 0.62), Experience with direct selling (CA of 0.76), Experience with the products (CA of 0.62), and Experience with the sales person (CA of 0.85). Finally we found two composites of perceived risk: Risk with direct selling (CA of 0.92) and Risk with other non-store shopping modes (CA of 0.89). We also found two composites of satisfaction: Satisfaction with direct selling (CA of 0.81) and Satisfaction with other non-store shopping modes (CA of 0.76).

To validate the empirical model, two binary logit models were used. We have transformed the dependent variables "acceptance of direct selling" and "satisfaction with direct selling" in binominal variables with the values 0 and 1 (we have transformed the previous 1 and 2 into 0, and previous 4 and 5 into 1). This type of logit model has been used elsewhere (Hensher & Johnson 1981). More recently, it has been used to evaluate the consumers' choice (Abramson

et al 2000). In the first binary logit model we used the 27 composites obtained as independent variables and “acceptance of direct selling” as dependent variable. The results show an R-square of 0.42 (see Table 1). In the second binary logit model we used the same 27 composites plus “acceptance of direct selling” as independent variables and “satisfaction with direct selling” as the dependent variable. The results show an R-square of 0.29 (see Table 2).

Table 1 reports the observed results of the binary logit model that we computed in order to find the factors that influence the consumers’ acceptance of direct selling. As we can see, the most significant factor is experience with direct selling, followed by convenience, marital status, specificity of the product, experience with the sales person, purchase in group, trust, and gender. Therefore, H1 is only partially supported.

Table 1 – Acceptance of Direct Selling - Results of Binary Logit Model

Dependent Variable: **ACCEPTANCE OF DIRECT SELLING**
Method: ML – Binary Logit
Date: 10/19/04 Time: 20:58
Sample(adjusted): 1 378
Included observations: 170
Excluded observations: 208 after adjusting endpoints
Convergence achieved after 6 iterations
Covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
CREDIBILITY	-0.362437	0.538325	-0.673268	0.5008
AVAILABILITY OF PRODUCTS	0.144230	0.316914	0.455109	0.6490
COMPANY IMAGE	0.036280	0.453146	0.080063	0.9362
PURCHASE IN GROUP	-0.759840	0.395071	-1.923300	**0.0544**
PRODUCT SELECTION	0.229250	0.291705	0.785898	0.4319
CONVENIENCE	0.886659	0.356936	2.484087	**0.0130**
FLEXIBILITY	0.536319	0.371545	1.443485	0.1489
VALUE FOR MONEY	-0.426817	0.726351	-0.587618	0.5568
SPECIFICITY OF THE PRODUCT	-0.954475	0.480294	-1.987270	**0.0469**
PROFESSIONALISM	0.418422	0.583281	0.717358	0.4732
PRESSURE TO BUY	-0.071551	0.221151	-0.323540	0.7463
TRUST	-0.577601	0.313365	-1.843224	**0.0653**
GENDER	-0.950319	0.586250	-1.621013	0.1050
AGE	0.090131	0.279833	0.322089	0.7474
EDUCATION	0.188402	0.267681	0.703829	0.4815
OCCUPATION	-0.051729	0.140978	-0.366932	0.7137
MARITAL STATUS	0.334598	0.164023	2.039947	**0.0414**
LOCATION OF RESIDENCE	1.314208	1.066982	1.231706	0.2181
MONTHLY HOUSEHOLD INCOME	0.064673	0.165504	0.390763	0.6960
HETERO-INFORMATION ON THE PRODUCTS	0.357722	0.363943	0.982905	0.3257
AUTO-INFORMATION ON THE PRODUCTS	-0.356852	0.331102	-1.077769	0.2811
IMPORTANCE OF THE PROMOTIONS	-0.420993	0.329168	-1.278959	0.2009
EXPERIENCE WITH THE DSO	0.369643	0.363910	1.015754	0.3097
EXPERIENCE WITH DIRECT SELLING	1.588237	0.481535	3.298282	**0.0010**
EXPERIENCE WITH THE PRODUCTS	0.008914	0.299753	0.029738	0.9763
EXPERIENCE WITH THE SALES PERSON	0.633237	0.326135	1.941637	**0.0522**
PERCEIVED RISK	-0.126614	0.354821	-0.356839	0.7212
C	-4.818022	3.330023	-1.446843	0.1479

