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**THE ROLE OF TRUST ON DIRECT SELLING OF ORIFLAME'S  
MULTI LEVEL MARKETING****ATURAN KEPERCAYAAN DALAM PENJUALAN LANGSUNG DARI MULTI LEVEL MARKETING  
ORIFLAME**

by

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**Abstract:** Multi level marketing business is rapidly growing especially in North Sulawesi, the one of advantages of multi level marketing business is the contribution it makes to economic growth, one of the examples of multi level marketing in Manado is oriflame's company. The objective can be achieved of this research is to know the consumer's trust on the salesperson in a direct selling context as measured by different measures of trust. Theories supporting research are consumer trust and direct selling. This research is qualitative research that uses an exploratory approach with in-depth interviews. The sample of this research is 10 of the consumer oriflame in Manado. The result of this research is in the cognitive trust of the consumer oriflame is they trust to the salesperson and never commitment to build relationship if the goods not really same with the percentage of the salesperson, most of them are never get the stuff that not same with their expectation, so they trust of confidence. For the affective trust, the consumer respect and gratitude to the salesperson and the last is generalized trust the result is they never get conflict with the salesperson so the salesperson could be dependable.

**Keywords:** *consumer trust, direct selling, multi level marketing.*

**Abstrak:** *Bisnis multi level marketing berkembang pesat terutama di Sulawesi Utara, salah satu keuntungan dari bisnis multi level marketing adalah kontribusi yang dihasilkannya terhadap pertumbuhan ekonomi, salah satu contoh dari multi level marketing di Manado adalah perusahaan oriflame. Tujuan yang dapat dicapai dari penelitian ini adalah untuk mengetahui kepercayaan konsumen terhadap penjual dalam konteks penjualan langsung yang diukur dengan ukuran kepercayaan yang berbeda. Teori yang mendukung penelitian adalah kepercayaan konsumen dan penjualan langsung. Penelitian ini merupakan penelitian kualitatif yang menggunakan pendekatan eksploratori dengan wawancara mendalam. Sampel dari penelitian ini adalah 10 dari oriflame konsumen di Manado. Hasil dari penelitian ini adalah kepercayaan kognitif dari konsumen oriflame adalah kepercayaan mereka kepada salesperson dan tidak pernah komitmen untuk membangun hubungan jika barang tidak benar-benar sama dengan persentase dari penjual, sebagian besar dari mereka tidak pernah mendapatkan barang yang tidak sama dengan harapan mereka maka mereka percaya dengan penjual tersebut. Untuk kepercayaan efektif, mereka sangat menghargai dan rasa terima kasih kepada penjual dan yang terakhir adalah kepercayaan umum, hasilnya adalah mereka tidak pernah terlibat konflik dengan penjual sehingga penjual dapat diandalkan.*

**Kata kunci:** *kepercayaan konsumen, penjualan langsung, multi level marketing*

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## INTRODUCTION

### Research Background

In this era, direct selling includes sales made through the party plan, one-on-one demonstrations, and other personal contact arrangements as well as internet sales. Some sources have defined it as a direct personal presentation, demonstration, and sale of products and services to consumers, usually in their homes or at their jobs. It consists of two main business models: single-level marketing, in which a direct seller makes money by buying products from a parent organization and selling them directly to customers, and multi level marketing (also known as network marketing or person-to-person marketing), in which the direct seller may earn money from both direct sales to customers and by sponsoring new direct sellers and potentially earning a commission from their efforts. Multi Level Marketing (MLM) is a marketing function in which sales people are paid for their personal contribution as well as for the contribution of the person they recruit into the function or process. The sales people have to find some people or they usually named it as down-line so they can get profit from the people they recruited as their contribution. It will also happen to the down-lines if they can add some more people below them so on.

Nowadays the multi level marketing business is rapidly growing especially in North Sulawesi, the one of advantages of multi level marketing business is the contribution it makes to economic growth. It makes it possible for the national income to continuously grow. The idea enables people to create new friend and relationships. The people the recruit and those who recruit can be their friends. They will offer us business as well as person support.

