# Formulating Direct Sales Customers' Satisfaction Strategies: Application of Importance-Performance Analysis (IPA) Approach

*Rosidah Musa*
*Faculty of Business Management*
*Universiti Teknologi MARA (UiTM), Shah Alam*

ABSTRACT

*In highly competitive markets, customer satisfaction is a key driver in realising positive outcomes such as customer loyalty, customer retention and, ultimately profitability, thus making its measurement and management crucial. Despite its importance, the attempt to understand what makes customers satisfied remains a difficult task and this pose key challenge and is a critical management issue today. For these reasons customer satisfaction is the primary focus of this study. The data for this research was collected from 400 customers of the direct sales channel within three districts in Klang Valley via 'drop off and collect' survey technique. The present study aims to unravel the key attributes that drive customer satisfaction with the direct sales channel. Consequently, these attributes will be analysed in order to develop and formulate marketing strategies by utilising the Importance–Performance Analysis (IPA). IPA is an easy-to-use analytical technique that offers prescriptions for the management of customer satisfaction. The results have important implications for future research directions and management practise.*

ISSN 0128-5599

## Introduction

Compelling evidence expounds that in the effort to improve business performance; customer satisfaction should be measured and managed. In fact, the new ISO 9000 revision requires firms to collect and act on their customer satisfaction data. Not only is customer satisfaction regarded as a valued outcome of good marketing management practise (Malthouse et al. 2004), its maximization has emerged as a top priority strategy for most business organizations (Fournier and Mick 1999; Woodruff 1993). This is in alignment with the customer-orientation philosophy that has become the fundamental basis of continuous improvement of prevailing business approach (Grigoroudis and Siskos 2002; Mittal and Kamakura 2001). Moreover, accumulating research evidence has established that satisfaction may be a means to strategic ends; such as customer loyalty and customer retention, that directly affects company's profits (Bernhardt et al. 2000; Burnham et al. 2003; Shun et al. 2004; Zeithaml 2000). Similarly, Kristensen et al. (1999 p. 602) convincingly asserted that customer satisfaction is a key issue for every company wishing to increase the value of customer assets and create a better business performance. In view of this, it comes as no surprise that customer satisfaction has received much attention in the marketing literature and is the primary focus of our research endeavour.

## Research Rationale

Whilst there has been resurgent interest in customer satisfaction, the critical issue of identifying the key factors that drive customer satisfaction has not been easy, specifically to the practitioners. Customer satisfaction findings particularly from the academic community have been criticised for being operationally irrelevant and difficult to be translated into managerial actions (Piercy 2002; Westbrook 1997, 2000; Woodruff 1993). Hence, Westbrook (1997) suggests that to improve customer satisfaction measurement, research should address specific product or service features/dimensions and demonstrate how the key attributes are associated with overall customer satisfaction. Furthermore, several studies demonstrated that overall satisfaction is a function of performance on various attributes; by managing performance ratings on those drivers, firm can increase customer satisfaction (Jones and Suh 2000).

Despite being the 'bread and butter' of several well-known companies (e.g. AVON, AMWAY and TUPPERWARE) and a vibrant and increasingly prevalent mode of distribution with significant socio-economic implications for many countries (Berry 1998; Crossens 1999; Endut 1999), direct selling has been undervalued in the retailing literature. Indeed, it was reported recently that in several countries the direct sales industry is growing at a faster rate than conventional shop-based retailing (Berry 1998). Yet even though empirical research on customer satisfaction is abundant, satisfaction in the direct sales channel has not been subjected to marked conceptual and empirical scrutiny.

In view of the aforementioned rationales, we strongly believe that this alternative distribution system is worthy of further investigations in an endeavour to shed additional insights, particularly by pursuing empirical researches. Against this backdrop, this study is hoped to contribute to the body of knowledge as an initial evidence for the attributes/factors that drive customers' satisfaction with the direct sales channel.

## Objectives of Study

This study aims to:

1. Ascertain and understand the shopping patterns and behaviour of the consumers who used the direct sales channel.
2. Determine what are the key attributes that influence customers' satisfaction judgements and which attributes have the greatest impact on each pertinent subsystem or components (product, direct seller, and direct selling organisation) that constitute a direct sales channel.
3. To suggest marketing strategies by utilising Importance- Performance Analysis (IPA).

## Research Methodology

The data utilised for the current investigation were collected in Malaysia by using self-administered questionnaires distributed via the 'drop off and collect' technique. The target population criteria for this study were adult consumers (over 16 years of age) who have purchased beauty or healthcare products from the direct seller within the twelve months prior to the data collection period and who live or work within the selected geographic locations; in this case three designated districts (Petaling, Klang and the Federal Territory of Kuala Lumpur). A sample of 400 survey respondents was obtained based on a quota sampling technique. The ratio of men to women in the sample was set at 1:3, based on several empirical studies conducted in Malaysia and other countries suggesting women make up a significantly larger percentage of purchasers through the direct sales channel than men (Endut 1999; Sargeant and Msweli 1999) and moreover the specific product categories under study (beauty care and healthcare) have more direct appeal to women. It should be noted that the current investigation is based on transaction specific approach rather than global (overall) experience. The respondents involved were those who had purchased beauty or healthcare products from any direct sales company in the 12 months preceding the data collection.