Mean dependent var	0.582353	S.D. dependent var	0.494628
S.E. of regression	0.392956	Akaike info criterion	1.123467
Sum squared resid	21.92683	Schwarz criterion	1.639951
Log likelihood	-67.49466	Hannan-Quinn criter.	1.333050
Restr. log likelihood	-115.5186	Avg. log likelihood	-0.397027
LR statistic (27 df)	96.04788	McFadden R-squared	0.415725
Probability(LR stat)	1.14E-09		
Obs with Dep=0	71	Total obs	170
Obs with Dep=1	99		

Table 2 – Satisfaction with Direct Selling - Results of Binary Logit Model

Dependent Variable: **SATISFACTION WITH DIRECT SELLING**
Method: ML – Binary Logit
Date: 10/20/04 Time: 00:31
Sample(adjusted): 1 377
Included observations: 152
Excluded observations: 225 after adjusting endpoints
Convergence achieved after 5 iterations
Covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
CREDIBILITY	-0.984438	0.714507	-1.377786	0.1683
AVAILABILITY OF PRODUCTS	-0.541625	0.340410	-1.591098	0.1116
COMPANY IMAGE	0.447041	0.559231	0.799385	0.4241
PURCHASE IN GROUP	0.584560	0.492594	1.186698	0.2353
PRODUCT SELECTION	-0.199633	0.361248	-0.552621	0.5805
CONVENIENCE	-0.319357	0.428717	-0.744913	0.4563
FLEXIBILITY	-0.321453	0.453335	-0.709085	0.4783
VALUE FOR MONEY	0.579309	0.746852	0.775668	0.4379
SPECIFICITY OF THE PRODUCT	0.041803	0.518728	0.080587	0.9358
PROFESSIONALISM	-0.030773	0.550745	-0.055875	0.9554
PRESSURE TO BUY	-0.156028	0.263185	-0.592846	0.5533
TRUST	0.178478	0.373020	0.478467	0.6323
GENDER	-1.736001	0.607745	-2.856463	**0.0043**
AGE	0.030157	0.299135	0.100816	0.9197
EDUCATION	-0.451792	0.312467	-1.445889	0.1482
OCCUPATION	-0.048773	0.152576	-0.319662	0.7492
MARITAL STATUS	0.087595	0.181948	0.481430	0.6302
LOCATION OF RESIDENCE	1.682759	1.719286	0.978755	0.3277
MONTHLY HOUSEHOLD INCOME	0.322147	0.184682	1.744334	**0.0811**
HETERO-INFORMATION ON THE PRODUCTS	-0.319818	0.446434	-0.716382	0.4738
AUTO-INFORMATION ON THE PRODUCTS	-0.026251	0.336419	-0.078032	0.9378
IMPORTANCE OF THE PROMOTIONS	0.272000	0.440349	0.617692	0.5368
EXPERIENCE WITH THE DSO	0.854073	0.401493	2.127240	**0.0334**
EXPERIENCE WITH DIRECT SELLING	0.933854	0.488404	1.912053	**0.0559**
EXPERIENCE WITH THE PRODUCTS	-0.275800	0.348895	-0.790498	0.4292
EXPERIENCE WITH THE SALES PERSON	-1.308516	0.443925	-2.947608	**0.0032**
PERCEIVED RISK	-0.292912	0.396403	-0.738924	0.4600
ACCEPTANCE OF DIRECT SELLING	0.382270	0.647262	0.590595	0.5548
C	5.635028	4.570928	1.232797	0.2177

