

CHAPTER 2

LITERATURE REVIEW

According to the FTC: "Direct selling is a blanket term that encompasses a variety of business forms premised on person-to-person selling in locations other than a retail establishment, such as social media platforms or the home of the salesperson or prospective customer."

Direct selling consists of two main business models: single-level marketing, in which a direct seller makes money by buying products from a parent organization and selling them directly to customers, and multi-level marketing (also known as network marketing or person-to-person marketing), in which the direct seller may earn money from both direct sales to customers and by sponsoring new direct sellers and potentially earning a commission from their efforts.

Direct selling, which is a marketing method that is sold directly to the manufacturer or the distributor to the product, which is not in the wholesale and retail to the consumer, including the TV sales, catalog sales, the sale of the house, the mail-order, the automatic supply machine, they call it "direct selling".

Modern direct selling is actually a form of business that transfers some of the profits from agents, distributors and advertisers to direct sellers. While the main difference between the modern direct selling model and the traditional sales model is that the sales channel is different, as shown in the figure:

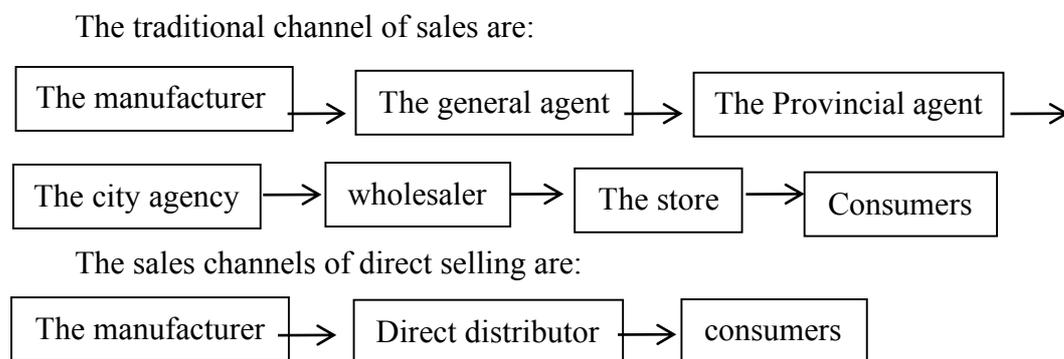


Figure 2-1 The main difference between direct selling model and traditional sales model

(Source: <http://wapbaike.baidu.com/item/>)

Can see from the Figure, the traditional way of distribution of goods need to pass the manufacturer, the general agent, the provincial agent, the city agents, wholesalers, shops, so that a number of circulation, consumers need to take the initiative to the door of choose and buy, goods will arrive. It is necessary to add that price to each part of the product, so that the price of such layer will eventually damage the interests of both the consumer and the factory. However, the direct selling is the goods from factory, through direct sellers to reach consumers' hands. This way of selling saves a lot of intermediate links and reduces the price of the products, which makes both customers and manufacturers profitable.

It shows that the direct marketing of direct selling has not only saved marketing and advertising, but also lower prices than other stores. By direct selling, faithful customers can be obtained, and the higher the sales performance of the direct selling members, the higher the commission rate, the more real work is realized, and the remuneration is paid according to the work. At the same time, the realization of the direct selling can effectively shorten the channel, to speed up the capital operation, help enterprise strategy adjustment and tactical transformation. Therefore, direct selling has become the legend of modern marketing.

With the rapid development of interest and networking, the progress of the world is changing our old marketing concept, the product distribution is not just accelerating the product transformation, but the producer's control of the distribution channel and the process of personally transferring the products and services into the hands of the consumer. Direct selling will be a new way of distribution of products in the 21st century, which marks the advance of market economy towards "network distribution system".