## Data Analysis

In conjunction with our intended contribution of this research, researchers decided that the findings should be both theoretically and operationally relevant. Therefore, the analysis strategies were employed with the aim that the findings of this research would be relevant to both world, academicians and practitioners:

1. Descriptive analysis, which comprises of frequencies and mean values were conducted to evaluate respondents' judgement on the attributes and abstraction at components level.
2. Importance – Performance Analysis (IPA) was utilised to examine the differences (gaps) between the perceived performances contrasted against importance level of attributes rated by respondents. In order to present the results graphically, we employed the 'Quadrant Chart' for each aspect. By doing so, we could reveal potential areas of opportunity so as to meet customers' satisfaction, which is particularly pertinent to the management team and the direct sellers.

## Research Findings

The research findings focuses on the presentation and explanation of the percentage frequencies with measures of central tendency (mean value) and results derived from Importance-Performance Analysis.

**a. Overall Sample Demographic Profile:**

Table.1 displays a detailed breakdown of the survey participants' characteristics. The sample in this study consists of 62 per cent aged 20 –39, over 62 per cent are married and over 36 per cent had attained at least a first degree. Almost 45 per cent reported to earn a household income exceeding RM2500 per month. The results of the present study seem consistent with most previous empirical findings.

Table 1: Overall Sample Demographic Profile

| **Demographics variables** | | **Research sample (n = 400)** | |
|---|---|---|---|
| | | Number of Respondents | Percentage |
| **Gender** | Male | 100 | 25 |
| | Female | 300 | 75 |
| **Marital status** | Single | 152 | 38 |
| | Married | 248 | 62 |
| **Age** | Below 20 years old | 20 | 5.0 |
| | 20-29 years old | 140 | 35.0 |
| | 30-39 years old | 109 | 27.3 |
| | 40 - 49 years old | 101 | 25.3 |
| | 50 - 59 years old | 23 | 5.8 |
| | Over 60 years old | 7 | 1.8 |
| **Ethnic background** | Malay | 260 | 65.0 |
| | Chinese | 95 | 23.8 |
| | Indian | 41 | 10.3 |
| | Others | 4 | 1.0 |
| **Highest academic achievement** | No secondary education | 6 | 1.5 |
| | Secondary education | 92 | 23.0 |
| | Certificate / Diploma | 157 | 39.3 |
| | Bachelor degree | 98 | 24.5 |
| | Post graduate/ Professional | 47 | 11.8 |
| **Household monthly income** | Below RM1000 | 29 | 7.3 |
| | RM1001 - RM2500 | 193 | 48.3 |
| | RM2501 - RM 4500 | 96 | 24.0 |
| | RM 4501 - RM6500 | 46 | 11.5 |
| | RM 6501 - RM 8500 | 16 | 4.0 |
| | RM 8501 - RM10500 | 11 | 2.8 |
| | RM 10501and above | 9 | 2.3 |
| **Work sector** | Private sector | 161 | 40.3 |
| | Government/Semi- | 172 | 44.0 |
| | government | 9 | 2.3 |
| | Own Business | 37 | 9.3 |
| | Student | 21 | 5.3 |
| | Not working | | |

## b. Product Category Purchased

Table 2 illustrates the response frequencies of the product type purchased by the survey participants. Skincare and cosmetics are categorised as beauty care products, whereas functional food, food supplements, vitamins and minerals and weight control products are health and wellness products.

Table 2: Product Type Purchased

| Products | Frequency | Percent |
|---|---|---|
| Cosmetics | 106 | 26.5 |
| Food supplements | 101 | 25.3 |
| Skincare | 94 | 23.5 |
| Vitamins and minerals | 64 | 16.0 |
| Functional food | 22 | 5.5 |
| Weight control product | 8 | 2.0 |
| Others | 5 | 1.3 |
| Total | 400 | 100.0 |

## c. Purchase Experience And Consumption Pattern

This section describes the respondents' exposures and experiences in purchasing products from the direct sales channel. Additionally, several pertinent purchasing patterns such as purchase frequency, amount of money spent, source of information, the companies where the product was purchased and duration of being their customer will be discussed.

### *i. First purchase of direct selling product*

Table 3 illustrates the response frequencies in terms of when the first purchase from a direct selling company occurred. The results show that almost 70 percent of the respondents claimed that their first purchases took place at least a year ago. This suggests that a substantial number of the respondents are familiar and most probably are experienced customers of the direct sales channel. In turn, approximately 34 percent of the respondents reported that their first purchase took place at some point during the previous 12 months, which suggests that they are quite new to the direct sales marketing channel.

Table 3: First Purchase Made

| | Frequency | Percent |
|---|---|---|
| Less than 6 month | 77 | 19.3 |
| 6 months to 12 months | 55 | 13.8 |
| Over 1 to 3 years | 134 | 33.5 |
| Over 3 years | 134 | 33.5 |
| Total | 400 | 100.0 |

### *ii. Source of product information*

Table 4 indicates that word of mouth from friends is the most common source of product information dissemination, representing nearly 40 percent. A research conducted in Taiwan, reported similar result (Chen et al. 1998), suggesting that friends are an important source of product information. It is interesting to note that only 1.5 percent of respondents claimed to receive information about the products through electronic mail and utilisation of Internet search engines. Evidently, Internet is the least popular source of product exposure.

Table 4: Product Information Sources

| | Frequency | Percent |
|---|---|---|
| A friend told me about it | 150 | 37.5 |
| Received catalogue | 81 | 20.3 |
| Contacted by a direct seller | 53 | 13.3 |
| Have bought something from this company before | 49 | 12.3 |
| Attended sales party | 22 | 5.5 |
| Saw an advertisement | 19 | 4.8 |
| Read an article or news story | 14 | 3.5 |
| Others | 6 | 1.5 |
| Received an e-mail | 4 | 1.0 |
| Found through Internet search engine | 2 | 0.5 |
| Total | 400 | 100.0 |

### *iii. Purchased - by method*

Table 5 demonstrates the response frequencies of how and where the respondents' purchases took place. The findings indicate that the most common method of purchasing is by requesting the product from a direct seller; 42.3 percent, followed by patronising the direct selling company's sales point or agency; 25 percent, and the third is visit by the direct sellers to their homes; 12 percent. The least common way is sales party at someone's home; only 5 percent.

