

THE EUROPEAN DIRECT SELLING CONFERENCE 2016

Direct Selling: Retail without Boundaries

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Radisson Blu Royal Hotel, Brussels

CONFERENCE REPORT

The global direct selling sector is ready to embrace the changes coursing through the economy, top representatives declared in Brussels on October 6 at the sixth annual European Direct Selling Conference.

The conference, organised by Seldia, the European Direct Selling Association, gathered more than 200 entrepreneurs, executives, policy makers, economists and journalists to debate some of the key challenges facing the industry today.

Seldia's new Chairman, Thomas Stoffmehl, said that far from undermining the industry, internet technologies enabled the direct selling sector to provide even better services to customers. "Direct selling is an industry of myriad opportunities, especially now in the age of the internet," said Stoffmehl, who is also the CEO of LR Health & Beauty. "Everyone in direct selling now wants to take advantage of new technologies, and I see the future very, very positively."

Stoffmehl acknowledged that more work was needed to attract more young people to our business. "No business can grow unless we can offer opportunities to people. If you are not developing business opportunities, then you are not developing businesses," he said. And he addressed head-on some of the persistent criticisms of direct selling, about the value of the products being sold. "The product is the most important thing. Without a good product, you don't have a good business," he said.

The human touch

Philippe Jacquelinet, the CEO and founder of Captain Tortue, echoed the upbeat message. "The industry is in very good shape. We continue to create jobs, which is not the case in all industries," he said. Jacquelinet, a former Seldia chairman, attributed it to the fact that direct selling is the only retail system with a human touch. "Computers are practical, but they are not the same as human interaction. Simply put: we offer the best client buying experience," he said. "The owner of Zara may be the richest man in the world, but it is not that fun to go on Saturday afternoon to Zara."

Jacquelinet said everyone had to adapt themselves to the new technologies. “As humans, we are domestic animals. The more we are on the screen, the more we need to meet,” he said.

Mikael Linder, the EMEA President of Nu Skin Enterprises, said the direct selling sector had to build trust before it built loyalty. “You need to offer something exciting,” he said. “We have to win loyalty. We can’t be complacent. We need to use new technologies, equipping representatives with digital tools.”

Linder added that direct selling had to work on its reputation and simplify its messaging. “Over the years, we have been too much on our heels. Along the way, we have lost our simplicity. We all need to go back to the drawing board,” he said.

Embracing technology

European consumers often face barriers when using online tools and services and businesses have yet to fully embrace the digital cross-border potential. The European Commission has identified the completion of the Digital Single Market (DSM) as one of its 10 political priorities and released its Digital Single Strategy in May 2015.

Kamila Kloc, Deputy Head of the Cabinet of EU Digital Single Market Commissioner Andrus Ansip, came to the Seldia conference to give an overview of what this strategy entails, touching on issues such as affordable parcel delivery costs and geo-blocking¹. She said the Commission was not looking at imposing any pricing proposals. “We have to be careful not to over-regulate. But we do want more transparency,” she said. “Digitalisation is not only about youngsters. It is about everyone in society,” she added.

As regards the speed of the digital transformation and the direct selling industry Doug DeVos, the president of Amway, rebuffed suggestions that the sector was antiquated and could not deal with technology. “As an industry, we can embrace technology. We are part of the future. We can translate that into benefits for our customers. The new economy - Airbnb, Uber - only strengthens us,” he said.

DeVos is also the chairman of the World Federation of Direct Selling Associations (WFDSA), whose next World Congress is in Paris in October 2017. He said the main challenge for the sector was to do a better job telling its story. “We have got to keep it real. We need to communicate how direct selling can help. We need to be transparent about the industry and address misperceptions – we have the data and information to do that,” he said.

Nu Skin Enterprises Marketing Director Michel Van Velthoven explained how embracing ecommerce and digitalisation helped boost revenue dramatically. “It’s not rocket science –

¹ Geo-blocking refers to practices used for commercial reasons, when online sellers either deny consumers access to a website based on their location or re-route them to a local store with different prices.

there are some features you can duplicate online,” he said. “We developed stories for each product. We made it simple: people don’t want to think when they purchase. And we listen: 70% of searches on our products are on hydration. So digital is not just something you do. It’s a full mindset.”

