

New Perspectives



DIVERSITY & DIRECT SELLING: How Much Money Are You Leaving ON THE TABLE?

by Miriam Muléy

Few companies are untouched by the power of women, and certainly fewer still can realistically plan a strategy of growth without taking diversity and women of color into serious consideration as intelligent, informed and savvy buyers. The growing population, education, affluence and professional attainment of these buyers have a direct and disproportionate impact on the revenue and profits of several of the largest industries within direct selling: home & family care (cookware, appliances); personal care (cosmetics, skin care, fragrance, jewelry); wellness (weight loss products, vitamins); services (financial, real estate, brokerage, etc.); and other industries. Moreover, as women and diverse consumers—Black, Latino and Asian—gradually displace the “general market” as the dominant group both at the national level and in major geographic markets, companies will become increasingly more dependent upon these audiences to not only grow, but to achieve total corporate sales projections. (See Table I: U.S. Diversity Snapshot).

Table I: U.S. Diversity Snapshot
Population and Buying Power

	Population (M) 2005	Population (M) 2010	Buying Power (\$B) 2005	Buying Power (\$B) 2010
Latino	42.4	49.4	\$735.6	\$1,086.5
Black	38.0	40.6	760.7	1,023.4
Asian	13.2	15.3	396.5	578.8
Native American	2.9	3.1	51.1	69.2
Bi/Multi Ethnic	4.5	5.0	80.6	111.7
Total U.S.	296.1	310.1	\$9,100.8	\$11,847.0

Source: Selig Center for Economic Growth, May 2005

Consider the following supporting facts and role of diversity in driving sales across several direct selling industries:

- **Home and Family Care:** The largest of all industries, at 32.0 percent of U.S. Retail Direct Sales. Latino and Black women are significantly more likely than non-Hispanic Whites and younger females to cook and eat at home

versus to go out and dine at a restaurant. (See Table II: U.S. Average Annual Expenditure & Share of Total Spending).

Food is regarded as more than just an eating pleasure; it is a way to pass on the culture, to maintain the closeness of the family unit and to preserve important meal traditions. It is no surprise, then, that Latino and African American women spend \$64 billion and \$57 billion, respectively, on food and food-related items and skew higher in the use of cookware, utensils and baking items due to the more frequent at-home meal preparation. Direct sellers in the cookware and appliance industry have an opportunity to generate incremental sales by targeting these women through a network of sellers who mirror the population, through catalog and Web images that include diversity, and through product development efforts that identify potential gaps in special cookware and baking utensils used by Latino and Black women for traditional ethnic meal preparation.

• **Personal Care:** Represents 29.4 percent of U.S. Retail Direct Sales. Black and Latina women—and Asian women to varying degrees—are heavy users of cosmetics, hair care, hair coloring, fragrance, jewelry and toiletry products. They use more, spend more and are introduced to personal care products as essential grooming aids at an earlier age than their non-Hispanic counterparts. According to *Progressive Grocer*, and as reported by *Packaged Facts*, the personal care industry (cosmetics, skin care and hair care only) is estimated at \$60 billion; diverse women account for a minimum of 12.5 percent of these sales, or \$7.5 billion in retail volume. Moreover, Latino and Black women are heavy users of the multibillion-dollar fragrance and jewelry industries, reinforcing the importance of directly appealing to these consumers in marketing communications, advertising sales and product plans for added revenue

and profits. Clearly, with diversity at over 34 percent of the U.S. population and with a combined \$2.0 trillion in buying power (2005)—forecasted to grow to 37 percent of the U.S. population with \$2.9 trillion (2010)—direct sellers in the personal care industry would do well to understand how her *physiology and ethnicity* affect her purchase decisions in hair care, cosmetics and skin care, and be aware of how her *cultural values and language* shape her acceptance of a brand—whether as a celebration of her “femininity” as a Latina woman, her desire to be “heard” as an independent woman of African ancestry, or the desire for high quality and excellence noted among many Asian and West Indian women. Additionally, by appreciating how her *aspirations and self-esteem* will drive both her motivation to be successful as an independent entrepreneur as well as shape how she expects to be greeted when approached as a customer and by considering the images used to represent her in advertising, Web and catalog marketing can make a difference in how successful

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leaders in the direct selling community are in converting diverse women to consider and purchase their brands.