Female students are among those who are very concerned about the development of products that are currently popular. One product that is highly followed by female students is personal care and cosmetics. This is due to a shift in the consumption pattern of the people who used to use facial powder to beautify themselves to switch to other complementary products in line with the increase in income and other cosmetic needs. The shift in consumption patterns has an impact on increasingly intense competition between personal care and cosmetics industry companies. This is evidenced by the many types of cosmetics circulating in both domestic and foreign production. The number of cosmetic products on the market affects a person's attitude towards buying and using product.

The progress of beauty industry in Indonesia is currently showing an increase. Based on data from the Ministry of Industry (2016), the growth of this industry market averaged 9.67% a year in the last six years (2009-2015). It is estimated that a large market, cosmetic market of 46.4 trillion in 2017. With this amount, Indonesia is a potential market for beauty industry entrepreneurs both from outside and within the country. And there exists rising demand for beauty and personal care products in Indonesia. The major drivers of this growth are hair care products 37 %, followed by skin care products 32%. In Manado, the most using the popular product is female. One of the products that is highly followed by them is skin care and cosmetics products. Increasing that amount can be one of the opportunities the cosmetics industry who won the competition and increase revenue. Currently Indonesia is flooded with various brands of cosmetics one of them is Oriflame.

Oriflame is a leading beauty company deals with direct selling. The company present in more than 60 countries, and the market leader in more than half. Originally from Sweden with corporate office in Switzerland. They offer a wide range of high-quality beauty products. The company sells cosmetics, skin care and other various beauty products aims to be the beauty company selling direct. Based on the descriptions above the researcher is interested to conducting research on the role of rust on direct selling of oriflame's multi level marketing.

### Research Objectives

The objective of this research is to know the consumer's trust on the salesperson in a direct selling context as measured by different measures of trust.

## THEORETICAL FRAMEWORK

### Marketing

Marketing is the process by which companies create value for customers and build strong customers relationship in order to capture value from customers in return (Kotler and Armstrong, 2010).

### **Marketing Communication**

Kotler and Keller (2010) defined marketing communications as the means by which firms attempt to inform, persuade and remind their customers - directly and indirectly of products and brands they sell. Marketing communications represent the voice of the company and its brands, they are the means by which the company can establish a dialog and build a relationship.

Marketing communications are the fourth essential element of the marketing mix, with which the company aims to serve the target markets. Built through good communications company image and a favorable public attitude facilitate business contacts and raising the necessary investment funds. Promotional mix (or a marketing communication mix) is the specific combination of instruments to promote that company used to convincingly communicate customer value and build customer relationships.

### **Multi Level Marketing Business**

According to Taylor (2000), Multi Level Marketing define as any marketing program in which participants pay money to the program promoter in return for which the participants obtain the right to recruit additional participants placed by the promoter or any other person into the program participant's down line, tree, cooperative, income center, or other similar program grouping sell goods or services and receive payment or other compensation provided. MLM Business is a legitimate business strategy, even though it is controversial.

### **Direct Selling**

According to Kotler (2008), Direct Selling is the marketing of products and services directly to consumers in a person-to-person manner, generally in their homes or the homes of others or other places away from permanent retail locations. Direct sales typically occur through explanation or demonstration by salespersons normally referred to as Direct Sellers.

### **Consumer Trust**

Consumer trust is an important coordination to support corporate performance in the competition in the marketing environment and can contribute to relationship loyalty (Guenzi, Johnson, and Castaldo, 2009), therefore customer trust has begun to be built into the company's marketing called Front Line Employees (FLEs) and Management Policies and Practices (MPPs) (Sirdeshmukh, Singh and Sabol, 2002).

### **Previous Research**

Bobalca (2014) studied about a Romania perspective on customer loyalty for direct selling. It was found that for direct sellers, loyalty is an attitude and also a behavior. It means buying from the same company, from the same seller and preferring the products of the company. The main loyalty techniques that direct sellers use in their work with the clients are: promotional actions, personalization the relation with the client and offering stimulants. The loyal customer is the one who buys companies products every month or at least quarterly, spends a monthly amount of 100 Ron on these products, works with the same seller, pays on time for the order, doesn't look only after promotions, loves the products, recommends the company to others, doesn't return the order, wants to buy more products from the company and trusts its product.