Table 5: Purchased - by Method

| | **Frequency** | **Percent** |
|---|---|---|
| I request the product from a direct seller/ distributor | 169 | 42.3 |
| At a company's sales point/agency | 100 | 25.0 |
| A direct seller came to my house | 48 | 12.0 |
| Others | 33 | 8.3 |
| During a sales party at my office | 30 | 7.5 |
| During a sales party at someone's house | 20 | 5.0 |
| Total | 400 | 100.0 |

### *iv. Purchased - by company*

AVON, which is the world's leading direct sales company of beauty related products was reported to be the most popular direct selling company among the participants of this survey (Table 6), COSWAY is the second most popular and AMWAY falls third. 16.8 percent of respondents purchased from other companies besides the ones listed in the table below. Since there are more than 400 direct selling companies in Malaysia, it is impractical to list down all the companies. Ten respondents could not recall the name of the companies where they purchased their health or beauty care products. This finding is consistent with Endut's (1999) study, in which AVON was reported to be the most popular direct selling company for beauty care products while AMWAY leads the health and wellness products and COSWAY is popular for both product categories.

Table 6: Purchased - by company

| Company | Frequency | Percent |
|---|---|---|
| AVON | 104 | 26.0 |
| COSWAY | 73 | 18.3 |
| Others | 67 | 16.8 |
| AMWAY | 53 | 13.3 |
| CNI | 33 | 8.3 |
| NUTRIMETIC | 20 | 5.0 |
| SHAKLEE | 19 | 4.8 |
| LUXOR | 16 | 4.0 |
| Missing | 10 | 2.5 |
| NUSKIN | 5 | 1.3 |
| Total | 400 | 100.0 |

### *v. Duration being the company's customer*

Table 7 describes the participants' duration of being a customer to a particular direct selling company. 31.3 percent stated that they have been customers to the direct selling company for less than a year; 42.3 percent within 1 to 3 years; 14.3 percent over 3 to 5 years and 12.3 percent more than 5 years. Since more than 26 percent have been customers to the direct selling company for over 3 years, it can be assumed that they are regular customers and probably loyal.

Table 7: The Company's Customer by Duration

| | Frequency | Percent |
|---|---|---|
| Less than a year | 125 | 31.3 |
| 1 to 3 years | 169 | 42.3 |
| Over 3 to 5 years | 57 | 14.3 |
| Over than 5 years | 49 | 12.3 |
| Total | 400 | 100.0 |

## d. Importance-Performance Analysis (IPA)

It is envisaged that the current research is to provide findings that are be both theoretically and operationally relevant. The results of the Importance–Performance Analysis are depicted (see Table 8, 9 and 10). Then the results are visually displayed in the form of quadrant chart for each aspect of the direct sales marketing channel system (see Chart 1, 2 and 3).

This analysis was based on perceived importance and attribute performance ratings evaluated by respondents, on which no statistical manipulation has been conducted. It is a practical and easy to-use tool for managers who are pressed for time and to comprehend it does not require a computer or statistical skills. In addition, this useful tool depicts visually customer priorities (importance) against performance evaluation. The information derived from this analysis supports common managerial decisions. For example, it provides guidance for action plans in allocating resources (Bacon 2003; Chu 2002; Oh 2001).

34 items were assessed individually to determine the relative importance and perceived performance respondents attached to these. Specifically, the informants were asked to rate the importance of the items (attributes) in fulfilling their satisfaction, while in the performance measurement respondents were requested to indicate their level of

satisfaction with the items (attributes). Performance evaluation employed a 5-point satisfaction-dissatisfaction scale anchored with (1) "very dissatisfied", (2) "dissatisfied", (3) "neutral", (4) "satisfied" and (5) "very satisfied" and "not applicable". The importance rating is measured on a 5-point scale anchored with (1) "not at all important", (2) "not important", (3) "neutral (indifferent)", (4) "important", (5) "very important". The IPA grids are visually displayed in the form quadrant chart for each aspect of the direct sales marketing channel system.

***i. Quadrant Chart***

Quadrant charts have been widely used as analytical tools that yield a better understanding of customer satisfaction, identifying and prioritising critical area of improvements. The quadrant chart utilised in this study is adapted from the work of various authors (Barsky and Labagh 1992; Martilla and James 1977). The chart is a two-dimensional grid, which visually depicts the gaps between perceived importance and performance rating assessed by respondents. 'Importance' scores are plotted on the horizontal axis and 'difference' scores are plotted on the vertical axis. The chart is then subdivided into four quadrants by drawing a vertical line at the mean of the overall 'importance' score (which is 4.09) and the mean of overall 'difference' score (which is -0.31) displayed by the horizontal line. Albrecht and Bradford (1990) suggested including another horizontal line at '0', which indicates 'performance' score equals 'importance'. (see Chart 1). The position of a plot on the grid indicates the appropriate strategy to each attribute: '*Focus here', 'Good work*', '*Overkill*', 'L*ow priority*', '*Weakness*' and '*Opportunity*'. The following are the interpretations of zones in the quadrant chart:

(1) *Good work*: Customer feels that a particular attribute is highly important ('importance' score is greater than the overall mean of the 'importance' scores) and is perceived as being performed well ('performance' score is greater than 'importance' score). This portion of the chart is also referred to as 'competitive strength' (Barsky and Labagh 1992). This may indicate that the attribute is performing extremely well and management should seek to maintain superior evaluation and exploit their competitive potential as well as continue to invest their effort and resources on them.