Mean dependent var	0.789474	S.D. dependent var	0.409030
S.E. of regression	0.378950	Akaike info criterion	1.111262
Sum squared resid	17.66316	Schwarz criterion	1.688186
Log likelihood	-55.45588	Hannan-Quinn criter.	1.345628
Restr. log likelihood	-78.22728	Avg. log likelihood	-0.364841
LR statistic (28 df)	45.54280	McFadden R-squared	0.291093
Probability(LR stat)	0.019424		

Obs with Dep=0	32	Total obs	152
Obs with Dep=1	120		

Table 2 reports the observed results of the binary logit model among the constructs that we computed in order to find the factors that influence the customers' satisfaction with direct selling. As we can see the most significant factor is experience with the sales person, followed by gender, experience with the DSO, experience with direct selling, monthly household income, and availability of products. These results indicate that the consumer's former experience is the major determinant of direct selling acceptance and satisfaction, and therefore, H2 is not supported by the results.

A hierarchical cluster analysis was then computed, using the Ward's method of grouping to optimize the minimum variance inside the groups, containing the objects to provoke a minimum increase of the sum of squares of errors, leading to the identification of groups with identical dimensions (Alturas et al 2006). This method allowed the identification of gathering coefficients and, starting with the higher value coefficients, we opted for a solution of three clusters, presented in Table 3.

Table 3 – Hierarchical Cluster Analysis (Ward Method)

		N	%	Valid %	% accumulate
	Cluster 1	77	20.4	21.3	21.3
	Cluster 2	174	46.0	48.1	69.3
	Cluster 3	111	29.4	30.7	100.0
	Total	362	95.8	100.0	
Missing	System	16	4.2		
Total		378	100.0		

The shopping characteristics led to the identification of consumer clusters. This methodology had been earlier used in studies of consumer clusters (Reynolds & Beatty 1999; Balabanis & Reynolds 2002). The components of the purchase characteristics (DSO, contextual factors, product and sales person) were the chosen variables to accomplish the cluster analysis and, therefore, H3 is supported, as can be confirmed in Figure 2.