Moorman, Deshpande, and Zaltman (2013) studied about a factor affecting trust in market research relationship. The result indicate that trust may be more a function of interpersonal factors. These results are consistent with general research trend focusing on trust as product of the relationship between two parties as opposed to a personality trait exhibited by either party.

Deari, Candidate and Balla, (2013) studied about a consumer trust in the global brands: empirical analysis in the context of consumer perspective. The result that well get will have one positive impact in the field of branding, respectively in the field of global brand trust. This study found that the brand trust has a significant influence in the customer loyalty.

## Conceptual Framework



Figure 1. Conceptual Framework

## RESEARCH METHOD

### Research Approach

This research is qualitative research methodology which is descriptive research to know how the consumer's trust in the salesperson in a direct selling context as measured by different measures of trust. According to Denzin and Lincoln (1994), qualitative research involves the studied use and collection of a variety of empirical materials - case study personal experience, introspective, life story, interview, observational, historical, interactional, and visual texts - that describe routine and problematic moments and meanings in individuals' lives.

### Population, Sample and Sampling Technique

Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. Population is identifiable group of elements (e.g. people, products, organizations) of interest to the researcher and pertinent to the information (Al, 2006). This research using purposive sampling, according to Sekaran and Bougie (2009), purposive sampling obtaining information from those who are most readily or conveniently available, might sometimes become necessary to obtain information from specific target groups. Sekaran and Bougie (2009) states that purposive sampling has two types which are judgment sampling and quota sampling.

#### a. Judgment sampling

Judgment sampling design is used when a limited number or category of people who have information is sought.

#### b. Quota sampling

Quota sampling ensures that certain groups are adequately represented in study through the assignment of a quota.

In order to get the best result, researchers choose both of sampling as a type of purposive sampling and 10 informants because researchers believe the informants represent the target population. The informants that will be taken are oriflame customer in Manado and the criteria is female.

### Data Collection Method

Data collection method are important by providing useful information to understand the process before gaining the result. Data collection method are divided into primary data. Primary data are gained from in-depth interview

### Instrument Testing

The key instrument of this research is the researcher. The researcher is trained and has good understanding about all aspects of this research. The researcher was equipped with a note book, a recorder, and a camera in order to conduct interviews.

### Data Analysis Method, Validity and Reliability

In qualitative research, researcher is the instrument to collect data themselves through examining documents, observing patterns, and interviewing informants, hence the beliefs, feelings, values, and assumptions of the research become crucial as they may affect the research. In qualitative data analysis there are some steps to analyze the data. According to Miles and Huberman in Sekaran and Bougie (2010), there are generally steps in qualitative data analysis: Data collection, data reduction, data display, drawing and verifying conclusion. Validity and reliability in qualitative research have a slightly different meaning in qualitative research in comparison to quantitative research (Sekaran and Bougie, 2009), the reliability in qualitative data analysis includes category and interjudge reliability:

- a. Category reliability relates to the extent to which judges are able to use category definition to classify the qualitative data. Well defined categories will lead to higher category reliability.
- b. Interjudge reliability is a degree of consistency between coders processing the same data.

## RESULT AND DISCUSSION

### 10 Informant from Consumer Oriflame

#### Informant 1

Informant 1 is a kind of person who really knows this product, she really knows this product. According to Nanda, oriflame is a Swedish company founded by two brothers, Robert and Jonas of Jonick in 1967 and entered Indonesia since 1986. Annual sales reached 1.5M euros, having two production units spread throughout the world (Sweden, Poland, China, Russia and India). oriflame has many products and the one that has been bought is lipstick, perfume, because perfume from oriflame is among the top 5 of the best perfumes in the world, mascara and eyebrow kits. Nanda is interested in oriflame is the first career path and the advantages she has when receiving the items, she has ordered. She feels good on the skin and the advantages of this oriflame product are not tested on animals, more than 1000 kinds of products, made from natural and non-animal materials, has a clear expiration date, tested more than 65 countries for 50 years, packaging is easily recycled, imported goods are locally priced, have halal certificates from MUI. Nanda really trust because the salesperson is her friend, so far the items she ordered according to her expectations and responses when you receive inappropriate items, she will complain to customer care, she also feels confident about the salesperson because she sees the quality the product offered, each product offered by the salesperson already has a lot of tangible evidence so there is no doubt that she is dependable the salesperson because they has a good attitude, honest with the problem of transacting. Nanda said, she was feeling very grateful to the salesperson for offering quality products so that they could make us customers feel better and also, she never had a problem with the salesperson in ordering the goods so she felt safe and trustworthy.

