



Executive Insights

COVID-19 and Direct Selling — Part Two: How Industry Leaders Can Thrive Long Term

The COVID-19 pandemic is presenting unprecedented challenges for direct selling companies. To that end, [in part one of this two-part Executive Insights series](#), L.E.K. Consulting laid out a series of tactics that such companies can take to best position themselves for resilience. Here, in part two, we will consider several strategies that brands can benefit from as they look to reposition themselves over the long term.

In other words, there are ways that direct selling companies can not only weather the COVID-19 pandemic, but also take proactive steps that will help them thrive in the future.

Strategies for thriving

Direct selling companies have different strengths and weaknesses when compared with traditional companies, and as such, should be mindful of these unique characteristics in planning for a post-COVID-19 world. In particular, we have identified six strategies direct sellers can adopt to better position themselves for long-term success after the crisis (see Figure 1).

1. Embrace ecommerce

Direct selling companies already rely heavily on ecommerce to bring products to their customers. As waves of stay-at-home

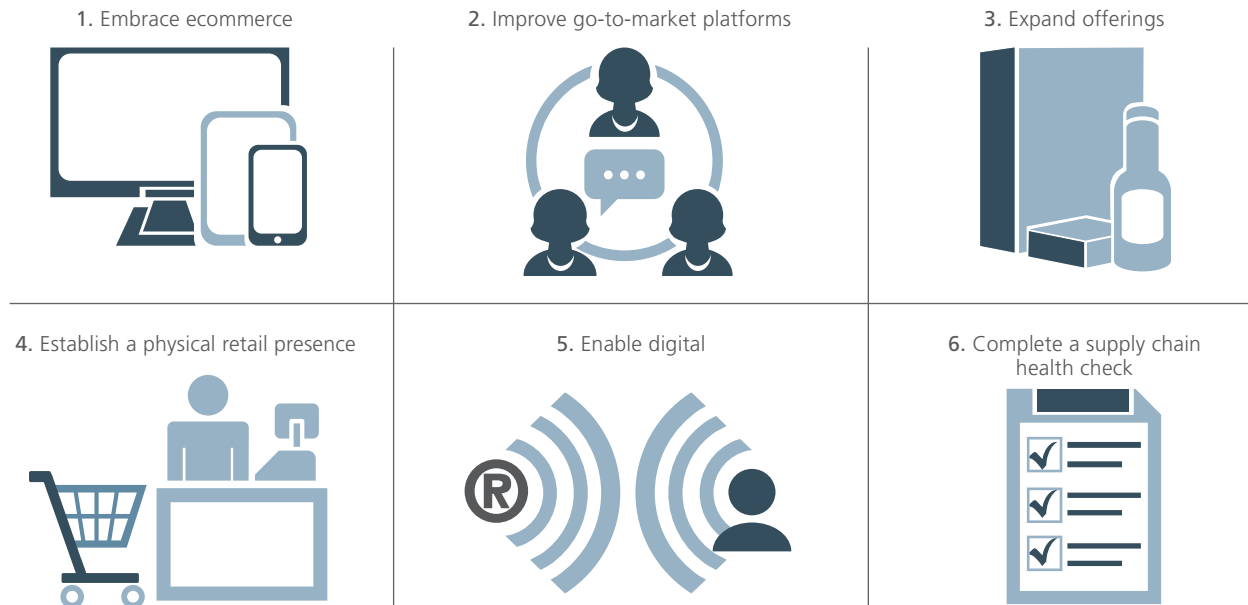
orders prevent in-person interactions between distributors and customers, the following considerations should play an even greater role:

- **Enable frictionless online selling.** Direct selling companies can benefit from making ecommerce more seamless, but need to be mindful not to undermine the distributor value proposition. For example, Mary Kay supports a frictionless online selling experience that automatically attaches a distributor to an order, whereas some companies require customers to take or make additional steps, clicks or calls.
- **Shore up technology capabilities.** Integrated videoconferencing, livestreaming and other digital tools can make it easier (and cheaper) to hold virtual pop-ups and enable consultants to host events. Jeunesse transitioned to using videoconferencing tools to maintain customer contact amid stay-at-home orders and travel restrictions.
- **Offer product subscriptions.** Direct selling companies that focus on wellness are marketing consumable products, making repeat customers highly valued and strongly desired. Building subscription functionality into platforms (think Amazon's Subscribe & Save feature) can smooth and increase revenue streams. One example is Isagenix's Lifestyle Rewards program, which allows customers to create recurring orders.
- **Remove shipping barriers.** Customers have come to expect free shipping when shopping online. Currently, many direct selling companies provide free shipping at or above

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Figure 1
Six long-term considerations for direct sellers



a relatively high order total (e.g., on orders of more than \$150), but they can better compete by removing those barriers altogether. Nature's Sunshine has launched free shipping with no minimum purchase, for example.

2. Improve go-to-market platforms

Direct selling companies can freshen their brand image by improving their go-to-market approach both on platform (via the company website and any related applications) and off platform (on social media). On platform, they should:

- **Establish social purpose.** Direct selling companies should build consumer goodwill by aligning themselves with social missions that match their broader values (e.g., Mary Kay's mission is to eliminate cancer and end domestic violence) while making the social purpose a fundamental pillar of the brand.
- **Refresh the interface.** Upgrading website functionality along with redesigning imaging and modernizing content can improve self-promotion and foster better first impressions. The websites of Arbonne and newcomer Beautycounter have sleek user interfaces that are both aesthetically appealing and easy to navigate, reinforcing their images as modern brands.
- **Microtarget needs.** Direct selling companies can create subbrands and product packages designed to address various wellness trends and beauty treatments that target customers looking for specific solutions (e.g., Nu Skin's Facial Spa).