Figure 2 – Graphic of clusters characterization

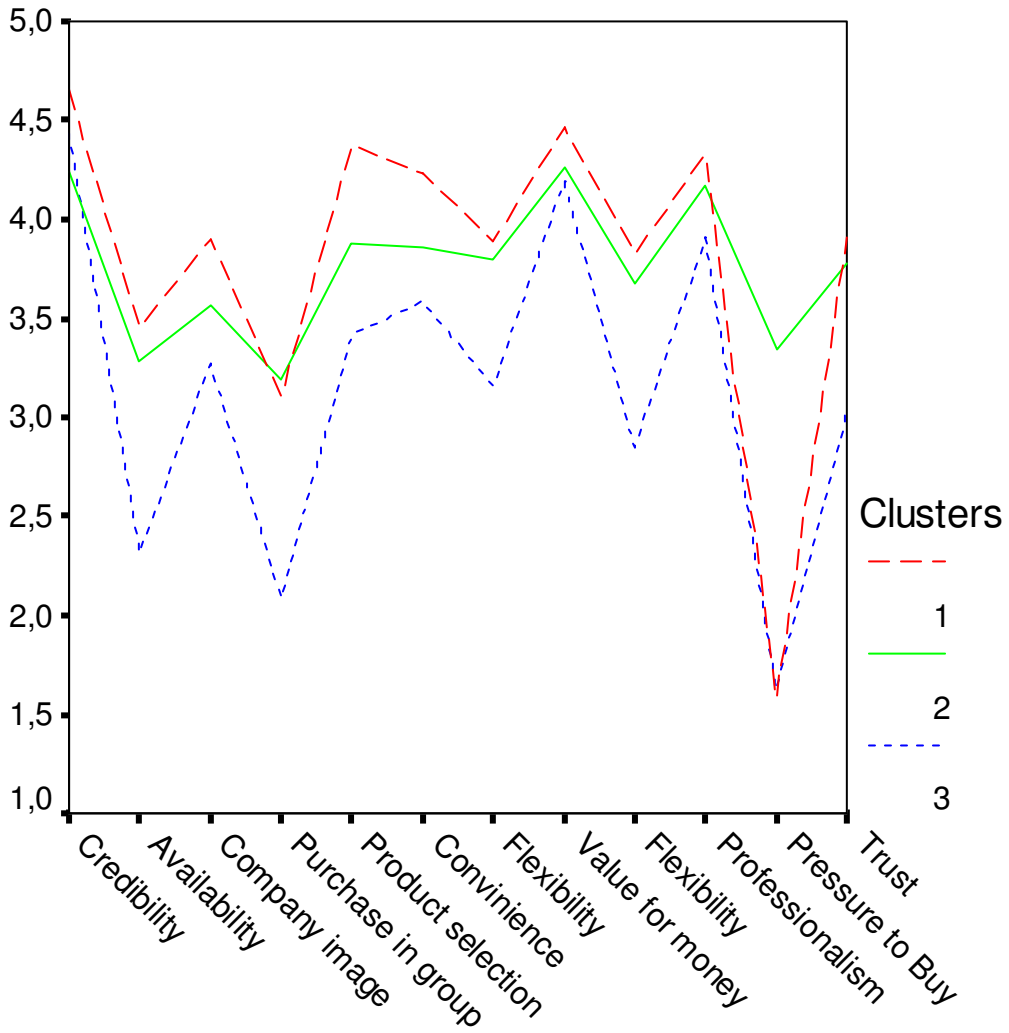


Table 4 –Characterization of the Clusters for perceived risk

% within Clusters (Ward Method)

Perceived risk		Clusters (Ward Method) Cluster 1	Cluster 2	Cluster 3	Total
	Low risk	71.2%	76.3%	61.1%	70.7%
	High risk	28.8%	23.7%	38.9%	29.3%
Total		100.0%	100.0%	100.0%	100.0%

Pearson Chi-Square, 6.618, 2, sig < 0.05

We started by analysing the three clusters relatively to perceived risk. Cluster 3 included more individuals with a high perceived risk, followed by clusters 1 and 2 who included more individuals with low perceived risk, as can be observed on Table 4. These results were confirmed by a variance analysis (ANOVA) that tested if some effects exist in the perceived risk clusters. A larger average was found in cluster 3 (average = 2.85), being followed by cluster 1 (average = 2.65), both quite distant from cluster 2 (average = 2.51) that integrates mainly individuals with lower perceived risk. The result showed there is a significant effect of the clusters on perceived risk: $F(2.336) = 5.47$; $p = 0.005$.

Clusters based on purchase attitudes did not show significant differences. However, the members of cluster 2 seek more information and are more concerned with prices and promotions, by contrast with those included in the remaining two clusters.

The twelve variables used in the cluster analysis define the characteristics of the purchase through direct selling. Thus, we could obtain three well defined clusters, representing three different purchase profiles. Noticing that, in spite of the differences among the clusters, the three most important characteristics are the same for all the clusters: "credibility", "value for money", and "professionalism".

Cluster 1 is constituted by individuals that attribute more importance to most of the characteristics of the purchase, with exception of the "purchase in group", more important for members of cluster 2, and "pressure to buy" more important for members of the other two clusters. This cluster contains consumers that enjoy buying and attach much importance to "product selection" and being well informed, showing little sensitiveness to the eventual pressure from the salesperson.

Cluster 2 is constituted by individuals that give more importance to the characteristics of the purchase, than the members of cluster 3, but less than those in cluster 1. The exceptions are "credibility of the company" of lower importance for cluster 2 and "purchase in group" and "pressure to buy" of higher importance for this cluster. Cluster 2 contains consumers that prefer to shop in-group, being more sensitive to the eventual pressure from the salesperson.

Cluster 3 is constituted by individuals that attribute less importance to most of the characteristics of the purchase, with exception of "credibility of the company" a more neglected factor for members of cluster 2, and "pressure to buy" whose lowest importance can be found in cluster 1. This cluster is constituted by consumers who shop less and are less sensitive to the characteristics of the purchase and the eventual pressure from the salesperson.

