The Direct Sales Business Model

Idea In Short

Direct sales moves products from producer to end customer through a network of independent representatives rather than through retail stores. Representatives buy inventory or take orders, then sell to people they know personally, earning commissions on each sale and sometimes on the sales of people they recruit. Avon, founded in 1886, remains the sector's most recognizable example: door-to-door selling built through catalogs, parties and now digital storefronts, run by millions of independent representatives worldwide. The model cuts wholesale and retail margins out of the supply chain, trading marketing spend for personal relationships and word-of-mouth trust. It also concentrates business risk in an unpaid, high-turnover sales force and in product liability that can travel straight back to the parent company, as Avon's 2024 bankruptcy filing showed.

How Direct Sales Works

Direct sales moves a product from the company to the consumer without the usual chain of regional distributors, wholesalers and retail stores. A representative, working as an independent contractor rather than an employee, carries the catalog, sample or demonstration directly to a prospective buyer. That buyer might be a neighbor, a coworker or someone the representative meets at a party, an office or online. The company still handles manufacturing and, often, shipping, but the sales conversation happens person to person instead of at a checkout counter.

Origins and Evolution

The model is older than most people assume. Avon began in 1886 when David McConnell, a door-to-door book salesman, noticed customers cared more about the free perfume samples he offered than the books he was selling.[1] He built a company around that observation, recruiting women to sell fragrance directly to friends and neighbors at a time when few other paid work options existed for them. That founding structure, a selfemployed sales force earning commission, has outlasted the original product line and spread to categories such as kitchenware, supplements and skincare.

Three Models of Direct Selling

Direct sales splits into three structural types. Single-level selling pays commission only on personal sales; Avon is the classic example, with representatives ordering from a catalog or app and earning a margin on what they sell directly to customers. Party-plan selling adds a social layer, where a host gathers friends in a home or online, the representative demonstrates the product and the host earns free items or discounts for organizing the event. Network selling, more commonly called multi-level marketing, combines both approaches by paying representatives on their own sales and on the sales of people they recruit into the business, a structure used by more than 104 million independent representatives worldwide in 2024.2

Why Companies Choose the Model

Direct sales lets a company skip most of the cost of building brand awareness from scratch. Representatives already have a network of family, friends and acquaintances, so the company does not have to buy that reach through advertising. The relationship also runs both ways, since representatives hear directly what customers like or reject and pass that feedback back to the company faster than a retail scanner ever could. That proximity to real demand let direct sellers reposition quickly during downturns, including the pandemic-era shift toward home-based selling that Forbes credited with reviving interest in side-hustle income.3

> A representative's address book doubles as the marketing budget

The Economics Behind the Model

The unit economics run through the representative, not a store. A rep typically buys or takes orders at a discount off the catalog price and keeps the difference as commission, so the company converts fixed retail costs such as rent and staff wages into a variable cost that scales with sales. Global direct selling revenue held near $164 billion in 2024, spread across cosmetics, wellness and household categories.4 That scale explains why large branded manufacturers keep the channel alive even as e-commerce has taken share from traditional catalog selling.

Risks and Structural Challenges

The same independence that makes direct sales cheap to run also makes it hard to control. Representatives are not employees, so turnover runs high and the company constantly spends on recruiting and training people who may quit within a year. Reaching customers through personal relationships can also read as pressure rather than a sales pitch, straining friendships when a rep leans too hard on family and neighbors. Legal and reputational risk can also travel straight back to the parent company; Avon Products filed for Chapter 11 bankruptcy in August 2024 after facing hundreds of lawsuits alleging its talc-based products caused cancer.5

Avon's Case: Direct Sales at Scale

Avon still illustrates the model's reach and its limits better than most companies in the category. Brazilian cosmetics group Natura & Co acquired Avon in 2020, combining two direct sales businesses built on the same door-to-door logic a century apart.6 Avon's international arm, folded back under Natura after a 2024 restructuring, still counts millions of representatives across dozens of markets, most of them women earning part-time or full-time income outside a traditional employer. The U.S. entity's bankruptcy did not shut down the brand; it separated Avon's legal liabilities from the ongoing direct sales business that Natura kept running abroad.