(2) *Focus here*: Customer feels that a particular attribute is of high importance ('importance' score is greater than the overall mean of the

'importance' scores) yet it does not perform well ('importance' score greater than 'performance' score). This zone is critical to gaining market share and this attribute can be shifted to into 'critical strength' if resources could be reallocated from less important attributes.

(3) *Possible overkill*: The customer assesses that a particular attribute is less important (an 'importance' score less than the overall mean of the 'importance' scores) yet it is reported to perform well (the 'performance' score greater than 'importance' score). This quadrant identifies areas that are not particularly significant to the customer and indicates wasted resources. Therefore, the company should better allocate these resources elsewhere, for example the 'focus here' quadrant.

(4) *Potential opportunity*: The customer feels that a specific attribute is less important (an 'importance' score less than the overall mean of the 'importance' scores) yet it is perceived as not performing well (the 'difference' score is lower than the mean lower than the mean of the 'difference' score). Since the gap is large, it is possible that the attributes that fall in this region of the chart suggest an unrealised opportunity (Schlentrich 2001).

(5) *Weakness:* This zone falls in between 'good work' and 'focus here'. The customer feels that a specific attribute is highly important (an 'importance' score greater than the overall mean of the 'importance' scores). However, its performance is assessed as being marginally less than the 'importance score (the 'difference' score is negative but greater than the overall mean of the 'difference' scores). It suggests that management should first allocate resources to improve performance attributes in the 'focus here' region, then take action to improve the attribute in the 'weakness' region of the chart.

(6) *Low priority*: This zone falls between 'possible overkill' and 'potential opportunity'. The customer feels that a specific attribute is not deemed as important (an 'importance' score lesser than the overall mean of the 'importance' scores) and its performance is assessed as being marginally less than the 'importance score (the 'difference' score is negative but greater than the overall mean of the 'difference' scores). It suggests that management should not give much priority to improving attributes that fall into this category.

### *ii. Product Satisfaction Gap*

Table 8 provides an account of the mean score concerning product attributes in terms of product importance and product performance, mean differences and results of paired-sample t-test. The mean scores of product performance and importance on all attributes are significantly different at $p<0.001$ except for product packaging and product catalogue visual appearance. The highest mean score on the importance rating is for product effectiveness, with a mean difference of 0.55 which is considered significant at $p<0.001$.

Table 8: Mean Scores and Paired-sample T-tests as Indicators of Differences between Product Importance and Product Performance

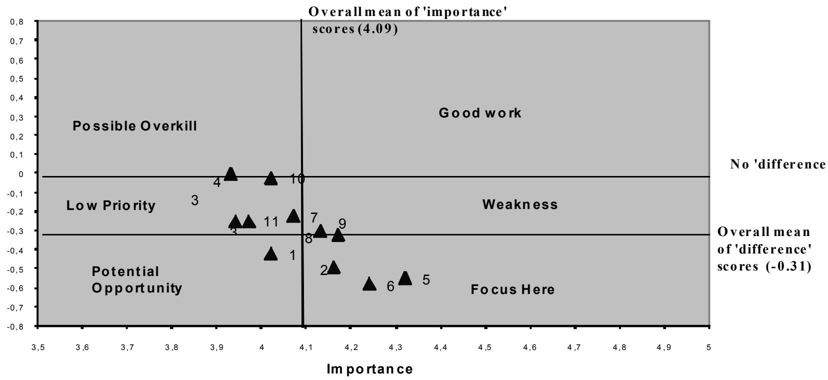
| Items | Importance Mean | Performance Mean | Mean Differences | Significant t (2 –tailed) |
|---|---|---|---|---|
| Price of product | 4.02 | 3.60 | -0.42 | 0.001*** |
| Product performed as claimed | 4.16 | 3.67 | -0.49 | 0.001*** |
| Product is multifunctional / multipurpose | 3.94 | 3.67 | -0.25 | 0.001*** |
| Product packaging | 3.93 | 3.93 | 0.00 | 0.861 (NS) |
| Effectiveness of product | 4.32 | 3.78 | -0.55 | 0.001*** |
| Product guarantee | 4.24 | 3.66 | -0.58 | 0.001*** |
| Product choice/variety | 4.07 | 3.85 | -0.22 | 0.001*** |
| Product availability | 4.13 | 3.83 | -0.30 | 0.001*** |
| Product information adequacy | 4.17 | 3.86 | -0.31 | 0.001*** |
| Product catalogue visual appearance | 4.02 | 4.00 | -0.02 | 0.272 (NS) |
| Innovative and unique product | 3.97 | 3.72 | -0.25 | 0.001*** |
| Overall product | 4.09 | 3.78 | -0.31 | 0.001*** |

** $p< 0.01$; ***$p< 0.001$

### *iii. Direct selling product quadrant chart*

The quadrant chart (Chart 1) demonstrates that in the product aspect none of the attributes fall in the ‘good work’ and ‘possible overkill’ zones. Items 2 (product performed as claimed), 5 (effectiveness of product) and 6 (product guarantee) fall in the ‘focus here’ region. The chart indicates that only item 1 (price of product) lies in this ‘potential opportunity’ zone. Items 7 (product choice/variety) and 9 (product information adequacy fall in the ‘weakness’ region. Whereas item 3 (product is multipurpose/ multifunctional), item 4 (product packaging), item 7 (product choice/variety), item 10 (product catalogue visual appearance) and item 11 (innovative and unique product) fall in the ‘low priority’ category.