We carried out a variance analysis (ANOVA) to obtain a better characterisation of the clusters and to verify the effect of the clusters on purchase frequency. A larger purchase frequency

was found in cluster 1 (average = 1.45), followed by cluster 2 (average = 1.43), both quite distant from cluster 3 (average = 1.28) that is mostly constituted by individuals who do less purchases than the members of the other two clusters. The result shows a significant effect of the cluster membership on purchase frequency: $F(2.303) = 3.32$; $p = 0.04$.

To complete the previous analysis, we undertook a crossing of the clusters with the products bought by the respondents. We found that members of cluster 2 buy more of all types of products. The individuals of cluster 1 buy more "jewellery and clocks", "products of domestic cleaning" and "products of personal hygiene" than the individuals of cluster 3, and these buy more of all the remaining products than members of cluster 1, as we can observe in Table 5.

Table 5 – Characterisation of the Clusters for bought products

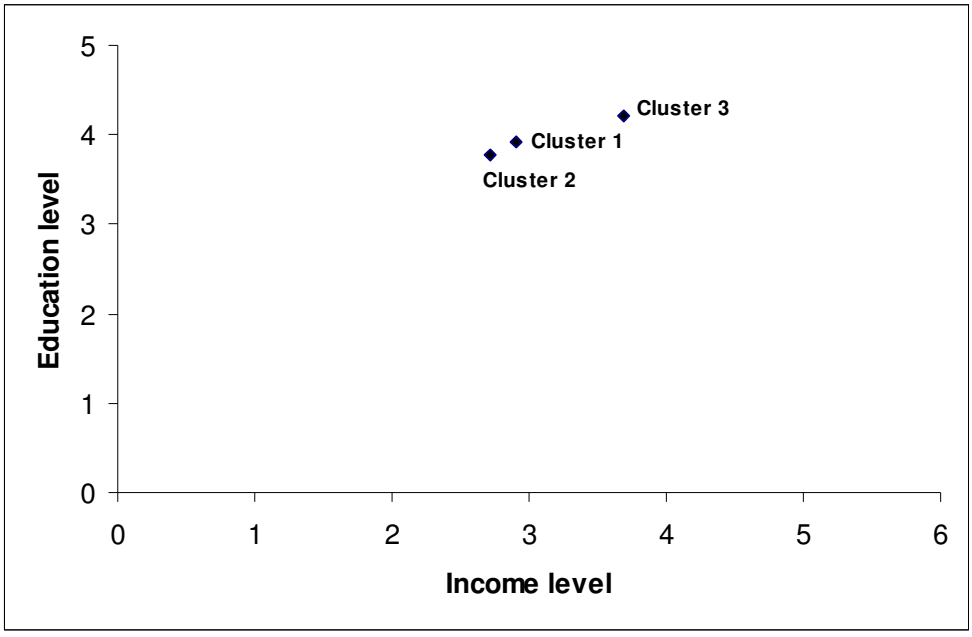
% Within Product	Clusters (Ward Method)			
Product	Cluster 1	Cluster 2	Cluster 3	Total
Cosmetics, skincare and fragrances	18.9%	56.6%	24.5%	100.0%
Jewellery and clocks	27.8%	57.8%	14.4%	100.0%
Books, audio and video	21.5%	49.6%	28.9%	100.0%
Vacuum cleaners and other electric machines	16.8%	61.1%	22.1%	100.0%
Clothing	20.0%	52.1%	27.9%	100.0%
Products of domestic cleaning	26.7%	56.0%	17.3%	100.0%
Products of personal hygiene	28.4%	54.5%	17.0%	100.0%
Kitchenware and other household products	20.0%	51.8%	28.2%	100.0%
Mattress and therapeutic equipment	20.0%	60.0%	20.0%	100.0%
Other products	22.2%	40.7%	37.0%	100.0%

Next, we carried out a socio-economical characterization of the three clusters, crossing the clusters with the relevant variables. We tested the significance of differences between clusters: Pearson qui square for nominal variables and Kruskal Wallis for ordinal variables. As we can observe in Table 6, the three clusters are clearly constituted by different individuals. Cluster 1 contains older people, with high school education and medium income. Cluster 2 includes younger people, less educated and with relatively low income. Most members of cluster 3 are 30 through 50 years old, and have college education and higher income. These results confirm H4. The relative positioning of the clusters can be observed in Figure 3.

