



Commitment to Australian Direct Selling Organisations: What are the antecedents?

A paper for the Small Enterprise Association of Australia and New Zealand 16th Annual Conference, Ballarat, 28 Sept-1 Oct, 2003.

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Introduction

The practice of direct selling involves the retailing of many of the same products and services to final consumers that may be found in any storefront in Australia. Its practitioners are entrepreneurial, small business owners, primarily women, who seek to establish themselves in business 'for themselves, but not by themselves'. What makes direct selling particularly noteworthy is the way it operates; who operates it, and the extent to which it continues to pervade (and perhaps even threaten) the retail market in Australia and other countries.

That direct selling has been referred to as 'the hidden industry' (Cossens, 1999) suggests a somewhat mystical, perhaps even secretive activity conducted outside of the mainstream retail framework and behind the lace curtains of Australian suburbia. This implication belies, however, the significance of direct selling to the social and economic fabric of our society: denies the importance of its contribution and its role in enhancing the lives of over 700,000 Australians, predominantly women, in an activity that returns in excess of \$2.5 billion to this economy (DSA, 2001). The Australian figures reflect the steady international increase in direct selling activity that has been evident for the past decade and which is expected to hold course on a steady incline in the global marketplace (WFDSA, 2001).

Direct selling has attracted limited academic attention to date, although the increase in the number of academic dissertations examining aspects of the activity (Camey, 1997, Brodie, 1999, Hassay, 1999) will ensure continued research into issues of interest and concern to the industry. So far there, however, has been no attempt to examine in any detail the status of the industry in Australia. Direct selling is a unique entrepreneurial activity. The (limited) direct selling literature to date addresses issues such as expectations, satisfaction, commitment, and turnover, however, examination of factors accounting for these constructs remains largely unexplored.

We develop a holistic model of the antecedents and consequences of commitment in an Australian direct selling context with a focus on the relationships among the primary players in the activity: the organisation, the sponsor and the individual.

Direct salesforces have rarely been the focus of commitment and turnover studies despite unusually high turnover rates (Biggart, 1989; Berry, 1997; Wotruba, 1990; Wotruba & Tyagi, 1991; Brodie, 1995, 1999; Camey, 1997; Hassay, 1999). More importantly, as 'type of job' has been found to moderate turnover (Porter & Steers, 1973; Mobley et al, 1979) it is particularly pertinent to investigate turnover and its correlates in the direct selling industry.

While previous studies of employee salesforces provide important foundational groundwork, observed relationships among independent distributors may not support these findings. And, while the findings of Wotruba (1990), Wotruba & Tyagi (1991), Brodie (1995, 1999), Camey (1997) and Hassay (1999) related specifically to direct selling populations; it cannot be assumed that their findings can be generalized to *Australian* direct selling populations.

One of the major problems faced by all DSOs is commitment to organisations by DSCs: especially in the early stages following recruitment. Organisational commitment is important in terms of the economic and psychological impact on those who remain. The continual 'churn' is destabilising and demoralising to those who remain in the activity and economically costly to DSOs in administrative terms. An additional important consideration to DSOs is the potential loss of customers through the loss of salespeople. DSC's frequently



build very strong relationships with their customers (many of whom are derived from their group of relatives, friends and other social contacts). This makes their loss particularly costly as there is a high personal selling elasticity with many of these products and services that relies on intense personal attention to overcome procrastination in purchasing (Peterson & Wotruba, 1996).

Limited research has been undertaken to establish the antecedents to organisational commitment by DSCs. In this paper we hypothesise that three sets of antecedents may help to explain this commitment.

Firstly, individuals bring a set of expectations to the activity that are partly set by the sponsor through the recruiting process. The recruit observes the direct selling activity being conducted by the sponsor and develops certain expectations about what direct selling may have to offer them in economic, professional and personal terms. Their subsequent evaluation of the extent to which these expectations have been met by their experience of direct selling may impact on their level of commitment to the DSO.

