

# Direct Sales: Misperceptions Product, Price, Place, Perception

By Keith Laggos, PhD  
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## Product, Price, Place, Perception

There are many misperceptions about direct sales and network marketing. One misperception that is often promoted about this industry is that our products are over-priced snake oil.

The news media, some authorities and those in the retail distribution chain would have people think that our products are excessively overpriced. They would argue that we use high multipliers over cost, just so we can pay our distributors excessive commissions.

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Some of them would like to create the perception that our products are unsafe, untested, misrepresented and inferior. They have tried to create a perception that only the products that are produced by the large pharmaceutical manufacturers, sold through retail outlets are safe and properly priced.

The truth of the matter is that in many cases, the opposite may actually be true. Unless of course you believe that Kentucky Fried Chicken is a health food! Recently, estrogen treatments for women have been questioned because of the resulting side effects discovered. This is not an uncommon occurrence with accepted medical treatments and pharmaceutical drugs. How often have you heard of well-accepted practices or drugs of one generation to become suspect, controversial or discovered harmful by the next generation? You would have to wonder if the pharmaceutical industry's huge Congressional lobby expenditures have contributed to some of these problems.

Does direct sales and network marketing ever have questionable products? Sure it does. You even have to expect that an industry renown for entrepreneurial innovation will have more than its share of cutting-edge products that may have questionable side effects. On the other hand, many new, innovative products have been introduced through this industry and some have become mainstream.

Established Industry Threatened? From my perspective, much of the traditional medical fields' and pharmaceutical criticism has resulted from their lack of acceptance of any other medical treatments or cures from other cultures. This occurs even when these alternatives have centuries

of proven track records. When the direct sales and network marketing industry offers alternative treatments or preventive cures, it challenges their complete control, as well as, competes for the billions of dollars spent on healthcare.

Although, one could write much on the industry's innovative product topic alone, I would like to defend the other part of the misconception of direct sales and network marketing products. Everyone in direct sales knows our story. We use a shorter, more direct distribution chain and avoid expensive retail outlets. This allows direct sales and network marketing companies to offer superior products at greater values, while providing high commissions to our distributors. Yet, we are accused of just the opposite. What is the truth?

Let's review some history. When Neways introduced the thigh cream, television magazine talk shows ran negative reports. They insinuated that the products didn't perform as marketed. They implied that the Neways thigh cream was far overpriced, just to pay several levels of distributors for each sale.

A couple weeks later, pharmaceutical companies sold their new thigh cream through local retail outlets. Many of the same television magazine talk shows now praised these new thigh cream products. The pharmaceutical companies' new thigh cream had less active ingredients, cheaper alcohol instead of oils and was sold at a higher price. Why this change of heart? Perhaps the fact that these pharmaceutical companies and their subsidiaries spent a small fortune advertising on those television stations had an influence.

The diet and stop-smoking patches first were introduced via direct sales and network marketing. The Food & Drug Administration was lobbied to place a cease and desist order against the direct sale companies who were marketing the patches. The pharmaceutical companies introduced their patches just two weeks after that. Could much of the criticism about direct sales and network marketing products be monetarily motivated? How about the pricing?

In both cases above, the network marketing pricing was less than the later-released pharmaceutical companies' prices. Is this unusual? I don't believe so.

Our Industry's Products Are Better. Recently, Avon attempted to market a line of its product through a couple of major retail chains. When this fell through, the retail chains stated that Avon's products were not of the same quality as the retail chain's other lines. However, it may have been that these other lines worked hard to keep Avon out. Why? I believe it was because Avon's products were not only as good as, if not better than, the other high-end competitive lines; they are priced competitively, even with lower-end product lines. It is Avon's ability to offer high-quality products at prices women earning an average income can afford, which has made Avon a \$6 billion company.

I personally use products of many of the companies in this industry. I have used Amway's shoe polish spray, First Fitness diet shakes, Enliven's protein fitness bars, Melaleuca's Tea Tree hand soap, PMI's Activize OXYPLUS and Symmetry's Glucosamine Formula products. This is just a partial list of the products that I purchase and does not even include all of the free samples that I have consumed. The reason that I purchase and use these products is because they are both superior and better priced than those available in retail stores.

I purchase two jars of Symmetry Glucosamine Formula a month. If I stop using it for a couple of days, my knees start hurting again. I recently, checked the price against similar products readily available in large drug store and health store chains. Competitive products' prices started at slightly less to much higher than Symmetry's. However, even the higher priced products were tablets or capsules instead of the powder form that is mixed in water such as Symmetry's product. Symmetry's product assimilates faster and better into my system, than even the most expensive alternative product recommended by the pharmacist that I have tried in the past.

Recent, Real-life Example. In November, I was helping a new company with its product pricing and compensation plan. We did a brief survey of similar prices at major health supplement store and drug store chains. We started to create competitive pricing and found that we could have mark-up factors of eight or more. This company's products were made of superior ingredients and would be assimilated at a much higher rate. Since the company was new, its initial manufacturing runs were small. As orders increased, the product cost would naturally decrease resulting in even higher mark-up factors.

After the client set competitive pricing based on this initial survey, I had to inform them that they would not be competitive with other direct sales and network marketing companies with similar products. Even though they set prices that were lower than the health food and drug store chains, this company had to adjust their prices down to compete in the direct sales/network marketing industry.

The more we investigated, the more we found that most of the direct sales/network marketing industry products prices were lower even though the products were superior. This did not take into account that many of these products are preventive. In addition, direct sales and network marketing products' prices are a very small fraction compared to pharmaceutical companies' prescription products. This holds true for both preventive and curative products. Could this be one reason why the pharmaceutical industry spends billions of dollars lobbying to help control the health and wellness market?

The fact that direct sales and network companies use their customers' homes as the place of business, instead of retail outlets, has resulted in superior products at lower prices. However, other industries have a lot at stake to keep this a secret from the public. In fact, they have often done whatever they can to discredit our industry. The direct sales and network marketing industry must work hard to correct the public's wrong perception.

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