Robert Cavitt, the CEO of Jenkon, agreed that the digital transformation was being driven by the changing mindsets of customers. “We all need to be monitoring how our customers and sales teams are using them,” he said. “Digital transformation is a bigger beast than you think, it’s a bigger beast than you are being told, it’s more risky than you think, it’s more risky than you are being told. And it’s not an IT team issue – it has to be embraced by everyone in the organisation.”

Gerd Niedernhuber, the Co-president of PM International, said the younger generation had no problems adapting new technologies to direct selling. “I see young reps all looking forward to using new tools, but still keen to meet people. That showed me that even in the future, our business is a people business,” he said.

How EU consumer protection rules can help

The current review of the European Union’s consumer legislation is aimed at assessing the overall effectiveness, efficiency, coherence, relevance and EU added value of the existing regulatory framework, according to Veronica Manfredi, the Head of the European Commission’s Consumer and Marketing Law Unit. Outlining the Commission’s plans to review EU consumer legislation (REFIT), she clarified that six pieces of legislation are subject to the so-called ‘fitness check’: the 2005 Unfair Commercial Practices Directive (UCPD), the 2006 Misleading and Comparative Advertising Directive (MCAD), the 2009 Injunctions Directive, the 1998 Price Indication Directive, the 1999 Sale and Guarantees Directive and the 1993 Unfair Contract Terms Directive (UCTD). Furthermore the 2011 Consumer Rights Directive (CRD) is also under policy review. Manfredi said the fitness check is, among other things, looking at alignment issues: for example, whether to simplify the UCPD information requirements for the invitation to purchase in view of the more comprehensive pre-contractual information requirements under the CRD. However, issues such as whether to give consumers the right to individual remedies under the UCPD or to possibly introduce a blacklist of recurrent and harmful standard terms and conditions are also under consideration.

There have been 436 replies to the Commission’s online public consultation, of which 176 came from companies or groups of companies, 97 from individual consumers, 51 from national business associations and 39 from European business associations. This input will, together with various commissioned studies and the establishment of the select expert stakeholder group of which Seldia is a member, feed into the Commission’s final fitness check report. This will outline the Commission’s policy intentions regarding follow-up actions and is due to be published in May 2017.

While there is solid support from individual consumers and business for further harmonising consumer and marketing rules, that falls to under a half for consumer and business associations. Public authorities and individual consumers backed the introduction of an EU-wide black-list of banned contract terms, – a proposal supported by Evelyne Terryn, the Vice-Dean KU Leuven, and a professor of consumer and commercial law, who said blacklists are deemed to be clearer than indicative lists. However, this proposal received little support from business.

Christoph Schmon, Senior Legal Officer of consumers' organisation BEUC, underlined the importance of redress when things go wrong and also stressed the need for better enforcement and to ensure consistency through all sales channels. "Consumers do not care if they buy things online or offline. They just want effective legal guarantees," he said. Imelda Vita, Senior Corporate Affairs Area Manager of Amway echoed Schmon's call for alignment between offline and online contract law rules at the EU level as well as for better implementation and enforcement in Member States.

Building customer trust

The personal approach in direct selling means that one of the key factors in sales is the trust generated with the customer. But trust is becoming increasingly elusive in the modern world, according to Sebastian Kotow, the CEO of MindShift Lab, a firm that specialises in trust management.

"We know trust is important, but we don't always see why," said Kotow, who explained that trust was an undervalued and poorly understood concept. For business, though, trust is crucial, he said. "When trust is high, speed is high, the cost is low," he said. "When trust is low, everything slows down and costs rise. Speed happens when people truly trust each other. When trust is high, the energy is high, joy is high."

Investor Warren Buffett once said that it takes 20 years to build a reputation and five minutes to lose it. Kotow said that while this was true, trust could be learned: he urged the audience to engage in trust-increasing behaviour, like swift communication, transparency, and correcting mistakes, while avoiding trust-forfeiting behaviour like breaking promises and giving false impressions. "Yes, we are operating in an increasingly low trust world, but if you know how to create trust, it can be tremendously advantageous," he said.