



Executive Insights

COVID-19 and Direct Selling — Part One: How Industry Leaders Can Weather the Pandemic

While the COVID-19 pandemic is affecting different industries in different ways, the direct selling industry is especially vulnerable given its reliance on face-to-face interactions and a seamless global supply chain. However, L.E.K. Consulting's proprietary research demonstrates that consumers need many of the products sold by this industry more than ever before. We also believe it could represent an unprecedented boon to recruiting, as many of those suffering from job displacement and other cutbacks could see direct selling as a relatively attractive career prospect.

Indeed, there are a number of ways that direct selling companies can position themselves to weather the COVID-19 pandemic; we run through them here. In the next of our two-part series on COVID-19 and direct selling, we will lay out how direct selling companies can not only ride out the pandemic but also thrive over the long term.

The potential impact

The effect of the COVID-19 outbreak on the direct selling industry is expected to be significant. That's because direct selling traditionally has relied on face-to-face interactions through live

presentations. In light of the social distancing requirements and shelter-in-place mandates being issued by federal, state and local health authorities, the direct selling business model has already been acutely impacted.

According to a biweekly survey of some 2,000 U.S. consumers designed by L.E.K. to track pandemic-related shifts in sentiment, approximately 85% of consumers are — understandably — pessimistic about the year ahead. Because of this, coupled with the unprecedented rise in unemployment claims, we expect a continued scale-back in discretionary purchases of all types. [Consumers have already reported](#) meaningful decreases to monthly spending across several categories applicable to the direct selling channel (e.g., consumers have reported spending 15%-20% less on beauty products).

However, not all the news is bad for direct selling. Other categories, such as nutritional supplements, are actually seeing greater spending (at least temporarily) than they did before the crisis. What's more, the consumer reconditioning that occurs in a health crisis of this sort is likely to renew interest in wellness categories. A second mitigating factor is the likely change in receptivity to the business opportunity offered by direct selling. The combination of new work-from-home flexibilities for the masses with the real and urgent need on the part of many to explore secondary or alternative income sources will change the recruiting paradigm. One positive aspect arising from an otherwise awful humanitarian crisis might be an expansion of the potential talent pool available to direct selling companies.

COVID-19 and Direct Selling — Part One: How Industry Leaders Can Weather the Pandemic was written by **Alex Evans** and **Dan McKone**, Managing Directors at L.E.K. Consulting. Alex is based in Los Angeles, and Dan is based in Boston. For more information, contact strategy@lek.com.

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How to weather the COVID-19 storm

Based on L.E.K.'s experience in direct selling and a review of how leading direct selling companies have responded to the COVID-19 crisis to date, there are several tactics that brands in this space could utilize to position themselves for resilience during and after the pandemic.

Focus on repeat customers. Independent distributors in direct selling organizations typically rely on some combination of two strategies: (1) generating impulse sales through live encounters with consumers who have not purchased from the agents before and (2) creating lasting relationships with small groups of consumers and responding to their recurring needs through ongoing interactions. Despite support programs from the Direct Selling Association and others, individual distributors that are primarily reliant on new customers are likely to be significantly challenged throughout the duration of the outbreak. Distributors that are developing existing relationships, on the other hand, will be more likely to adapt, maintain their relationships virtually and continue to generate sales. With that in mind, direct selling brands should seek to identify and support their independent distributors by facilitating repeat purchases. Companies can support these efforts by communicating availability, optimizing distributors' stock, sending samples directly to customers and being proactive on delivery dates.

Enable ecommerce. Some companies, such as Avon, are doubling down by improving, enhancing or promoting [their distributors' virtual stores](#), while others, like Arbonne, are

sharpening ecommerce offers for their "preferred customers." (See Figure 1.) Of course, direct selling companies will need to balance any efforts to drive ecommerce by reinforcing the degree to which the independent distributor relationship creates a "value-added channel" through consultation and recommendation.