Financial/Real Estate/Brokerage Services:

Represents 15.4 percent of U.S. Retail Direct Sales. Direct sellers whose services include financial products have an enormous opportunity to tap into the dreams, aspirations and economic clout of ethnically diverse women. While 67.6 percent of the U.S. population own a home, only 48.5 percent of African Americans, 53.8 percent of Latinos and 56.5 percent of Asians are homeowners. Each audience varies in their approach to financial investments, direct sales companies must understand and leverage these insights for maximum sales results. Specifically, due to the critical role that Black women play in financial decisions (61 percent of all Black women influence the decision to purchase a home vs. 42 percent among Caucasian women; 62 percent of all Black women influence financial investment decisions vs. 51 percent among Caucasian women), marketing outreach efforts that are inclusive from a gender and diversity perspective will be successful. Twenty-three percent of Latinos (vs. 8 percent of non-Hispanic Whites) are saving to buy a home*, and 60 percent of the Spanish-speaking population is "very/somewhat likely" to buy a home in the next three years. However, only 43 percent (vs. 66 percent of non-Hispanic Whites) have traditional savings accounts and only 60 percent (vs. 84 percent of non-Hispanic Whites) have checking accounts. Cash is the preferred form of payment among Latinos, underscoring the need for financial education and training as critical components to any business plan designed to increase financial services' share among this group of consumers. While Asian home ownership is below the U.S. average, the median value of Asian homes is significantly higher than U.S. homes (\$199,300 median price compared to \$122,200 median price among Americans, in general). And, according to the Census Bureau, the average American savings deposit balance is \$10,000, whereas among Chinese, the average balance is \$17,000. The wealth and asset base of the Asian consumer would suggest that direct sellers take a more sophisticated "partnership" approach with the Asian community, reinforcing their understanding of the significance asset accumulation represents to this audience.

Wellness: Represents 15.3 percent of U.S. Retail Direct Sales. Direct sellers have an opportunity to tap into the \$350+ billion worldwide pharmaceutical industry and grow sales among an under-served and un-served diverse marketplace. According to the *Yankelovich Monitor*, 26 percent of African Americans and 17 percent of Hispanics, compared to 16 percent of non-Hispanic Whites, believe in "taking a holistic approach to health," supporting a preventative approach to healthcare. The high percentages of those without health insurance (32 percent of Hispanics, 20 percent of African Americans and 18 percent of Asians

are uninsured compared to 11 percent of Caucasians), and the high incidence of smoking, other diseases (heart disease, cancer, diabetes, asthma), and obesity (among African Americans and Latinos) underscore the need to reach ethnically diverse consumers—and women as the gatekeepers for their families—with education, health and empowerment tools before more serious medical treatment is required. "Wellness" based product lines (vitamins, weight-loss products, health education, etc.) can provide important and life-changing support to these consumers who are aware, but not necessarily always armed with, preventative healthcare products and information.

Clearly, the evidence and support for diversity as a source of increased sales across several key categories within the direct selling industry is evident from the findings presented. However, as a CEO or president of a corporation, how can you quantify the upside associated with expanding or, perhaps for the first time, creating an integrated diversity business plan for your specific company? How can you ensure that you

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Table II: U.S. Average Annual Expenditure & Share of Total Spending

	Latino	Black	Asian	Total U.S.
Food At Home	10.4 percent	9.3 percent	7.4 percent	8.3 percent
Food Away from Home	6.1	4.7	6.6	5.5
Alcoholic Beverages	0.9	0.6	0.7	0.9
Housing	35.6	37.0	36.3	32.4
Apparel & Services	5.1	5.6	3.9	5.0
Transportation	19.6	17.7	16.6	18.5
Health Care	4.2	4.6	4.4	5.3
Entertainment	3.6	3.5	3.8	5.2
Personal Care	1.4	1.6	1.2	1.5
Reading	0.1	0.2	0.2	0.5
Education	1.4	1.5	4.2	1.6
Tobacco/Pets	0.5	0.6	0.3	0.8
Cash Contrib	1.7	2.9	2.9	2.9
Personal Ins.	8.2	8.7	10.6	9.3
Misc.	1.2	1.6	1.0	2.4
Total Spending	\$24,575	\$28,708	\$44,923	\$40,817

NOTE: Gold shading indicates categories of over-consumption versus the U.S. average
Source: Selig Center for Economic Growth, May 2005.

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achieve and exceed your fair share of diversity dollars and not, "leave money on the table?"

The author would suggest a simple starting point, captured below in an illustrative example. The results are applicable to a wide range of direct selling companies regardless of the product portfolio sold—wellness products, scrapbooks, cosmetics or other items—and demonstrate the importance of pursuing a dual strategy of growth among diverse consumers, as well as core traditional consumers, for maximum business results. The example also presupposes that an internal measurement system is in place to track diversity sales—either through voluntary consumer reporting of ethnicity that does not infringe on privacy laws or through a recognition that people will be most comfortable in selling to individuals like themselves—thereby assessing diversity penetration through the ethnic demographics of one's sales force. In either scenario (i.e., voluntary consumer or direct sales demographic and ethnicity data), one can begin to approximate the impact of diversity on total company sales—both current and longer term.