Table 6 – General Characterisation of the Clusters

Clusters (Ward Method)		
Cluster 1	Cluster 2	Cluster 3
	Less men	
Over 50 years old	Younger people (less than 30 years old)	Between 30 and 50 years old
High school education	Basic education	College degree
Mostly self employed	Mostly entrepreneurs, students, retired and domestic	Mostly employed by an organisation and unemployed
Mostly widowers and de fact unions	Mostly married and separated / divorced	Mostly married
Monthly income lower than 1000 € and between 1500 and 2000 €	Monthly income between 1000 and 1500 €	Monthly income above 2000 €

Figure 3 – Positioning of the clusters



We also carried out a discriminant analysis, a multivariate technique which can be used to classify individuals based on a categorical variable that registers a certain occurrence. In this study the discriminant analysis had the objective of validating and confirming the classifications obtained from the cluster analysis. The categorical variable used in the discriminant analysis was the cluster classification, while the independent variables were the purchase characterising variables (DSO, contextual factors, product and sales person). We have verified that 89.2% of the cases are well classified, and so justified the obtained clusters.

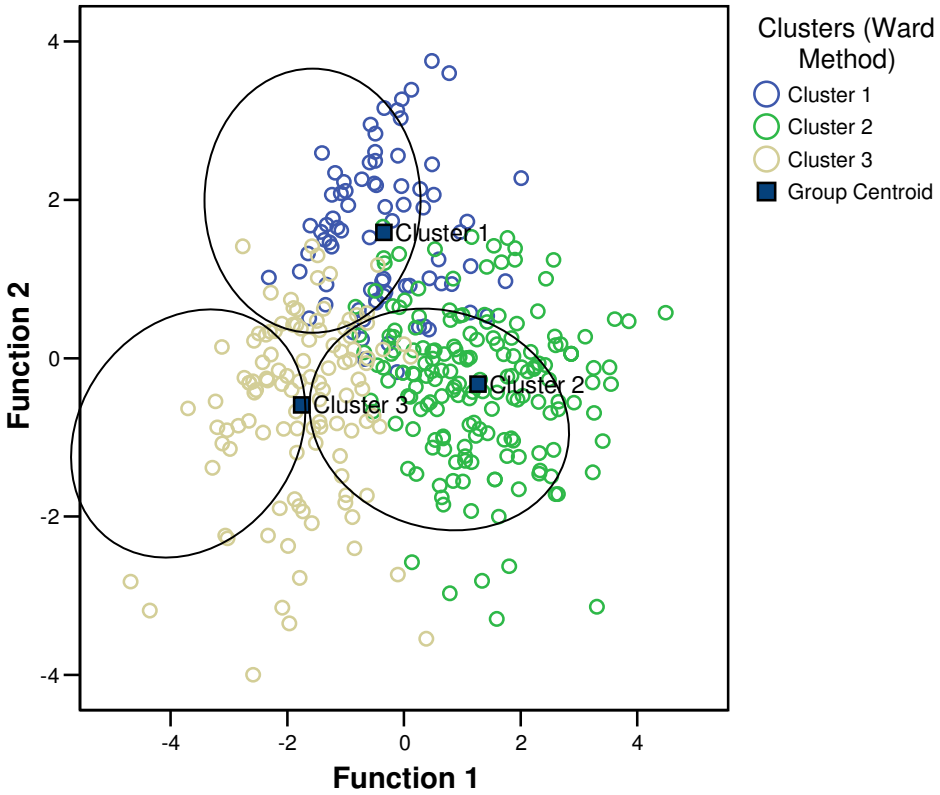
With the discriminant analysis we obtained two canonical discriminant functions, having verified that Function 1 has a larger discriminant power than Function 2, although both are quite significant (sig = 0.000). The functions obtained are the following:

