



Direct Sales Offer Recession-proof Jobs

By Charisse Jones, USA TODAY

Not long ago, Craig Lapp made his living driving a truck that helped carve Southern California's soil into new developments. But then housing sales slumped, and in November 2007 Lapp's construction company let him go.

While he searched for another job, Lapp began working alongside his wife, Lynne, in a business based in their Temecula home, selling nutritional supplements made by the direct-sales company Isagenix. Nearly two years later and with no construction job in sight, Lapp says a one-time sideline has become the couple's bread and butter.

Got A Budding Business?

"It's paying our mortgage, our car payments ... putting food on the table," says Lapp, 55, who adds that he and his wife are earning a six-figure income. "It was our 'Plan B' that turned into our 'Plan A.' "

Direct-sales businesses that rely on home-based representatives to peddle their wares are seeing their sales forces rapidly expand as the nation's unemployment rate soars to nearly 9% and those who lost jobs and nest eggs look for new ways to make money.

"We're recession-resistant in the sense that more people come to us during economic hard times for supplemental income or replacement of a lost job," says Neil Offen, president of the Direct Selling Association, the trade group that represents the largest U.S. direct sales companies.

While 2008 industry figures aren't yet available, "Anecdotally we're hearing that recruitment is up and ... unfortunately as the unemployment rate rises to 10% or higher, we'll be picking up more people who need an income-earning opportunity."

The recession has become a recruiting tool. An Avon (AVP) cosmetics representative declares in TV ads that "I can't get laid off. It's my business." Companies such as Isagenix, a marketer of weight-management and nutritional supplements and snacks, and jewelry maker Silpada Designs are coaching their representatives to spread the word that direct selling can keep you afloat in the faltering economy.

"Right now, our direct-selling opportunity is really the No. 1 product that we have to sell," says GERALYN BREIG, president of Avon North America.

With that in mind, Avon this year launched its most ambitious recruitment campaign and saw its U.S. sales force grow to more than 680,000 through March, its largest ever, Breig says.

The same month, cosmetics company Mary Kay began airing its first TV ad for new representatives. In its first three days, visitors seeking information about becoming "beauty consultants" at MaryKay.com spiked 108%.

Silpada Designs, a Lenexa, Kan.-based company specializing in sterling silver jewelry, says its sales force in the U.S. and Canada was up 11.8% on May 1 from a year earlier. And Chandler, Ariz.-based Isagenix says its sales force was up 30% in March from a year before.

The hope is that larger sales forces will grow revenue, even in an economy that has shrunk sales for many companies.

"Representatives and recruiting are a leading indicator of future sales," says Jerry Kelly, Silpada's CEO, who acknowledges sales for his privately owned company were down roughly 10% in the fourth quarter of last year. "We're optimistic that we're going to fare fairly well this year as a company in a very difficult climate. ... We're seeing a more determined and focused representative who might be looking to supplement lost income for their family."

There are roughly 15 million direct sellers in the U.S. — independent contractors who sell goods or services primarily through parties, demonstrations in someone's home and one-on-one interactions. In 2007, the most recent year available, the sales industry generated \$30.8 billion in U.S. sales, according to the Direct Selling Association.

Sellers are Recruiting

Avon aired its first infomercial last month, and rather than promoting makeup or skin products, it targets new recruits. The company kicked off its TV commercials earlier, with a 30-second spot during the Super Bowl pregame show in February. That ad, a 60-second spot and the infomercial will air all year.

The cosmetics company is also going to job fairs this year, scouting for new salespeople at more than 140 such events, Breig says. It's also beefed up its presence with online job search engines and since February has

had a recruiting ad in the front of every one of its brochures.

“We’re executing the boldest recruitment campaign ... in our history,” Breig says. “It’s part of our mission to enable women to have a financial solution.”

That resonated with Elizabeth Leyba, an assistant office manager for a plumbing company who lives with her family in Munster, Ind. Leyba saw her hours cut last year and needed a way to make up her lost income while maintaining her office job and busy household.

So in April 2008, after watching a TV commercial for Avon, she decided to give it a try. In the year since, she has discovered that she is an entrepreneur.

“I didn’t know it, and I’m thrilled that I am,” says Leyba, 39, who has sold more than \$10,000 worth of Avon products and hopes to sell full time. “Even though there’s a recession, even though the economy is bad, my business has continued to grow.”