Secondly, organisational characteristics – including the culture of the organisation, the support it provides to its distributors, the image it creates through the way it communicates with the public, and the financial incentives it offers DSCs may impact on the feelings DSCs develop for their DSOs.

Thirdly a sponsor's specific characteristics, including the level of support they provide to their protegee, the frequency and openness of their communications, possible opportunistic behaviours and their interdependence may also impact on the level of commitment expressed by DSCs. This sponsor/individual relationship may be central in that it is s/he who introduces the individual to the activity in many cases and who helps to define the expectations and to motivate recruits. It is the sponsor who connects the new DSC with the DSO, who introduces its culture, image and reward system.

Once a new DSC is established and their small, independent business is under way the role of the sponsor progressively diminishes as each DSC in turn become a sponsor of other new recruits and a creator of their own downline/unit/team. Hence, it is possible that this sample will demonstrate that the role of the sponsor may be less significant than expected.

Determinants of Commitment

Some direct selling distributorships are operated by couples, for example in the Amway and Newways systems, but for the most part they are operated by individuals and, although there is no gender restriction, particularly by females. These people are engaged on their own behalf selling products and services to 'warm' social contacts: friends, relatives and, in turn, *their* friends. They are described varyingly in Australia as independent contractors, independent distributors, independent sales consultants, and direct sales consultants. All of these terms describe the independent (i.e. self-employed) businessperson who is engaged in selling products for direct selling organisations (DSOs) with which they are associated. The term direct sales consultant (DSC) was adopted for use in the present study.

Direct selling in Australia is typically organised into door-to-door sales, party-plan or network (or multilevel) marketing. All three formats operate on a person-to-person basis; however, if an opportunity is presented to conduct business within any format on a group basis, direct selling is flexible enough to accommodate the need as it arises.



Sponsor support

The role of the recruiter in direct selling is akin to that of a supervisor or sales manager in a typical selling situation. In mainstream selling the sales manager typically is responsible for the recruitment, training and development of the sales team members and, in return, receives a salary plus a bonus that is dependent on the level of sales or product volume achieved by the team.

In direct selling, although the role is of a more *informal* nature, the recruiter assumes the role of a mentor, taking the new recruit under their wing and teaching them the rudiments of the business: how direct selling operates; how to run the business; how to sell the product/service (overcoming objections, closing sales); product knowledge and use, and effective recruiting techniques. This latter is fundamental to the majority of DSOs whereby the health of the organisation is dependent on the ability to continually inject new recruits to replace those who have left, or to build the downline. The relentless recruiting of new distributors in direct selling is an economic imperative particularly in party-plan and multilevel organisations.

In the early stages of a distributorship the relationship between recruiter and recruit is especially close: the recruiter has a vested interest in the new recruit doing well as their stature in the organisation and their income increases as the size of their 'team' increases.

In this period of new skill and knowledge acquisition the need for support is higher than at later stages when confidence is increased, and the new recruit is initially heavily dependent on the sponsor for support and encouragement in this transition phase. This level of support has been shown to significantly increase satisfaction in a retail environment (Babin and Boles, 1996).

Individual characteristics

One of the objectives of the study was to construct a typology of Australia DSCs, which may serve to help identify future potential successful recruits in this activity. Their expectations of the activity (including factors such as supervisory support, challenge offered by the activity and the amount of personal growth and development expected) would reveal their motivations for joining DSOs and, it was hypothesised, be positively related to satisfaction with the activity and commitment to the DSO, and inversely related to retention/turnover.

Additionally, the relationship existing between the individual, their primary contact person (typically their sponsor/recruiter) and the DSO would also be explored to ascertain the nature and consequences of the relationship between these interactions and the construct of commitment to the organisation.

Ragins, Cotton & Miller (2000) found that individuals in a highly satisfying mentoring relationship reported more positive attitudes (job satisfaction, organisation commitment and intention to quit) than non-mentored individuals. Their study demonstrated that the quality of the mentoring relationship highly impacted the protégé's attitudes.