**Chart 1: Direct Selling Product Quadrant Chart**




1. Price of product
2. Product performed as claimed
3. Product is multifunctional / multipurpose
4. Product packaging appearance
5. Effectiveness of product
6. Product guarantee
7. Product choice/variety
8. Product availability
9. Product information adequacy
10. Product catalogue visual
11. Innovative and unique product

In essence, the results suggest that management should give priority into improving the performance in relation to effectiveness of their product, offer a better product guarantee and ensure that direct sellers do not over claimed their product performance in order to increase customer satisfaction with their products. These three attributes are revealed to be very important attributes in satisfying the customer yet the gap between importance and performance of these attributes is among the largest.

### *iv. Direct Seller Satisfaction Gap*

Table 9 describes the results of the mean score with regard to direct seller dimension in terms of their importance and performance, mean differences and results of paired-sample t-test to test for significant differences between both mean scores.

Table 9: Mean Scores and Paired-sample T-tests as Indicators of Differences between Direct Seller Importance and Direct seller Performance

| Items | Importance Mean | Performance Mean | Mean Differences | Significant t (2 –tailed) |
|---|---|---|---|---|
| Knowledgeable of products and services | 4.21 | 3.81 | -0.40 | 0.001*** |
| Capable and competent | 4.06 | 3.78 | -0.28 | 0.001*** |
| Being consistently courteous | 4.08 | 3.78 | -0.30 | 0.001*** |
| Following through on his/ her promise | 4.05 | 3.62 | -0.43 | 0.001*** |
| Provide payment flexibility (instalment) | 3.84 | 3.41 | -0.43 | 0.001*** |
| Trustworthy | 4.16 | 3.67 | -0.49 | 0.001*** |
| After sales service | 4.01 | 3.53 | -0.48 | 0.001*** |
| Giving personal advice and attention | 4.05 | 3.64 | -0.41 | 0.001*** |
| Continuity contact | 3.92 | 3.59 | -0.33 | 0.001*** |
| Availability of direct seller | 4.07 | 3.68 | -0.39 | 0.001*** |
| Maintain a professional 3.95 appearance | 3.65 | -0.30 | 0.001*** | |
| Have customer interest at heart | 4.08 | 3.59 | -0.49 | 0.001*** |
| Sales demonstration/ presentation | 4.02 | 3.67 | -0.35 | 0.001*** |
| Overall mean score | 4.04 | 3.65 | -0.39 | 0.001*** |

* p< 0.05; ** p< 0.01; ***p< 0.001

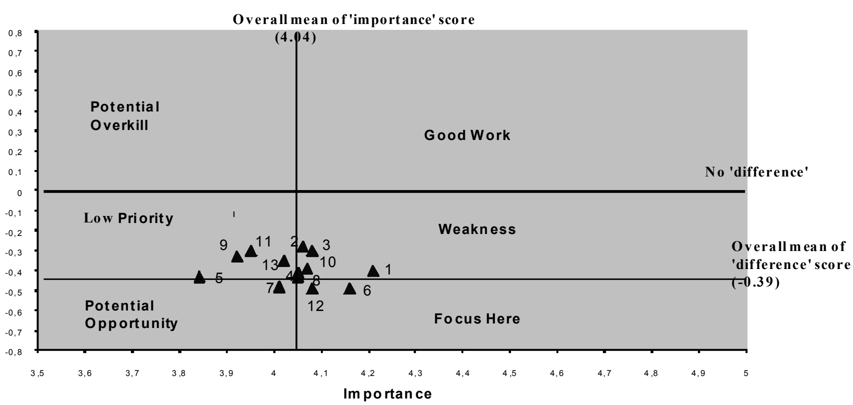
The highest mean score on importance rating is the direct seller being knowledgeable of product and services, with a mean value of 4.21, and the same attribute is reported to be highest in respect to performance evaluation. However, the mean scores between them are significantly large. The results demonstrated in Table 9 appears that payment flexibility is evaluated as the least important attribute with mean score of 3.84 and this particular attribute is rated the lowest score in terms of performance (mean = 3.41). The mean score difference between both measurements is considered significantly large at 0.43. This finding suggests that the direct selling organisations should provide more effective training to their direct seller, and on the other hand direct sellers themselves must be proactive in searching for relevant information, data and statistics pertaining to the products or services they sell.

### *v) Direct Seller Quadrant Chart*

The chart reveals that the entire direct seller attributes fall short of the mean of 'importance' scores (that means that 'importance' score is higher than 'performance' scores). Furthermore, the majority of the attributes mean 'difference' is greater than the overall mean 'difference' (which is -0.39). In addition, the gap results imply that three items (which are trustworthy, availability of direct seller and have customer interest at heart) fall in the zone of 'focus here'. This implies that these are the attributes the direct seller which need to be improved immediately in order to increase customer satisfaction. It is interesting to note that no items fall in the category of 'good work' and 'possible overkill'. The majority of the attributes fall in the 'low priority' and 'weakness' zones.