Leyba’s Avon earnings have paid for everything from gas to her 17-year-old son’s senior pictures. “I’ve been working since I was 16 so, you know, I like the fact ... it’s your own business,” Leyba says. “I am in control of my future now. Not corporations.”

Compensation systems vary, but representatives primarily earn money from commissions on product sales or by purchasing the products wholesale and selling them at retail prices, says the Direct Selling Association. Commissions on sales typically are 25% to 50% of retail.

While representatives may also earn a small commission on the sales from representatives they’ve recruited, legitimate businesses do not use recruitment alone as a basis for compensation, the association says.

Denise Ruiz-Cabrera, 31, of Branchburg, N.J., was nearly five months pregnant in March 2008 when she lost her job as a corporate recruiter. She could not find a new job.

“I exhausted almost every single contact that I had,” she says of her search. Though she’d used Avon products, she’d never thought of selling them until this year. She saw one of Avon’s recruitment ads, “and I thought to myself, ‘Why don’t I do that?’”

Knocking on doors is history. Direct sales representatives now find new customers through such methods as referrals, gatherings and parties,

spontaneous meetings on the street and the Internet. Ruiz-Cabrera is one who does it all.

“I’ve sort of coined the term, ‘Welcome to 21st-century Avon,’” says Ruiz-Cabrera, who has a personalized website maintained by the company. She carries brochures in her purse and her baby’s stroller, promotes favorite products on her Facebook page and meets new representatives she’s recruited at the local Starbucks.

“I think people in these times, we’re hungrier than we used to be,” says Ruiz-Cabrera, who has made as much as \$1,000 a month with Avon. “I had jobs lined up in the pipeline that all fell through because of the economy, and I focused all that energy on my business and in three months I’ve built something that looks to be pretty promising.”

Retirees Join in the Trend

It’s not only those who have lost jobs or endured pay cuts who have turned to direct selling.

“We’re hearing a lot from women who’ve recently graduated or are about to graduate and are finding it to be quite a challenge to find a career,” says Rhonda Shasteen, Mary Kay’s chief marketing officer. Then there “is the other end of the age spectrum: women who are approaching retirement age, and saw a lot of their savings wiped out, and find themselves with a very short time frame and with a need to make up a lot of money.”

Lawanna Lloyd, 66, and her husband, Rodney, 69, retired in 2000. But in the wake of the stock market fall, Lloyd says they are now worth about half of what they were just 18 months ago.

To make their retirement nest egg last longer, Lloyd’s husband returned to work last year, teaching chemistry at a private school in their town of Boerne, Texas. Then Lloyd, who was a stay-at-home mom through most of her marriage, decided she needed something, too. “That’s when I signed up with Silpada,” she says.

She is rattled that there was a need for her and her husband to return to work at all.

“It doesn’t feel good,” Lloyd acknowledges. “It makes life very uncertain, and scary. ... Who wants to go back to work?”

But she made more than \$500 from her first jewelry parties in April, and she enjoyed hosting them.

“I think Silpada does provide the perfect solution for earning some money and being able to set my own schedule,” she says. “We had decided that we would do something ... to earn income for four or five years and see where we are then. Hopefully by then the market will have recovered and we’ll feel like we can retire again.”

Kim Joseph, 26, of Stewartsville, N.J., received a master’s degree in public health in 2006, but has struggled ever since to find a job in her field. She worked for her sister as a nanny before getting a full-time position as an account manager with a marketing solutions company.

Last June, she decided to start selling Mary Kay cosmetics on the side, partly to earn extra cash for her upcoming wedding. She now intends to forgo a public health career and eventually sell the makeup line full time.

“I’ve been able to see how being a consultant gives me room to impact the lives of women,” says Joseph, who added that selling Mary Kay also gives her freedom to spend more time with her husband without crimping their household income.

Direct selling is a fluid industry, with only 10% of representatives working “full time,” or at least 30 hours a week. Many work only long enough to meet short-term goals, such as holiday presents.

But some who work in or watch the industry believe the severity of this recession may cause more sellers to stick with it, even when the economy rebounds, at least as a way to supplement their income.

“I truly believe this has readjusted people’s thinking,” says Kathy Coover, executive vice president and co-founder of Isagenix. “With this economy, people can’t take their jobs for granted anymore. They have to have another alternative ... so if something does happen, this is their safety valve.”

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