Organisational Support

While the conduct of the distributorship is, on a day-to-day basis, largely a matter between the DSC and their (also self-employed) primary contact, the DSO plays a significant and overarching role. The DSO is the supplier of the product and the body with whom the DSC generally communicates through ordering supplies. The DSO administers the compensation plan and provides financial and non-financial rewards. The DSO is responsible for ensuring that the industry Code of Practice is adhered to and is primarily responsible for the image the



public holds of the direct selling activity through its portrayal in the mass media and through other marketing communication techniques such as sponsorship and publicity.

The support offered by DSOs to DSCs in the way of business, reward system and the culture created and nurtured by the DSO was hypothesised to be strongly and positively related to commitment to the organisation.

Organisation Commitment

Past research has found that an exchange relationship exists between individuals and organisations in that commitment is exchanged for desirable outcomes (Mowday, Porter & Steers, 1982). The role of trust in this relationship is that trust is expected to lead to a liking for (i.e. commitment to) the organisation.

Commitment was measured with the 15 item organisational commitment scale (OCQ) developed by Porter et al. (1974) and discussed by Mowday, Porter and Steers (1982). This measure is assessing primarily the affective commitment dimension of organisational commitment (emotional attachment to, identification with, and involvement in the organisation) as distinct from continuance or normative commitment (Dunham, Grube & Castaneda, 1994).

Organisational commitment has been offered as a useful explanatory concept in the turnover process. Mobley, Griffeth, Hand and Meglino (1979) found an inverse relationship between commitment and turnover, and Werbel and Gould (1984) found support for their hypothesis that tenure moderates the relationship between organisational commitment and turnover in staff that have been with their organisation for a period of more than one year.

In the direct selling context, Brodie (1999) and Hassay (1999) both showed a strong positive relationship between commitment and turnover.

Methodology

Subjects

Participants were DSCs from a variety of Australian DSOs randomly identified from the electronic databases of in-house DSO personnel in order to maintain confidentiality. Support was given by CEOs who also provided a covering letter of support for the study. Participating DSOs were in personal care, nutritional and wellness, household, fashion and family product categories. A total of 5000 DSCs received the mailed questionnaire. This generated a response rate of 27% from the single mailout resulting in an effective sample of 1340 useable responses.

Data Collection Methods

The mail survey was used. It is a popular means of collecting data (LaGarce & Kuhn, 1995) due to its low relative cost, geographic flexibility and ability to reach a large sample groups simultaneously. It does, however, typically generate a low response rate (Fox, Robinson and Boardley, 1998), and responses to initial mail outs are frequently less than 50% and reported to be as low as 20% or less (Dommeyer and Ruggiero, 1996).

Questionnaire Design

All items were on a 7-point Likert-type scale ranging from 1 = very strongly disagree to 7 = very strongly agree (or similar scaling). All scales were measured with more than 6 items to ensure domain coverage and reliability of constructs. All scales had acceptable reliability.



	Individual	Organisation	Sponsor
Performance	0.233 ^{***}		
Personal Sacrifice	-.072 ^{**}		
Self Motivation	0.171 ^{**}		
Income Opportunity	0.037		
Recognition	0.050		
Collegiality	0.237 ^{***}		
Personal Development	-.004		
Aggressive salespeople		-.117 ^{***}	
Poor Servicing		0.039	
Positive Image		0.141 ^{***}	
Ethics		-.024	
Clan Culture		0.335 ^{***}	
Company Support		0.047	
Financial Rewards		0.148 ^{***}	
Non-Financial Rewards		0.219 ^{***}	
Interdependence			0.099 ^{**}
Communication			0.125 [*]
Relationship Investment			0.094
Support			0.025
Opportunism			-.009
R²	0.305	0.403	0.096
Adjusted R²	0.301	0.399	0.093
F ratio	80.775 ^{***}	112.167 ^{***}	28.360 ^{***}

Operationalisation of constructs

Existing measures were used based on a review of the sales force and organisational commitment literature to measure constructs of met expectations, performance, image, organisational culture, support, communication, opportunism, interdependence, relationship investment, and reward system in relation to commitment to the DSO.