1. Knowledgeable of products
2. Capable and competent
3. Being consistently ourteous
4. Following through promise
5. Payment flexibility
6. Trustworthy
7. After sales service
8. Giving personal advice / attention
9. Continuity contact
10. Availability of direct seller
11. Maintain professional appearance
12. Have customer interest at heart
13. Sales demonstration/ presentation

**Chart 2: Direct Seller Quadrant Chart**




### vi) Direct Selling Company Satisfaction Gap

Table 10 demonstrates the results of mean score with regard to direct selling company's dimensions in terms of their importance and performance, mean differences and results of paired-sample t-test to test for significant differences between both mean scores. The mean score of each direct selling company dimensions in terms of importance evaluation are higher than performance, except for company popularity. It is worth noting that with respect to company popularity, both the mean value on performance and importance are the same. This indicates that there is no gap between both mean evaluations; hence, it could be concluded that the company has successfully fulfil their customers' satisfaction; however it does not exceed their customer expectation which would lead to customer delight. The direct selling company dimensions in terms of importance held in highest regard by the respondents are: Company's reputation (mean = 4.19); reliable and trustworthy (mean= 4.18) and concern about customer (mean = 4.18) and their mean differences are 0.25, 0.41 and 0.53 respectively.

Table 10 Mean Scores and Paired-sample T-tests as Indicators of Differences between Direct Selling Company Importance and Company Performance

| Items | Importance Mean | Performance Mean | Mean Differences | Significant t (2 –tailed) |
|---|---|---|---|---|
| Reliable and trustworthy | 4.18 | 3.77 | -0.41 | 0.001*** |
| Enquiry service responsiveness | 4.15 | 3.68 | -0.47 | 0.001*** |
| Company's reputation | 4.19 | 3.94 | -0.25 | 0.001*** |
| Sales campaigns/ promotion | 3.99 | 3.71 | -0.28 | 0.001*** |
| Corporate information/ publicity | 3.98 | 3.63 | -0.34 | 0.001*** |
| Handle complaints promptly | 4.12 | 3.44 | -0.68 | 0.001*** |
| Concern about customers | 4.18 | 3.65 | -0.53 | 0.001*** |
| Company popularity (well known) | 4.05 | 4.05 | 0.00 | 1.000 NS |
| Reasonable services charge | 4.05 | 3.57 | -0.48 | 0.001*** |
| Product return policy | 4.08 | 3.59 | -0.49 | 0.001*** |
| Overall mean score | 4.10 | 3.70 | -0.40 | 0.001*** |

*p< 0.05; ** p< 0.01; ***p< 0.001

### *vii) Direct Selling Company Quadrant Chart*

Chart 3 presents the quadrant chart for the direct selling company attributes. It is interesting to note that no item of the company dimensions is located in the 'Possible overkill', 'Good work' zones. The chart shows that two items are in 'potential opportunity' zone (reasonable service charge and product return / adjustment policy) and three items fall in the 'low priority' zone (sales campaigns/promotion, corporate information/

publicity and company popularity). Whilst two items fall in the 'weakness' zone (reliable and trustworthy and company's reputation). Additionally, three attributes of company aspect fall in the 'focus here' zone (enquiry service responsiveness, handle complains promptly and concern about customers). This implies that the direct selling companies should invest more effort and resources on these three attributes in order to make their customers more satisfy.

1. Reliable and trustworthy
2. Enquiry service responsiveness
3. Company's reputation
4. Sales campaigns/ promotion
5. Corporate information/publicity
6. Handle complaints promptly
7. Concern about customers
8. Company popularity (well known)
9. Reasonable services charge
10. Product return/ adjustment policy

In summary, it could be argued that in regards to overall importance evaluation of product, direct seller and direct selling company, their mean score of 4.09, 4.04 and 4.10 respectively suggest that company is the most important aspect, followed by product finally direct seller.

## Conclusion

Overall, the respondents seem to be experiencing a positive feeling or quite satisfied purchasing through the direct sales channel. With regards to product satisfaction, the respondents seemed to be highly satisfied with the product catalogue visual appearance, followed by product packaging, product choice/variety, and product information adequacy. This means that they are highly satisfied with the peripheral aspects of the product rather than the core benefits of effectiveness, performance and functions of the products. Whereas concerning the direct seller, the respondents are very satisfied with the attribute on direct seller knowledge of the product or services they sell, followed by the direct seller being capable and competent and being consistently courteous. Additionally as for direct selling company satisfaction, respondents are satisfied with the company's popularity and reputation but less satisfied with the after sales service, particularly in handling complaints promptly.

Amongst all the attributes of the three dimensions (product, direct seller, and direct selling company) the attributes that contribute the highest satisfaction is the company popularity, followed by product catalogue visual appearance, company's reputation, product packaging, product choice/variety, and product information adequacy. This reveals that the respondents are highly satisfied with the attributes pertaining to the product as well as the direct selling company aspects. The direct seller attributes though satisfied them to some extent, but being over ride by the attributes of the other two components.

However, in terms of product importance, respondents rated product effectiveness the highest. This may be due to the fact that effectiveness of a product is the utilitarian feature that provides the basic function or benefit that the product is expected to deliver. In general, the respondents are somewhat satisfied with the direct seller on importance and performance. However, the respondents are not satisfied with the performance on the trustworthy, which is rated high with respect to importance but not in terms of its performance (satisfaction). As for direct selling company dimension in terms of importance, respondents felt that company's reputation is the most important attribute, followed by reliable and trustworthy, and concern about customers. It should be noted that 'handle complaint promptly', was rated high with respect to importance but evaluated low in performance. In essence, as for importance mean score, respondents claimed that direct selling company is the most important aspect, followed by product and finally direct seller.

The key driver of customers' overall satisfaction with the direct sales channel is the product satisfaction (mean value = 3.88), closely followed by direct selling company satisfaction (mean value = 3.86), and lastly the direct seller satisfaction (mean value = 3.71). It intrigued the researchers to discover that customers satisfactions with the product and the company as having greater impact on influencing their overall satisfactions than the direct seller. As been discussed previously, direct seller plays a vital role in the direct sales channel but our findings contravene this notion.