#### Informant 2

Nadya is a student who uses oriflame products, according to her oriflame is a cosmetics company that offers cosmetic products with a direct selling system. The product she has bought is hand and body care skin care, perfume, cosmetic. What can be done to make the story on the oriflame a lot of promos and she as a student certainly has advantages in the product and the advantage is getting a discount. Its superiority is not tested on animals but directly on humans, oriflame products are halal and also skin care products are differentiated based on skin type and age and packaging of these products can be recycled. According to her, to trust the salesperson because she knew the oriflame company had been proven in the world and many interested people, therefore she trusted in the salesperson and as long as she ordered the goods she had never received goods that were not in accordance with the percentage given, she was still committed to the seller. She really respected the salesperson because the salesperson is her friend and thanked her after receiving the ordered item and never had a problem with the seller in ordering the goods. According to her the salesperson is dependable because the salesperson is a good friend. To feel safe and can be trusted she chooses to buy products with people she's already knows (friends).

#### Informant 3

According to Ika, oriflame is a company from abroad that sells everyday products and can be made land for business. The oriflame product that she bought was cosmetics in the form of powder and lipstick. She was interested in oriflame because there were lots of discounts and the benefits she got were being able to get imported products at a price that was still affordable, and she had never received a loss from the products she bought. What is the advantage of the oriflame product is the quality that is guaranteed because there are many oriflame users that she knows, and until now there have never been oriflame products that were fake or imitated.

And according to her, a trustworthy salesperson can be seen from the salesperson background, for now she has never received an item that is not in accordance with the percentage given by the salesperson, from that she feels can commit to the salesperson when buying the product. She also felt confident with the salesperson confidence in offering the product because she felt confident with the salesperson because she already knew the salesperson background and dependable the salesperson because she knew the salesperson was her best friend and after she received the items she had ordered her very grateful because she can be trusted. As long as she ordered items she never had a problem, she is felt the salesperson could rely on and felt credible because the salesperson was a close friend of hers.

#### **Informant 4**

Informant 4 or Fadhlurrahmah is a student who likes beauty products, according to her oriflame is a company in the field of beauty, oriflame sells make up, skin care, hair and body care, well-being for both women and men. She is bought oriflame products, that is lipstick, mascara and blush. She is interested in oriflame because she knows that this company sells good products. The disadvantage that she got there was nothing that was the advantage of the affordable price of the product and compared to other oriflame products, the price was cheap, suitable for the skin, easy to order, good quality and good product packaging. She trusts the salesperson because the salesperson is selling the product honestly and well and she has never received an item that is not in accordance with what the seller has done. She is confident and respect of the salesperson in offering product, because the salesperson is her friend. She is feeling gratitude to the salesperson because she could easily buy the beauty product that she wanted, besides the price of the member got a cheaper price compared to the catalog. She never gets into trouble ordering goods because the salesperson offering they product is well and the salesperson dependable because all this time she always buys to the salesperson and there is no problem so she can count on it. And she feels safe and trusting because there are no problems in the purchase.

#### **Informant 5**

Informant 5 said, oriflame is a beauty product from Sweden, the products she has bought are lipstick, mascara, nail polish, eyelash curler. She was interested oriflame because the oriflame packaging was good and it had also been proven to be a lot of users, the advantage she got when he received the goods was that besides she got a cheap price she also got the items that she wanted. The advantages of oriflame products with the other products are that the product can last a long time according to her, for example lipstick. She trusted in the salesperson because most people said the salesperson was offering a good product. She never received an item that was not in accordance with what was presented by the salesperson and she was trust of confidence when the salesperson offered the product. For her to appreciate it is important and her respects to the salesperson because the salesperson is good to her so she feel gratitude for what she has received because the items she ordered are in accordance with what she wants. During the ordering of goods, she never got a problem with the salesperson, therefore the salesperson can dependable because his attitude and personality are good so she is safe because she already recognizes the salesperson.