• Function 1 = -0.203 credibility +0.288 availability +0.361 purchase in group +0.074 product selection -0.203 value for money +0.125 specificity +0.706 pressure + 0.373 trust

• Function 2 = 0.226 credibility +0.288 availability +0.301 purchase in group +0.306 product selection -0.217 value for money +0.385 specificity -0.662 pressure + 0.329 trust

These two functions allow a clear placement of the three clusters as depicted in Figure 4.

Figure 4 – Canonical Discriminant Functions



6. Conclusions and implications

Despite its already long history and rising importance, relatively little academic research has been devoted to the direct selling industry, neglecting the role of DSO's, direct sellers, and consumers who purchase through direct selling. Our study was guided by the perceived gap existing between a significant business practice and the scarce knowledge of its determinants. The results obtained shed some light on the relationship between customer satisfaction and acceptance of direct selling, confirming the utility of extending the current knowledge on customer segmentation and customer satisfaction to the relatively neglected field of direct selling. This inroad may lead to the perfectioning of a more precise model of the relationship between segmentation and satisfaction with direct selling.

This study confirms that the buyer profile influences the drivers of both direct selling adhesion and its inherent satisfaction level. We could identify three specific clusters and found clear evidence of the importance of buyer experience with this way of shopping.

An obvious way to segment a market would be on the basis of individual attributes such as gender, age and education. Alternatively, we have segmented the market on the basis of the buying characteristics. The findings show that certain consumer segments are more likely than others to be in-house shoppers because of several factors which are considered important for the shopping decision. We have found that experience with direct selling was the most important driver for direct selling adhesion, followed by convenience, marital status, specificity of the product, experience with the sales person, purchase in group, trust, and gender. The identification of the leading driver for direct selling acceptance is relevant for DSO's as it suggests a certain prejudice from those who have never experienced this way of buying.

Although most of our findings confirm previous direct selling research, the pervasiveness of purchasing from DSO's, suggests that more attention should be devoted to both the seller and the buyer in this activity. Little is known about the attitudes of direct sale's buyers toward traditional in-store retailing, or the attitudes of consumers who do not buy from DSO's toward direct selling, suggesting interesting avenues for further research. Moreover, as our empirical study was only based on Portuguese consumers, we could not control for the impact of culture on direct selling adhesion and satisfaction. A cross national study could also clarify this issue and enable a wider generalisation. Once this paper used 378 respondents from the metropolitan area of Lisbon as convenient samples, the time and spatial generality of the results are limited and its additional confirmation will be needed. In Portugal the number of industries, salespeople and consumers is largely unknown. Due to this lack of information, it was difficult to choose another sample and inquiry methodology. The option of inquiring

citizens following a convenient sample was not really a “choice” but what was possible. Also, against our methodological objectives, it was almost impossible to follow a combined methodology – focus group first and after, because the industries (mostly international) could not disclose the pretended data. Moreover, financial and time constraints forced us to limit the survey in a specific region. In spite of these limitations we succeeded in finding a sample of clients to a large number of the most important international firms.

Despite its limitations, our empirical evidence can be relevant to DSO’s who seek better understanding and prediction of post consumption behaviour: we identified a number of factors that explain why a customer would probably select direct selling to buy a specific product, and why he probably will become satisfied with a specific DSO or brand.

Finally, the nature of the communication between the retailer and his customers differs for the various non-store retailing formats, but in general communications in direct selling are highly interactive. As the salesperson can respond swiftly to the customer’s comments and questions, direct selling may provide a closer interaction than alternative shopping modes. The identified clusters show that some customers are less sensitive to this level of interaction and therefore less prone to selecting the direct selling channel.

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