Finally, the objectives of the study was successfully achieved and at this juncture it is reasonable to accept that its generalisation the direct sales consumption context, particularly among the Malaysian buying population, is justified until further replication and validation is reaffirmed beyond this specific population and context by future research. Most importantly, this study has brought to light a number of imperative knowledge in improving

## Recommendations

The results of this study imply that the direct selling company could improve their customers' satisfactions by narrowing the gaps of the attributes which were found to have the largest gap if they were to retain their customer. Otherwise, their customers would switch to other direct selling companies.

### Product

Product guarantee is rated high in terms of importance but low in terms of performance (the widest gap) should be given priority by the direct selling company. Other attributes considered important but performed below their expectations are product guarantee, and product performed as claimed. Direct selling companies should focus on these attributes, which seem to have the largest gap amongst all other attributes. In essence, the gap results for the direct selling product aspect suggest that management should take immediate action to improve the performance of effectiveness of their products and offer better product guarantee. These two attributes are the top two most important attributes in satisfying the customer yet the gap between importance and performance of these attributes are the largest.

### Direct seller

Direct seller is pertinent in the direct selling distribution system as customers cannot obtain their product supply without the direct sellers servicing them on regular basis. Direct sellers should improve their performance on several aspects. It is important to note that trustworthy is the most important attribute that a direct seller should possess; unfortunately they did not perform as expected. Other attributes which the direct sellers should give attention to: have customers' interest at heart, after sales services and following through customers on their promises.

Direct sellers could further equip themselves with relevant product knowledge and continuously service their customers though customers are satisfied with those aspects. They must be proactive to search for relevant information, data and statistics pertaining to the products or services they sell in an attempt to delight their customers. In turn, the direct selling organization should provide effective training to improve their distributors' knowledge and above all the quality of their salesmanship.

### Direct selling organisation

Direct selling organisation is the second most important component. Even though customers seem quite satisfied with their products, direct selling companies should not be contented or take for granted. The most imperative issue to be tackled is on their customer services, specifically on customer complaints. Direct selling companies should be responsive towards complaints made by their customers. Complaints should be handled promptly and effective. They may provide toll free number to enhance the service or the most effective and sophisticated is by entertaining complaints on-line. Several areas of improvement that can be taken by them to improve their performances are: provide more and effective training to their direct sellers to improve their distributors' knowledge and above all the quality of their salesmanship.

These findings suggest that direct selling companies should review their pricing strategies, commensurate with product quality, for instance, product effectiveness and product performance may be proxy in implying quality. Customers are willing to pay a reasonably high price if it is justified by higher quality. In essence, these findings imply that the direct selling company should improve their performance specifically with respect to the quality of their customer service.

It intrigued the researchers to discover that customers satisfactions with the product and the company as having greater impact on influencing their overall satisfactions than the direct seller. As been discussed previously, direct seller plays a vital role in the direct sales channel but our findings contravene this notion.

Finally, the objectives of the study was successfully achieved and at this juncture it is reasonable to accept that its generalisation in the direct sales consumption context, particularly among the Malaysian buying population, is justified until further replication and validation is reaffirmed beyond this specific population and context by future research. Most importantly, this study has brought to light a number of imperative knowledge in improving the understanding of customer satisfaction of the direct sales channel.

## Suggestions for Future Research Directions

We propose several potentially fruitful and interesting research directions to be explored within the scope of study in this research. Several implications for future investigations are built upon the current findings and some are identified in response to the limitations of the present study.

Firstly, the current research design was a cross-sectional approach, which clearly intended to take measurements of consumer consumption experience at a specific point of time. Undeniably, longitudinal studies could provide stronger inferences for causality and improve understanding of the consumption process dynamics, and cumulative effects among hypothesised links are not obvious in 'snapshots' research design (Parasuraman 1991). Accordingly, the longitudinal study could reflect and substantiate the changes that might occur over time on the satisfaction judgement. We would strongly recommend that if the follow-up study is to be implemented, the same respondents should be studied via personal interview, as this method would allow the researcher to probe for deeper insights.

Secondly, this study is focused on the direct sales as a single industry study, which comprises of multiple firms regardless of how the firms are structured. The direct sales industry is typically characterised into single level or multi-level compensation structures. Prior research on this industry has provided empirical evidence that there exist significant differences between direct sellers from multi-level versus single level organisation, specifically in terms of demographic and attitudinal characteristics (Brodie et al. 2002). Hence, it would be a potentially worthwhile for future research to validate the generalisation of these research findings with regard to these two types of company structure.

Thirdly, the present investigation was based on aggregation of multiple firms, thus it will be interesting for future research to replicate this study to validate the generalisation of the findings based on a single firm approach. By embarking on a research of a single organisational context, areas of satisfaction and dissatisfaction can be more explicitly identified and specific product/service strategies can be developed and precisely utilised to stimulate the greatest overall return from the performance improvements.

Finally, advanced research should be embarked upon to replicate the present research variables in order to determine the robustness of its findings. A comparative cross-national studies are essential in order to examine and validate the generalisation of the research findings globally. This research direction appears to be potentially fruitful because direct selling is considered a 'universal' phenomenon; evidently, most top direct selling companies in the world, such as Tupperware, Avon, Amway and Mary Kay, operate their businesses worldwide.

## References

Bacon, D. R. (2003). A comparison of approaches to Importance-Performance Analysis. *The Market Research Society,* 45(Quarter 1), 55-71.