Invest in online training and development tools. Given social distancing requirements and the limitations on "nonessential" businesses, the traditional in-person model of direct selling — especially group events like Herbalife Nutrition's "shake parties" — will require innovative thinking in the near term and evolution over the longer term. Empowering distributors with social selling tools and virtual meeting (e.g., Zoom) training, etc., will be critical. To that end, Herbalife has begun offering online experiences rather than in-person sessions for its wellness and fitness activities, noting that online engagements have been better attended than ever before. Likewise, Amway has provided its sales representatives with additional online training and digital support to give them the tools they need to continue selling virtually and maintain sales momentum.

Incorporate COVID-19 guidance into broader health and wellness themes. Several companies that support general health, nutrition and well-being have linked COVID-19 preparedness with their broader communication themes to create a subtle link between overall health and certain types of products, potentially stimulating sales. Companies should tread carefully, however, as both government agencies — including

Figure 1
Direct selling trends during the COVID-19 outbreak

	Amway	ARBONNE.	AVON	HERBALIFE NUTRITION	JEUNESE	ISAGENIX	MARY KAY	Melaleuca The Wellness Company	NATURE'S SUNSHINE	NU SKIN DISCOVER THE BEST YOU	RODAN+FIELDS	USANA HEALTH SCIENCES
Focus on inside sales	✓	✓	✓		✓		✓					
Enabling distributors	✓	✓	✓	✓		✓					✓	✓
Long-term health themes		✓				✓		✓				
Contributing to COVID-19 response	✓		✓	✓	✓	✓	✓		✓	✓	✓	
Online investment/training	✓	✓		✓	✓	✓	✓	✓			✓	✓
Employment opportunities						✓		✓			✓	

Note: These are public announcements and/or observations from company websites. Each company may be doing more behind the scenes as well as on a regional/local basis.

Source: L.E.K. research and analysis

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those that focus on consumer protection — and the general public are wary of companies that are or appear to be profiting as a result of the crisis. For example, on its website, Nature's Sunshine prominently asks viewers to "fortify" their immune system; it has also underscored the "newness" of its immunity line, even if that's a relative term for products it has supported prior to this year. Meanwhile, other direct selling brands such as Young Living and doTerra have individual distributors touting cleaning products and essential oils that prevent the spread of COVID-19, though these do not necessarily appear to be companywide marketing initiatives.

Actively contribute to the COVID-19 response. Organizations that can directly contribute to response efforts by producing medical products, donating funds, etc., could create strong relationships with potential B2B customers and strengthen their brand's image among distributors and consumers alike. For example, Amway has started manufacturing hand sanitizer and donating it to hospitals in its home state of Michigan, and has subsequently received significant positive media coverage; Avon has donated masks, soaps and other personal hygiene products around the world; and Nu Skin has recently donated funds, air purifiers, and masks across Europe, Asia and the U.S.

Expand distributor networks. With the sudden and dramatic increase in unemployment claims and likely longer-term distortions to the workforce, direct selling offers the promise for potential independent distributors to reinvent themselves in a new career. So far, direct selling companies have not been promoting targeted recruiting efforts to attract new distributors; however, current distributors constantly look to bring others into the network. Existing direct selling distributors have been utilizing social media to target potential recruits since the beginning of the COVID-19 pandemic, referencing shelter-in-place orders by noting how "there has never been a better time for people to work from their homes."

There are numerous tactics that direct selling brands can use to survive the COVID-19 pandemic. From focusing on repeat customers to incorporating COVID-19 guidance into broader health and wellness themes to emphasizing the benefits that direct selling offers new recruits, there are clearly strategies that are helping. Direct selling brands have weapons in their arsenal they might not even be aware of that will serve them very well during these unprecedented times.

About the Authors



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Dan McKone is a Senior Partner based in L.E.K. Consulting's Boston office and is a relationship lead for major corporate and financial sponsor clients of the firm. Dan currently heads the firm's Customer Engagement & Loyalty service line globally and co-leads the Edge Strategy® service line. He has served various executive roles, including the firm's Global Leadership Team and Management Committee. Dan is also a co-author of the book "Edge Strategy: A New Mindset for Profitable Growth." *Consulting* magazine recently recognized him as a Top 25 Consultant in the industry.

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