

Handelsblatt

By: Katrin Terpitz

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Mr Stoffmehl, direct sales was long regarded as outdated. Today, it is booming like never before. Why is that?

Direct selling has experienced a renaissance for many years. In Europe alone, the sector recorded more than 32 billion euros in sales in 2015, almost half of which was generated in Germany - with upward tendency. Europe is the third largest market after Asia and the USA. Around 15 million people in Europe work as independent sales partners. Direct selling is still a niche, but it is growing disproportionately.

Why do people like to shop in their living room or at sales parties?

Today, customers want to be addressed and advised individually. In addition, they are looking for a sense of community when shopping. They do not find this in the store – and certainly not in an anonymous online shop. People increasingly attach importance to interaction when shopping.

So, a good product alone is no longer enough?

A world of experience is created around the product today. For instance, with the interactive recipe database on the internet surrounding the cult kitchen machine Thermomix. At LR Health & Beauty, for example, we do not sell protein shakes for weight loss, but the 28-days-package “Body Mission”, a nutritional overall solution. In addition to a protein shake, it includes an interactive app with nutrition tips and fitness exercises. The customer receives additional motivation from the internet community. Direct selling has a lot to do with emotions.

Direct contact with the customer certainly is not a disadvantage.

We instantly receive feedback that is often very straightforward and honest. Direct selling companies know the needs and preferences of their customers. This is something that commerce is envious of. Nobody knows their customers as well as we do. We already know very early on whether a product works or not.

How so?

Because our sales partners know their customers personally. We can do without expensive market research.

Direct sales long had a disreputable image. Rightly so?

There were certainly some black sheep in the industry in the past. There were illegal pyramid schemes, dubious doorstep deals or expensive starter sets which the sales partners had to buy. Today, everything is much more transparent. People instantly tell each other on the internet if they are angry with a company or if a company operates illegally. And this is a very positive development which exposes black sheep. Moreover, the direct selling association has introduced ethical standards which are regarded as guidelines in the industry.

Did direct sales change in other respects as well?

The quality of the products has improved tremendously. Trashy goods are not profitable in the long run, in particular since prices are transparent on the internet today. This is why you cannot compromise product quality. Almost all direct sales companies are in the high-price segment today.

Why do people buy a kitchen machine for more than 1,000 euros, for which they even have to wait up to three months?

Artificial scarcity only works for exclusive products in premium quality. The Thermomix is a very innovative product. The pioneer can then determine the price. This was the case with the iPhone.

Direct sales depends on personal relationships. Critics say that these are exploited. Friends or family feel put under moral pressure to order products at sales parties.

It cannot be denied that there may be a certain sense of commitment. But this does not result in a sustained business. Nobody would buy the products again or recommend them, if they were not of high quality and not really worth their price.

How important are regular customers in direct sales?

The rate is significantly higher than in normal retail. Direct sales companies depend on regular customers. That is why they are usually very fair when it comes to product exchanges. Bofrost, for instance, offers a flavour guarantee. Try exchanging a pizza that you did not like in the supermarket.

So, some direct distributors such as Vorwerk open stationary shops. Tupperware also plans studios in many cities. Does that constitute a departure from the sales model?

I believe that is a dangerous strategy, because the business of the partners is ultimately cannibalized by shops. A flagship store that gives the customer an understanding of the products or the sales model is no problem. But LR Health & Beauty would never introduce stores as a sales channel, for instance. We are a pure network marketing company with a focus on the sales partner. Every direct sales company has to decide on its orientation for itself, however.

Who typically works as a sales agent?

People come to direct sales with the most varied backgrounds and motivations. Some see the whole thing as a hobby and additional income, for others it is a full-time job or a real career. Therefore, our sales partners include all kinds of people, from office workers through to academics. Our world is colourful. The sales partners not only want to earn money, but also be part of a community.

The sales agents are not permanent employees. If they do not sell their products or get sick, they have no revenue. Does this not mean that direct sales companies pass on their entire business risk to the freelance employees?

Our sales partners are self-employed entrepreneurs. About 70 percent are women. Most of them are working part-time and are secured through their main job in case of illness. If you are working full-time in direct sales, then you do not sell any products yourself any longer. Instead, you lead and train large teams of sales partners and earn a percentage of the total turnover – also if you become sick.

Is the business worthwhile for the sales partners?

Of course the business is worthwhile, otherwise no one would do it. Direct sales companies are very international. LR Health & Beauty is active in 28 countries, for example. Especially in Asia or Turkey, business is growing rapidly. Many women see a great opportunity to build their own business with direct sales. If you can earn an additional 1,000 to 1,500 euros, you are king in Russia or Malaysia. Teachers, for example, earn considerably less there.

But do you find enough sales agents here in Germany?

There is a great number of people interested in joining us. But only one in ten sales partners sticks to the job. Not everyone has sales talent. But we direct sales companies urgently need to improve onboarding, so that more people continue. Without sales agents, no sales. Also when it comes to training their sales partners via the internet, many companies still have a lot of catching up to do.

How important are incentives to keep sales agents motivated?

Recognition is enormously important. Successes are celebrated in direct sales – unlike in most other companies. Company cars are very popular, as are incentive travels. Once a year, we go on a one-week luxury trip with several hundreds of highly successful sales partners at LR Health & Beauty. Many other direct sales companies offer similar incentives. You may not believe what a motivating and inspiring effect this has on the people.

Will direct sales continue to grow?

I'm optimistic. On the one hand, the personal character of shopping is becoming increasingly important. On the other hand, more and more people want or need to make a little more money. Direct sales is an ideal basis for this, offering many people real career opportunities and independence, not just for women.

Mr Stoffmehl, thank you very much for the interview.