Barsky, J. D. and Labagh, R. (1992). A strategy for customer satisfaction. *Cornell Hotel and Restaurant Administration Quarterly*, 33(5), 32 - 39.

Bernhardt, L. K., Donthu, N. and Kenneth, A. P. (2000). A longitudinal analysis of satisfaction and profitability. *Journal of Business Research,* 47, 161-171.

Berry, R. (1998). *Direct Selling: From door to door to network marketing*: Butterworth-Heinemann.

Brodie, S., Stanworth, J. and Wotruba, T. R (2002(b)). Comparisons of salesperson in multilevel vs single level direct selling organizations. *Journal of Personal Selling and Sales Management* (2 Spring), 67-75.

Burnham, A. T., Frels, K. J. and Mahajan, V. (2003). Consumer switching costs: A typology, antecedents, and consequences. *Journal of the Academy of Marketing Science,* 31(2), 109-126.

Chen, D. R., Jeng, L. J. and Chou, C. C. (1998). *A study of consumers who buy from MLM channel in Taiwan.* Paper presented at the Asia Pacific Decision Science Institute Conference Proceedings, 17-23.

Chu, R. (2002). Stated-importance versus derived-importance customer satisfaction measurement. *Journal of Services Marketing,* 16(4), 285-301.

Cossens, J. (1999). *The New Zealand Direct Selling Industry: Social and Economic Impacts.* www.dsanz.co.nz.

Endut, W. (1999). Direct Selling Industry in Malaysia: Customers and Challenges in 21st. Century. *Malaysian Journal of Consumer and Family Economics,* 2, 73-88.

Fournier, S. and Mick, G. D. (1999). Rediscovering satisfaction. *Journal of Marketing*, 63(4), 5-23.

Grigoroudis, E. and Siskos, Y. (2002). Preference disaggregating for measuring and analysing customer satisfaction: The MUSA method. *European Journal of Operational Research,* 143(1), 148-70.

Johnson, M. D., Gustafsson, A., Andreassen, T. W., Lervik, L. and Cha, J. (2001). The evolution and future of national customer satisfaction index models. *Journal of Economic Psychology, 22,* 217-245.

Jones, M.A. and Suh, J. (2000). Transaction-specific satisfaction and overall satisfaction: an empirical analysis, *Journal of Services Marketing,* 14(2): 147-159.

Kristensen, K., Martensen, A. and Gronholdt, L. (1999). Measuring the impact of buying behavior on customer satisfaction. *Total Quality Management*, 10 (4&5), 602-13.

Lambert, D. M., Adams, R. J. and Emmelhainz, M. A. (1997). Supplier selection criteria in the healthcare industry: A comparison of importance and performance. *International Journal of Purchasing Materials Management,* 33(1), 16-22.

Malthouse, E. C., James, O. J., Bobby, C. J. and Iacobucci, D. (2004). Customer satisfaction across organizational units. *Journal of Service Research, 6*(3), 231-42.

Martilla, J. A. and James, J. C. (1977). Importance-performance analysis. *Journal of Marketing, 41*(January), 77-79.

Mittal, V. and Kamakura, A. W. (2001). Satisfaction, repurchase intent, and repurchase behavior: Investing the moderating effect of consumer characteristics. *Journal of Marketing Research,* 38(February), 131-42.

Oh, H. (2001). Revisiting importance-performance analysis. *Tourism Management,* 22, 617-627.

Parasuraman, A. (1991). *Marketing Research* (2nd Edition): Addison-Wesley Publishing Company.

Patterson, P. G. and Spreng, R. A. (1997). Modelling the relationship between perceived value, satisfaction and repurchase intentions in business-to-business service context: An empirical examination. *Journal of Service Industry Management*, 12(2), 90-113.

Piercy, N. F. (2002). Research in Marketing: Theory with trivial or risking relevance? *European Journal of Marketing,* 14(4), 257-267.

Roszkowski, M. J. (2003). The nature of the importance-satisfaction relationship in ratings: Evidence from the normative data of the Noel-Levitz student satisfaction inventory. *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior, 16*.

Sargeant, A. and Msweli, P. (1999). Network marketing in South Africa: An exploratory study of consumer perceptions. *Journal of International Consumer Marketing,* 11(3), 51-66.

Schlentrich, A.U. (2001) *A model of customer loyalty: An empirical investigation of the relationship between value, satisfaction and commitment.* Unpublished PhD, Strathclyde University

Shun, L. Y., Shankar, V., Erramilli, M. K. and Murthy, B. (2004). Customer value, satisfaction, loyalty, and switching costs: An illustration from a business-to-business service context. *Journal of the Academy of Marketing Science*, 32(3), 293-311.

Westbrook, R. A. (1997). Observations on applied CS/D research. *Journal of Customer Satisfaction, Dissatisfaction and Complaining Behavior,* 10, 1-6.

Westbrook, R. A. (2000). Towards a managerial research agenda for customer satisfaction. *Journal of Customer Satisfaction, Dissatisfaction and Complaining Behavior,* 13, 17 - 25.

Woodruff, R. B. (1993). Developing and applying consumer satisfaction knowledge: Implications for future research. *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior, 6*, 1-11.

Woodruff, R. B. (1997). Customer value: The next source for competitive advantage. *Journal of the Academy of Marketing Science,* 25(2), 139-153.

Yuskel, A. and Rimmington, M. (1998). Customer-satisfaction measurement. *Cornell Hotel and Restaurant Administration Quarterly*, 39(6), 60-70.

Zeithaml, V. A. (2000). Service quality, profitability and the economic worth of customers: What we know and what we need to learn. *Journal of the Academy of Marketing Science, 28*(1), 67-85.