#### **Informant 6**

According to informant 6, oriflame is a beauty product, the product she has bought is mascara the one and tea tee oil skin care and what makes her interested in oriflame is that the product is cheap, easy to get because many of her friends are oriflame members, when she receives the ordered items the benefits of the product is in accordance with what she wants and the advantages of the product are compared to other products, besides being cheap, lots of discounts, good quality. She trusted the salesperson because the salesperson was a close friend. For her, no longer committed to the salesperson with inappropriate items. She felt confident about the confidence that the salesperson had in offering the product because she knew that the salesperson could be trusted and she respected the salesperson because the items she had ordered were beneficial to her and she was also grateful. During ordering goods, she is never getting into trouble with the salesperson so she feels that the salesperson is dependable and safe or trustworthy.

#### **Informant 7**

According to informant 7 oriflame is a cosmetics company that offers cosmetic and skin care products. She has been purchased the product, is mascara, lip balm and perfume, which makes her interested in oriflame is the price is cheap besides the oriflame has been proven to be halal. When she has received the ordered goods, she gets the advantage that the packaging and product are compatible with the skin and the advantages of this

product with other products are according to him the use of natural ingredients and starch, developed in high-tech factories under strict quality and environmental supervision. She also trusted to the salesperson because there are many recommendations from friends who have subscribed to the salesperson, so she is confident and trusts the salesperson in offering the product and when she runs a relationship with the salesperson she never gets the goods that are not suitable and therefore relies on the seller and when he receives the goods that have been ordered she feels gratitude to the salesperson because she can know the experience of business and can know anything about oriflame so she respects the salesperson because she is safe and trusted.

#### **Informant 8**

According to Yuyun oriflame is a cosmetics company from Sweden that sells several beauty products with a multi level marketing system. The product she had bought was hand and body cream, eyebrow pencil and mascara, she was interested in oriflame because many of her friends had become oriflame members. When she received the items, she had ordered the benefited from the product, such as hand and body cream that fits on the skin and can brighten the skin and the mascara she buys is durable. The advantages of this oriflame product are that the products are cheap compared to other products. She trusted in the salesperson who had offered her the product because the salesperson was one of her closest friends, so she felt confident about the seller's self-confidence when offering the product. As long as she ordered the goods, she never got an inappropriate item and she appreciated or respect selling because the person was good at marketing things other than after she received the goods she had ordered, she thanked to the salesperson because the goods arrived and she got a lesson in doing business then from that the salesperson is dependable and she never has a problem with the seller so the salesperson can be trusted.

#### **Informant 9**

Informant 9 said oriflame sells a variety of beauty products, the products that have been purchased are mascara, eyeliner, perfume and lipstick, informant 9 interested in this product because there are several beauty products that have good quality and durability. Besides being the quality of the products to buy is also easy and can be even easier by buying oriflame members. She said also benefited from this oriflame product in the form of an easy transaction and the advantages of the original product with other products because of the brand image and also many people knew and many of them had joined to become oriflame members. She is trusted in the salesperson who had offered the product and from the salesperson to make the transaction easier it was not difficult, on time and in accordance with what was expected, she had never experienced bad experience with the salesperson and when she received goods that did not match the level trust from her will change. Maya felt confident about the sellers' confidence because one of her friends who was an oriflame member was not shy in offering a product so she appreciated that person because of their work and as long as the salesperson tried to offer the product with reasonable respect, but not reasonable anymore. She disrespectfully refused the offer from the seller. Maya was grateful because from her experience buying oriflame when she took the product she had ordered often she did not have the time and the seller always adjusted the time virtually so from the virtual side she never had a problem with the salesperson. The seller's virtual words can be relied on because just like what was said before, the mechanics must get the trust of customers, if they cannot be trusted they cannot be relied on, to maintain the trust of customers that they need maximum effort, because of that they can be relied upon because they have good business. And the last word Maya said as long as she had never had a bad experience with the seller she felt very safe and could be trusted with the seller.

