

Designs by kate: the power of direct sales

[Business](#), [Marketing](#)



Designs by Kate: The Power of Direct Sales A: What are the key elements of the DBK model in terms of sales force selection, motivation, and support?

Sales Force Selection

Initially DBK hired sales people through word of mouth and placing advertisements in women's magazines. There was no selection procedure. Anyone desirous of becoming a sales representative of DBK had to purchase a 'Launch Kit' priced at \$250. The targeted advertising coupled with the launch kit fee attracted only the suitable and more importantly serious candidates. By mid-2006, DBK had a sales force of 600 women. At present, DBK has a massive sales force of 8, 000. Majority (90 percent) of the sales team has been hired by existing sales personnel.

Motivation

The lucrative, slab based commission payout provided the motivation to the sales representatives. The sales personnel earned commission of 25 percent on their sales. If the sales crossed \$1000 in a given month, the rate of commission increased to 32 percent. In addition to this, sales representatives were entitled to 'leadership dollars' on the sales made by other sales representatives that were recruited by them. By selling more, sales representatives could upgrade to the position of managers and directors and qualify for higher leadership rates.

Support

DBK's online learning platform formed the core of the support system at the company. This platform disseminated information and training to the sales representatives through online videos. Among others, the topics included use of social media like Facebook to boost sales. With the help of these

videos, the sales personnel could also learn how to display DBK jewelry effectively and how to put together a DBK party. The sales representatives were encouraged to develop their own website to enable them accept online orders. A separate team, referred to as DBK Designers was responsible for developing training material like online videos, brochures and email blasts.

B: What are the main challenges for the business?

DBK operates in the direct sales industry. The industry as a whole has declined from \$32. 2 billion in 2007 to \$28. 3 billion in 2009. Immensely successful companies like Avon, Mary Kay, Tupperware and Herbalife operate on the direct sales model. Avon and Mary Kay have superior payout structures as compared to DBK. There is thus a possibility that DBK sales representatives shift to rival organizations especially after their individual markets begin to saturate.

Another flaw in DBK's business model was that the existing sales representatives witnessed a fall in earnings when they recruited new sales representatives under them. The reason was that the existing representative and new recruit had common friends which led to division of sales. The main challenge for DBK is to keep the existing sales force happy and yet recruit more people to ensure further growth.

C: Outline your solution

DBK's revenue has steadily grown from \$5 million in 2006 to \$75 million in 2010. The company's success rests on volume-driven growth. DBK should continue the existing recruitment model wherein the existing sales representatives build their team. Avon and Mary Kay have become multinational organizations using the same business model.

To address the problem of decrease in earnings of individual sales representatives, DBK should introduce a system of joining bonus wherein an upfront bonus of \$75 is paid to the sales representative when a level 1 team member is recruited. Since the decline in earnings is not significant when the level 2 member is recruited, the bonus amount can be reduced to \$25. These increased earnings will remove the sales representative's grievance and keep DBK on the growth trajectory.