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### Digital Marketing Drives Shift in Direct Sales

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There's a scene in season six of the hit TV series *Mad Men* in which Christina Hendricks' character, Joan, is set up on a blind date by her friend, Kate, who works for cosmetics giant Avon. The date, however, is actually a business meeting with Avon's newly appointed head of marketing. The company, he says, is looking for a new direction.

The scene is providential. Although it's set in 1968, it aired in 2013 as the next generation of Avon-esque companies—Stella & Dot, J.Hilburn and Scentsy, just to name a few—were not only looking for a new direction, but actually going in one. Today, that direction is clear: Like an arrow, it's pointing straight at the end user.

Along with companies like Mary Kay, Tupperware and Amway, Avon and its aforementioned successors are known as "direct selling" B-to-B companies. For decades, such companies have leveraged a unique business model that foregoes retailers in favor of entrepreneurial sales reps who sell products directly to consumers—usually in their homes—in exchange for sales commissions. Because their core mission is creating business opportunities for their sales reps, direct selling companies typically have invested their marketing budgets in B-to-B programs such as sales force development, recruitment and communication.

"The commission paid to the rep is essentially the marketing and retail expenses that a traditional brand or retailer would incur," explains Veeral Rathod, co-founder and CEO of J.Hilburn, a Dallas-based direct seller specializing in custom men's clothing. "Since a large part of the product consumption comes from their reps ... the recruiting engine is really what drives sales, not true customers."

**Key Takeaways**

- Digital marketing is changing the way direct selling works by making it accessible to more people in a way that is more fun, flexible and profitable.
- Digital tools' low cost means direct sellers no longer have to choose between customers and sales reps; they can afford to engage both.
- Today's technologies enable companies to better leverage relationships formed by direct selling methods.

The business model works, according to the Direct Selling Association, which says 74% of American adults have purchased a product or service from a direct seller, with annual industry sales exceeding \$31 billion. And yet, the direct selling industry has long suffered a reputation problem. Its lack of consumer marketing means the public typically doesn't understand direct selling and often confuses direct selling companies with pyramid schemes.

Enter companies like Stella & Dot, a San Francisco-based direct seller of fashion jewelry. "When we started ... we wanted to take the 'ick' out of the business model," says Dana Bloom, vice president of e-commerce and customer loyalty. "We are changing the way [direct selling] works by making it accessible to more people in a way that is more fun, flexible and profitable."

Digital marketing is driving that shift: "Traditional marketing is very expensive," Rathod says. "The new age of digital marketing has totally changed that."

Digital tools' low cost means direct sellers no longer have to choose between customers and sales reps; they can afford to engage both. Stella & Dot, for instance, encourages both customers and sales reps—which it calls "stylists"—to upload photos to social networks with the hashtag #stelladotstyle, showcasing how they wear and accessorize their Stella & Dot jewelry. When the company introduced a new "Engravables" collection in June, it encouraged stylists to post photos of themselves wearing the new line, simultaneously raising awareness among those who would buy and sell it.

Both Stella & Dot and J.Hilburn have brand pages on Facebook, Twitter, Instagram and Pinterest where they can interact with stylists and consumers, and where stylists and consumers can interact with each other. Likewise, both regularly engage in e-mail marketing by sending personalized e-mails to customers that are crafted by the corporate marketing team but "signed" by the customer's stylist. Because these channels unite the company, the sales rep and the customer, marketing isn't just B-to-B or B-to-C; it's more like B-to-B-to-C.

"We are communicating with customers directly, and our stylists are in on that conversation," Bloom explains. "The conversation starts with all of us together, but the stylist then picks it up and drives it to the next level."

Direct selling traditionally was a relay race in which the brand handed the baton to the sales rep. The new generation of direct sellers, however, plays the game more like a team sport: The company throws the ball, the sales rep hits it and the customer catches it. Ultimately, the onus to sell is still on sales reps, who are encouraged to build upon the company's efforts with their own marketing efforts, including their own websites and social media pages. The company, however, can make it easier to sell by designing superior products, developing its brand and generating leads.

"Our approach ... is not to sell our product, specifically, but rather to get clients exposure to the brand and our story," Rathod says. "We want them to see that a shirt that fits leads to a life that fits."

Echoes Bloom, "It's a way for us to drive more traffic to our stylists ... We're a lifestyle brand. The lifestyle message we create draws people in and allows us to grease the wheels for our stylists, making their business even more profitable."

Because Stella & Dot and J.Hilburn have seen tremendous results—both are on *Inc.* magazine's annual Inc. 5000 list of the nation's fastest growing companies, having achieved three-year revenue growth of 4,315% and 758%, respectively—established brands like Avon and Mary Kay are beginning to adopt similar strategies. That's not to say that the industry is changing, however. Rather, it's evolving.

"It's a reflection of new technology, not necessarily a fundamental shift," Rathod concludes. "Direct selling has proven for decades that people value trusted recommendations and relationships, more than marketing messages. Today's technologies enable us to better leverage these relationships."

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