Key Partners

Avon's business depends on a global network of independent representatives and team leaders who sell directly to customers and recruit new sellers within their communities. Contract manufacturers and ingredient suppliers produce the cosmetics, skincare and personal care items that reach the catalog. Third-party logistics and delivery firms move inventory from regional warehouses to representatives' homes. Since 2020, parent company Natura & Co has supplied capital, shared manufacturing and back-office support across the combined group.

Key Activities

Recruiting, training and motivating representatives sits at the center of Avon's daily operations, since the sales force is the only channel to the customer. Product development and formulation keep the catalog current across skincare, color cosmetics and fragrance categories every campaign cycle. Order processing, packing and fulfillment turn representative orders into shipments on a tight, recurring schedule. Marketing teams also produce the print and digital catalogs representatives use to sell.

Key Resources

The representative network itself, numbering in the millions worldwide, is Avon's most valuable asset and the hardest part of the model for a competitor to copy. The Avon brand name and more than a century of catalog and product intellectual property support pricing and trust. Manufacturing plants and regional distribution centers turn orders into deliveries within days. Digital tools, including the representative ordering app, keep the sales force connected to the company.

Value Propositions

For customers, Avon offers affordable beauty and personal care products with personal advice from someone they know, rather than a store clerk. Catalogs and samples let buyers try items before committing to a full purchase. For representatives, Avon offers a low-cost way to start a business and earn flexible income around other commitments. Customers also avoid a trip to the store, since the representative delivers directly.

Customer Relationships

Avon relationships run through the representative, who sells face to face or over a messaging app rather than through a call center or storefront. Repeat orders and referrals build loyalty that a representative earns individually, campaign after campaign. Parties, pop-up events and online groups add a community layer around the shopping experience. Representatives also field questions and returns directly, giving Avon a personal service layer competitors without a sales force cannot easily match.

Channels

The primary channel is the representative, who takes orders in person, by phone or through social media. Printed and digital catalogs, refreshed roughly every two to three weeks, remain the core sales tool representatives hand to customers. Avon's e-commerce platforms and representative-branded online stores extend that reach to buyers who prefer to order without a face-to-face conversation. Regional distribution centers then ship directly to the representative or the end customer.

Customer Segments

Avon's core customer is value-conscious and buys beauty, skincare or household items on a recurring basis rather than as a one-off purchase. Women seeking affordable personal care products remain the largest segment across Avon's markets. A second segment is the representatives themselves, who buy products at a discount partly to resell and partly for personal use. Emerging-market consumers, particularly in Latin America and parts of Asia, make up a growing share of Avon's base as retail infrastructure there remains uneven.

Cost Structure

Representative commissions and campaign incentives make up the largest variable cost, scaling directly with sales volume rather than sitting on the books as fixed retail overhead. Manufacturing, research and development and logistics account for most of the remaining cost base, alongside marketing spend on catalogs and digital tools. Legal costs, including talc-related litigation, have become a material expense for the U.S. entity in recent years.

Revenue Streams

Product sales through representatives and their catalogs and online stores generate the bulk of Avon's revenue. Representative enrollment fees and starter kits add a smaller, recurring stream tied to recruiting rather than product sales. Bulk or wholesale orders from top-performing representatives who resell to sub-networks contribute in markets that lean toward a multi-level structure.

- 1Avon Products company history
- 2Direct selling remained steady in 2024, WFDSA stats report
- 3Ding Dong, Avon's calling: the rise and fall of the original side hustle
- 4Global direct selling market, statistics and facts

- 5Avon Products files for bankruptcy to wrangle talc lawsuits
- 6Natura and Avon join forces to create a direct-to-consumer beauty leader

Summary

Direct sales endures because it solves a distribution problem cheaply: instead of paying for shelf space, advertising and inventory risk, a company hands part of that cost and reward to its representatives. Avon shows both sides of that trade. It built one of the largest sales forces the world has known and turned inventory-light selling into an income source for millions of first-time entrepreneurs, mostly women, over more than a century. It has also carried legal, financial and reputational exposure that ordinary retail buffers away, from talc litigation to representative turnover. For executives weighing the model, the appeal is speed to market and lower fixed costs. The tradeoff is control, since quality, brand tone and legal exposure travel through people who are not employees.