The reliability of the scales was found to meet Nunally's (1978) recommendation as the Cronbach alphas exceeded 0.7 for all constructs. Exploratory factor analysis was performed and all items significantly loaded on to the hypothesised constructs. The results are shown in Table 1 below.

Table 1: Antecedents to commitment to Australian Direct Selling Organisations

Significance levels: ^{***}=p<0.001; ^{**}=p<0.01; ^{*}=p<0.10

Results

The **individual** model demonstrates the following are significant contributors to commitment to a DSO:

- The level of performance each individual contributes in terms of their administrative activities, their knowledge of the products, their achievement of sales objectives and recruiting abilities;



- The amount of self-motivation individuals apply to carrying out the direct selling activity;
- The collegiality individuals find that the direct selling activity offers.

But more importantly the model explains 30% of the variance in commitment to direct selling organisations in Australia.

The **organisational** model suggests the following are significant contributors to commitment to DSOs in Australia:

- The aggressive image of direct salespeople;
- The positive image of the direct selling activity as perceived by the public;
- The clan culture engendered by DSOs;
- Incentives offered by DSOs to DSCs in financial and non-financial (e.g. trips, jewellery) terms.

The model explains 40% of the variance in commitment to the organisation

The **Sponsorship** model suggests the following factors are significant and explain only 11% of the variance:

- Interdependence between the sponsor and recruit.

Demographics

Questionnaires were mailed to active DSCs in the five largest product categories in Australian direct selling. Returns were as follows: Personal care, 428; Nutritional and Wellness, 173; Household, 315; Family, 270; and, Fashion, 154. **Total 1340.**

The typical Australian DSC is a female (85%) living in a partnered relationship (85%) with dependent children (90%). She lives in her own home (81%) in the suburbs (52%) and while she may have another job in addition to her direct selling activity, it is the latter she considers to be her primary focus (70%).

She spends 10-20 hours each week building her business (30%) and recruits up to 15 others into her downline/unit/team each year (66%). She places orders fortnightly (32%) and on average spends \$1,000-\$3000 in doing so (28%).

Her partner is not actively involved in the business (72%), but is supportive of her endeavours (48%). She is likely to have been educated to Year 10 or Year 11 (30%) level and to have been born in Australia (77%).

Discussion

The results of regression analysis highlight the significant role played by the DSO itself in maintaining the affection of DSCs. This is intuitively appealing when one considers that once experience and confidence are established there is diminished need for the close and intense relationship between sponsor and recruit. As hypothesised, the sponsor has moved on to newer and more dependent recruits in the pursuit of building their team, and the individual focusses on building her own business and developing recruits of her own.

Organisational issues are the major antecedents to commitment at this time as it is the direct selling company that provides on-going support in an operational sense; it is responsible for the public image of the activity, and the provides the culture that adheres the participants to the activity and the company.



The DSO is the responsible for efficiently delivering orders; for continuity of supply. It provides the marketing mix, including an appropriate and appealing range of products/services in addition to the incentives that motivate and satisfy DSCs.

The individual's expectations and motivations are significant contributors to this landscape of commitment to direct selling companies because entry to this activity is not dependent on any particular level of education, neither does it require a significant financial investment. Those who become involved are from a variety of social contexts and success in the activity is reliant not on intelligence, ability or even opportunity so much as hard work and commitment. In this way, it is not possible to identify a 'personality type' for potential success: the potential for success lies in any person who desires it enough to work hard at direct selling and who is committed to making the process work for them. These people create (possibly temporary) partnerships with experienced DSCs who teach them how to operate their microenterprise, but the primary, and ongoing, relationship appears to exist with direct selling organisations with whom DSCs identify and whom they rely on to complete the framework within which they operate their independent businesses. It is these organisations to which DSCs look for long-term guidance and direction.



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