Off platform, they should:

- **Create a network of customers, not distributors.** Rather than focusing on trying to recruit new distributors, direct selling companies and distributors should use social media to promote soft selling techniques, like leveraging customers to showcase the products and the benefits they've experienced from using those products, as Isagenix does.
- **Target demographically.** Creating eye-catching and relevant content is imperative when it comes to targeting potential customers on social media. So is understanding key demographics — platforms such as Facebook tend to appeal across generations, whereas Instagram and TikTok skew toward the young. Brands can also leverage their own platforms, such as blogs, to target specific age groups (e.g., Goop has a beauty blog that targets young to middle-aged women).

3. Expand offerings

Direct selling companies with strong brands and customer relationships should consider the following in an effort to expand their products beyond core demographics and platforms:

- **Target Gen Z/millennials and seniors.** Many direct selling companies focus on the 35-to-55-year-old demographic, but should also be targeting Gen Z/millennials, who have immense spending power, and seniors, who continue to be

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large consumers of wellness products. Consider CoverGirl, which brought on Maye Musk as a model and spokesperson in 2018 at the age of 69.

- **Expand offerings to men.** Direct selling companies could create significant growth by developing new sublines that target men. Beautycounter, which grew revenue by 35% last year, has launched a men's product line to help sustain that growth.
- **Develop services platform.** Direct selling companies' core offerings are products, but as the global economy continues to become more experience driven, they can expand their reach by developing platforms that both complement their products and compete with new viral services brands, such as Glamsquad.

4. Establish a physical retail presence

While direct selling companies do not rely on physical storefronts to execute sales, even digital behemoth Amazon is reevaluating whether physical retail stores can benefit its online business. While being sensitive to the needs of their distributors, direct selling companies should consider the following:

- **Launch pop-up locations.** Opening temporary pop-up locations allows direct selling companies to showcase their brands and products, as well as take advantage of social media engagement, the way Birchbox, Glossier and Goop do.
- **Open flagship retail locations.** Direct selling companies can adopt "clicks-to-bricks" models by opening up permanent retail locations in select high-visibility locations to establish presence and offer services such as returns. As digital-native brands such as Casper, AWAY and Warby Parker have shown, such flagships build brand awareness, expanding the business.
- **Establish partnerships with retailers.** Direct selling companies can also increase market share and brand awareness by increasing in-person product exposure through partnerships with well-known physical retailers. Lesser-known or emerging brands have gained popularity by selling their products through established retailers — Beautycounter's limited-time partnership with Target is an example.

5. Enable digital

Most direct selling companies have mobile phone/tablet apps and digital tools that enable distributors and potential customers to easily access their brand on the go. However, direct selling companies must ensure such digital enablement is also driving brand value and sales opportunities by focusing on:

- **Relevant content.** Distributors need to be able to use business management and customer selling tools on the go, while both distributors and customers seek a smooth shopping

experience with the ability to view additional information — be they distribution schedules or beauty videos.

- **Intuitive apps.** To optimize the user experience for distributors, direct selling companies must ensure their apps are segmented to provide seamless business and purchasing processes. For example, Arbonne offers four different apps — for business management, payment/e-wallet, online shopping and events.
- **Consistent brand identity.** Mobile apps should promote a consistent brand identity; Arbonne's cross-platform presence is a good example. Apps that are not visually or thematically aligned with the company website, social media and each other may lead to confusion among users.
- **Feedback loop.** Direct selling companies should optimize the user interface experience of their apps by tasking a dedicated set of technical/software engineers with monitoring and regularly incorporating feedback from users and fixing any software bugs.

6. Complete a supply chain health check

Direct selling companies need to view the optimization of their supply chain through several lenses to maintain and/or improve overall health and drive increased business performance. These lenses include:

- **Geography.** Evaluating supply chains through a geographic lens helps balance cost savings against any exposure to foreign politics, removes logistical barriers and maintains reliability. But while using countries with low labor costs can provide massive savings, reliance on a single country risks exposure to unforeseen issues such as tariffs, manufacturing shutdowns and more.
- **Supplier count.** The number of suppliers must be carefully managed to ensure reliability and minimize costs and logistical complexities. Through vendor consolidation, direct selling companies can reduce external costs and leverage volume discounts. However, eliminating too many suppliers can impact business continuity, and over-indexing on a supplier network might hurt profitability.
- **Co-manufacturing.** Direct selling companies must validate any co-manufacturers to ensure they can scale, adapt to changing needs and have the necessary technical proficiency. The right co-manufacturer relationships can reduce supply chain complexity and allow for quick product development, whereas troubled relationships can result in delays or poor quality. Also, as the co-manufacturing landscape consolidates, legacy supply relationships should be reevaluated.

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COVID-19 has affected and will continue to affect the business model, consumer demand and supply chains that are central to direct selling companies. While the exact timing, duration and extent of the impact remain unknown, direct sellers can take many steps to position their sales and communication efforts to show resilience and emerge as stronger and more trusted brands overall. They should also adopt a longer time horizon to review greater strategic transformations and follow industry best practices to create lasting brands with a growth-filled future.

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