

# Direct Selling *News*

Serving the Direct Selling and Network Marketing Executive

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## Getting Back on the Growth Track—Questions to Consider

by Sebastian Leonardi



The direct selling industry has seen tremendous growth in the last 10 years and is currently considered the fastest-emerging sales channel. The critical business drivers in this industry are sales force recruitment and retention, customer and field services, a product line with mass appeal, and a highly automated, service-oriented operation and IT infrastructure. After an initial growth period, however, many direct selling companies may begin losing momentum. While explosive growth cannot be sustained indefinitely, stability and positive momentum can be planned, maintained and ultimately achieved.

A few critical issues that are at the root of unexplained slowdowns have been identified. Ironically, these slowdowns usually involve elements that, when focused upon properly, have widely been considered catalysts for the direct selling company's initial growth and early success.

### Challenges to Growth

As a company grows and matures, its focus, creativity, mission and tactical elements of the strategic plan can be diluted. The organization becomes entangled in general operational duties, roles and responsibilities—and don't forget putting out fires—during the normal course of business. Although multiple issues may begin manifesting in various guises, one issue in particular presents a significant threat to a company's primary directive of fostering growth. This issue is generally discovered at the beginning of the story—not this story, but the direct selling company's story.

### What Issues?

Usually, the success, motivation and vision of the founders is promoted in the company's story, which in turn motivates the field and helps drive the recruitment engine. The founders, however, often find themselves increasingly absorbed in day-to-day operational activities and much less involved in perpetuating, with their field leaders, the values, mission and vision of the company.

### What Can Happen?

New people join the organization, but some may not reflect the true belief and mission of the company. Consequently, programs and

processes become overburdened, and the sales force finds it harder and harder to do business. Recruitment slows down, retention becomes an issue, attrition becomes a problem, and the company begins creating reactionary programs, incentives and promotions that fall short of expectations and intended results. Unfortunately, that is not how the story is supposed to go.

To keep things moving along a path of sustained growth, a course of action must be charted to complete the following:

- Provide consistent messages, through all marketing materials, that keep the founder's vision and mission alive.
- Teach replicable systems—and methods leveraged on best practices—to accelerate field growth and reduce attrition.
- Train, reward and provide tools for new recruits to help them become successful; create growing earnings opportunities for established salespersons.
- Review and continually improve service to make it easy and enjoyable to conduct business.

### I Can't See the Forest If I'm Staring at the Tree

As self-evident as this charter may seem, it is invariably difficult for companies to implement corrective action once problems are discovered. Given the critical importance of getting back on track, the company's best interests are served by seeking an objective assessment of the current state of its business environment from a partner who is experienced in all facets of direct selling business models and industry "best practices." The purpose of this review is to yield an analysis of any characteristics that are inconsistent with critical success factors found in the most successful direct selling companies. The next step is to take action on the data by prioritizing and swiftly addressing each discovery.

Objectivity (looking "outside" to benefit the inside) is wonderfully valuable when it produces the truth, an in-depth understanding and an effective, proven plan for putting the train back on the tracks. Importantly, this is not a "reinventing the wheel" process. It is a process of discovery, evaluation, improvement and realignment with the goals and objectives of the company's original plan.

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## Who?

The task of completing a thorough assessment is best achieved by a partner who provides the following:

- Direct selling experts with proven capabilities.
- Deep resources and experience leveraged on the collective intelligence of industry best practices.
- Benchmark data utilization to determine potential shortfalls that may hinder the next level of growth.
- Internal metrics to measure the value of change and improvement.
- A track record of success.

## What's Next?

Prioritization of issues and recommendations is also a critical component of a process designed to achieve positive results. To best categorize the importance of recommendations, they may be readily segmented into three distinct categories:

- 1) Areas poised appropriately for growth.
- 2) Areas that are important improvement opportunities but not barriers to growth.
- 3) Areas that need immediate attention that, if neglected, would prevent the organization from achieving its growth expectations.

## What Else?

It is imperative that companies develop an open, trusting relationship with their chosen partners. Inarguably, best results are achieved through relationships where partners work side-by-side with companies in an intimate forum to implement cost effective, timely solutions in critical needs areas identified by the assessment. The objective is to foster an environment where issues can be openly discussed and addressed with the best interests of the direct selling company at the top of the agenda.

## Where to Begin?

Field leadership, sales-force programs and tools, promotional incentives, marketing strategies, collateral development, call center improvements, operational infrastructure, and IT systems are all major areas that should be assessed. The following questions can assist company leaders in determining readiness for continued growth.

## Questions to Consider

### Sales

#### MLM/Party Plan:

- What is the average duration of a salesperson?
- What attracts salespeople to the business opportunity? Is it supporting retention?
- What is the salesperson's perspective on the ease of doing business?
- What is the cost of sales?
- What are the salesperson recruitment and attrition ratios?
- Is the leadership program providing forecasted results?
- Is the training curriculum supporting all of the key indicators of the business?
- Do the sales materials motivate the correct behaviors?

## Party Plan:

- What is the average number of shows? Are show averages meeting or exceeding industry standards?
- What are the ratios of hostesses converting to salespersons?
- Is show guest attendance maximized, and does it meet/exceed industry averages?
- Does the hostess rewards program create the incentive for the hostess to have multiple shows?

## Marketing

- Are the company's mission and beliefs effectively communicated?
- Is the brand identity clear and understood? Does it provide a clear and concise message?
- Has the brand changed over time?
- Are programs consistent in supporting the brand?
- What is product perception? Are they current and differentiated?
- Do marketing campaigns deliver forecasted results?
- Does collateral material contain a consistent message?

## Financials

- What are the revenue and expense ratios?
- What is the cost/expense ratio as compared to the industry's?
- What are the COGs (product analysis)?
- What is the ROI versus field rewards?

## Operations

- How effective are the business applications, including e-commerce, order entry, commission, genealogy, order processing, production and distribution?
- How robust is the infrastructure, including call center technology, networks, servers, databases and telecommunications?

## Order Processing

How streamlined and error free is the review process—from order intake through invoicing?

## Distribution and Warehouse Management

- How well does the forecasting process coincide with actual sales demand?
- What is the frequency and occurrence of product shortage?
- How well is inventory managed?
- Is the replenishment process effective?

These questions may not immediately uncover latent issues, but answering them can be the first step toward putting your company back on the successful track on which it started—back at the beginning of the story. 🌀



Sebastian Leonardi is the Senior Vice President for Integrated Management Services Inc. (IMS), a 17-year-old leading management and technology consulting firm with offices on the East and West Coast. The firm specializes in working with evolving companies within the direct selling industry. IMS is a long time DSA Supplier Member. For more information visit us on the Web at [www.imsconsult.net](http://www.imsconsult.net).