#### **Informant 10**

Informant 10 said oriflame is a place for online sales, products that have been purchased are perfume, hand and body cream, lip tint, shampoo and nail polish, which makes her interested in oriflame because have many cheap products also never get a loss when receiving items that they have ordered are always appropriate the willingness, according to her, the advantage of this product with other products is that the price is in accordance with the student's pocket. She trusted the salesperson because she knew the salesperson and she never received an inappropriate item. To feel confident about the salesperson for her, she was very sure because she was good at offering product, so she respected the seller because we had to respect everyone, especially those who were earning a living for them and he was grateful for having experience in business, she was someone good then she never gets into trouble with the salesperson because she has recognized the salesperson and can be counted on also because friends she knows can already do business and that we can learn from her and she feels safe and can be trusted with the seller .

### **Cognitive and Affective Trust**

According to McAllister (1995) there are two types of trust; cognitive and affective based trust to address the functioning of interpersonal trust among managers and professionals in the organization. He explained that cognition-based trust refers to trust "from the head," a judgment based on evidence of another's competence and reliability. This means, cognitive trust is based on rational choice based on the analysis of the ability and competence. He explained affective trust as trust from the heart, which means trust based on emotional ties or the type of relationship one shares with another person.

There are 3 indicators for cognitive trust, namely: trust on salesperson, commitment to relationship and trust of confidence. All informant knows the oriflame company very well. There are many answers from them that trust in the seller who has offered the product to them, they are feel confident to the salesperson in offering product. Most of them do not receive goods that are not suitable so, they are still commitment with the sales person to purchase product that they want. In offering goods there must be confidence from the seller and from the results of the informant 4,8,9 their answers are the same, they are feeling confident with the salesperson in offering the product because the salesperson is a close friend. Affective trust has 2 indicators, they are respect and gratitude. Informant 10 appreciated the seller because we had to respect everyone especially those who works for living. The results of most informant felt gratitude to the salesperson because they receive the items that they want. Informant 7 feels gratitude to the salesperson because of the salesperson, she can know business and build trust with the consumer.

### **Generalized Trust**

Generalized trust presented to all respondents, including those who had never purchased from a direct selling company, within the context of their general attitudes and perceptions about, direct selling salesperson. This measure the consumer's general trusting attitude toward a direct selling salesperson (Poon, Albaum and Chan, 2012).

Generalized trust, there are 3 indicators. First is conflict of relationship, second is dependable and the third is feeling secure. When asked if the respondents have a problem with the salesperson in ordering goods, they never had a problem. All goods are original and not fake, its same with the percentage of the salesperson. For dependability, most answers are same. The salesperson is dependable and customer feel safe with the salesperson because 80 percent is close friends.

## **CONCLUSION AND RECOMMENDATION**

### **Conclusion**

The oriflame company has an impressive association of cosmetics as an attractive beauty product, with prices that are not too expensive, there are psychological benefits such as safety, comfort in each product, and are very suitable for people who always want to look attractive reflecting Swedish culture which is famous for its natural beauty. The oriflame brand is perceived to have excellent quality which is a type of cosmetics made from natural ingredients, and effective to use as well, the services provided are considered good where using direct sales, and oriflame always provides product additions and all according to the specifications. All of the products give the impression of good quality and unique packaging. The oriflame brand also has consumers who strongly believe in direct sales from oriflame companies when viewed from the answers of the respondents. And also, many of them buy more than 1 item. Consumers feel like oriflame products are even satisfied with oriflame products because most of them fit on their skin. The purpose of this research is to know the consumer trust on the sales person in a direct selling context is measured by different measures of trust. In the results of the cognitive trust they are trusted and sure of the salesperson and the affective trust results from that they are respect and grateful because from that they can learn to do business and the last generalize trust is what they say the seller of the oriflame company can rely on and safe because they never had a problem in ordering goods.

### **Recommendation**

1. Companies are expected to be able to offer their products with high overall benefits and quality or better at prices that remain affordable for consumers, so that consumers will continue to buy Oriflame products and not switch to competing company products.

2. The company must also pay attention to how to pack cosmetic products. Packaging must be designed more unique and interesting, so that consumers immediately see and know the whereabouts of the Oriflame products. This is useful for speeding up the purchasing process for consumers.
3. It is recommended that companies further increase their promotional business by streamlining the use of advertising media, namely by increasing the frequency of displaying advertisements in electronic media, because electronic media such as televisions have extensive circulation to reach target communities / consumers that are not reachable by other media.

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