In the example presented here (See Table III: *Shifting Demographics and Theoretical Impact on Market Share*), it is clear that the current position the corporation holds among diverse consumers (2.0 percent market share) is significantly below the category consumption represented by this audience (12.5 percent industry consumption). If the company were to increase its market share among diverse audiences, while maintaining a position of strength among its core traditional users, total corporate market share would increase almost a full share point from 9.1 percent to 10.0 percent over a five-year period. Using a hypothetical industry volume of \$10 billion, this +0.9

Table IV: Shifting Demographics and Theoretical Impact on Market Share Company X

	2005 Market Share	2005 percent Industry	2010 Market Share	2010 percent Industry
Diversity Share	2.0 percent	12.5 percent	2.0 percent	15.0 percent*
General Market Share	10.0 percent	88.5 percent	10.0 percent	85.0 percent
Total Market Share	9.1 percent	100.0 percent	88 percent	100.0 percent
Share Loss	N/A	N/A	-0.3 pts	N/A
Sales Loss	N/A	N/A	(\$30MM)	N/A

*Example only. Assumes category growth comparable to demographic population growth rates.

share point increase translates to an incremental \$90 MM sales for the company.

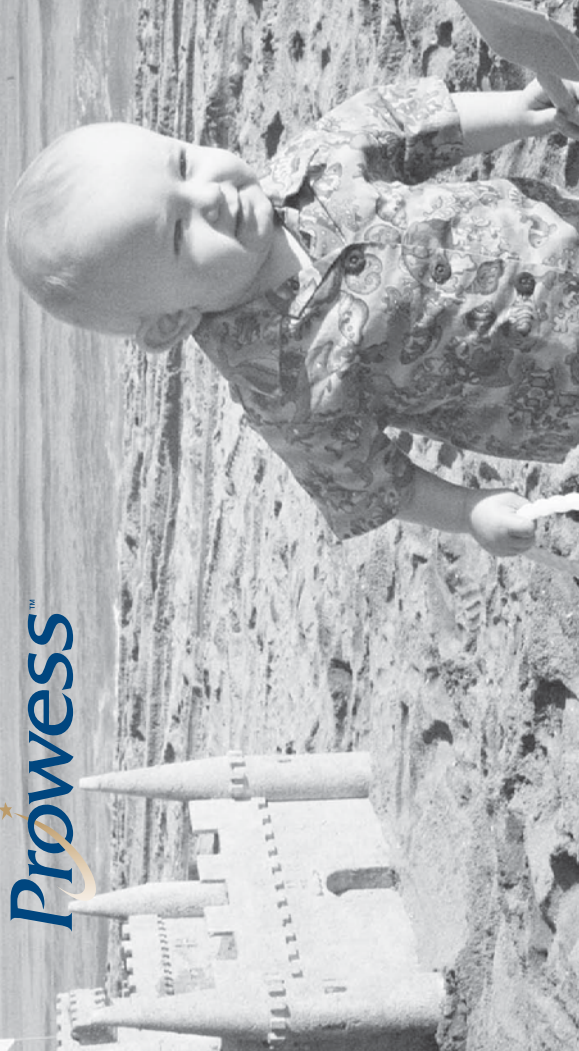
Conversely, in the absence of an overt outreach effort to drive sales against a diverse buying audience, and instead, by maintaining a singular focus against the traditional markets as the primary source of volume, this same company would decrease its total corporate market share by -0.3 share points to 8.8 percent (from 9.1 percent) and risk \$30 MM in sales within a short five-year period. This assumes the company would not experience further erosion in market share from its current base of diverse consumers—an optimistic assumption that minimizes the full potential downside risk of this scenario (See Table IV).

The opportunity for increased market share in the direct selling industry by targeting women and diverse consumers is clear. The risks of maintaining the "status quo" increase with every year that passes and with every gain made by women and diverse consumers in the economy: Will you leverage a consumer audience that is virtually uncontested by competition and marginalized by others as inconsequential to the bottom line to improve your P&L? Will you challenge your teams to identify gaps in the planning process and ensure diversity is elevated as a mandated business priority? What choice will you make? How much money are you willing to leave on the table? 🍀



Miriam Mady is the Founder and CEO of The 85 Percent Niche, which offers strategic marketing consultancy, which includes diversity training, brand consultation, advertising development, promotion planning, new product development, public relations support and more. Visit Miriam's Web site at www.85percentniche.com, or email her at miriam@85percentniche.com.

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Table III: Shifting Demographics and Theoretical Impact on Market Share Company X

	2005 Market Share	2005 percent Industry	2010 Market Share	2010 percent Industry
Diversity Share	2.0 percent	12.5 percent	10.0 percent	15.0 percent*
General Market Share	10.0 percent	88.5 percent	10.0 percent	85.0 percent
Total Market Share	9.1 percent	100.0 percent	10.0 percent	100.0 percent
Incremental Share Gains	N/A	N/A	+0.9 pts	N/A
Incremental Sales Gains	N/A	N/A	+\$80 MM	N/A

*Example only. Assumes category growth comparable to demographic population growth rates.