



The misplaced controversy about internal consumption: Not just a direct selling phenomenon

Victoria L. Crittenden ^{a,*}, Gerald Albaum ^b

^a Babson College, 231 Forest St., Wellesley, MA 02457, U.S.A.

^b Anderson School of Management, University of New Mexico, Albuquerque, NM 87131, U.S.A.

KEYWORDS

Internal consumption;
Direct selling;
Multilevel marketing;
Retailing;
Inventory loading;
Employee discounts

Abstract Internal consumption in the direct selling industry has been at the heart of many debates over the past couple of decades. In this article, we contend that internal consumption is a widespread practice at all levels of the distribution channel and not something limited to the direct selling or the multilevel marketing (MLM) retail arena. While government regulators in some countries attempt to use this practice in MLM as prima facie evidence of illegal pyramiding, the results presented here provide evidence of the widespread use of internal consumption in all aspects of retailing. Thus, to attribute internal consumption as a negative aspect solely within the direct selling marketplace shows a misplaced understanding with regard to personal use, discounts, and company recruiting efforts. At the same time, however, our research shows that discounted purchasing of product for personal use likely brings little value to the company since it does not appear to result in increased job satisfaction or organizational loyalty from either the affected employees or the customer base.

© 2015 Kelley School of Business, Indiana University. Published by Elsevier Inc. All rights reserved.

1. A controversy. . .yet a widespread phenomenon

Whether employed by a firm or independent contractors, personal selling has experienced tremendous growth over the past 2 decades and will continue to

do so (Rapp, 2009). A career in sales can offer considerable opportunities for an assiduous salesperson. Unfortunately, one of the predominant marketplaces for personal selling—the world of direct sales, including the form known as multilevel marketing (MLM)—has faced considerable controversy over the past few years.

A major area of controversy has been around the phenomenon referred to as the internal consumption practice—a common practice among the direct selling sales force. Basically, internal consumption

* Corresponding author

E-mail addresses: vcrittenden@babson.edu (V.L. Crittenden), albaum@unm.edu (G. Albaum)

is when sales force members purchase the company's product for personal use. In doing so, the salesperson receives a discount off the purchase price. We contend here that the controversy about internal consumption in direct selling is misplaced for two major reasons: (1) internal consumption occurs in multiple business-to-consumer domains, not just in the direct selling industry; and (2) regardless of the retail channel, the rationale for offering internal consumption opportunities as an employee benefit does not provide the suspected payback as a motivator. As such, whether labeled internal consumption or employee discounts, the phenomenon does not have a major impact on sales people, other employees, or consumers.

2. The direct selling marketplace

Direct selling is a non-store distribution method in which products are offered directly to the consumer via person-to-person or party plan selling. Recent estimates suggest worldwide sales at direct selling companies were in excess of US \$178.5 billion in 2013, with a sales force estimated at 96 million independent contractors worldwide. In the United States, sales in 2013 were \$32.7 billion and sales

people numbered 16 million ([World Federation of Direct Selling Associations, 2014a](#)). Sales in the European Union countries in 2013 were reported to be €18.7 billion and the number of sales people was 5.2 million ([European Direct Selling Association, n.d.](#)). Clearly, direct selling is a major aspect of business-to-consumer (B2C) retailing.

A profile of the direct selling sales force shows the following: 80% are female, approximately 90% operate their business part time, about one-half have college degrees, financial compensation is commission based, taxes and expenses are paid by the independent operator, 80% of the sales force has been with their company for more than 1 year, and many view the direct selling as a source of empowerment ([Direct Selling Association, 2015](#)). [Table 1](#) presents an overview of seven types of sales people in the direct selling industry based on individual motivations for joining and staying affiliated with the company. Products sold in the direct selling context are diverse, with leading product sales categories varying region to region and country to country. [Table 2](#) provides examples of products offered by direct sellers.

Direct selling is often confused with multilevel marketing; herein lies a significant problem—or one

Table 1. Types of direct selling sales people*

- **Wholesale or Discount Buyer:** These individuals technically are sales people in that they sign up as sales people but in reality do so to buy the company's products at the wholesale or discount price accorded members of the sales force. They do not sell and they do not recruit.
- **Short Term/Specific Objectives:** These are individuals who join a company to earn extra money for a specific objective. Examples of these people are women who join many of the companies one month before Christmas to earn extra income to spend on their own families' Christmas presents. Another example is when an individual joins a firm to earn enough money to replace a worn out appliance, such as a refrigerator, or to buy a television set.
- **Quality Of Life Improvement:** These are people whose family income is inadequate to give them the quality of life they want, whether both husband and wife work outside the home or one income is inadequate and the other must stay at home for the children. One of them—usually the woman—will therefore work a few hours per week with a company, but she or he will do it all year long to earn enough money to improve the quality of their lives financially.
- **Careerists:** These are the people who work full time at their direct sales business. They are micro-entrepreneurs with their own small businesses, in effect in partnership with the direct selling firms.
- **Social Contacts:** In some countries, women who have become isolated in the home because of a diminution of the number of nuclear families join direct sales firms for the social contact direct selling provides, both with their customers and with their colleagues.
- **Recognition:** In some countries, people, especially women, join firms for the treatment of respect and the recognition they earn for their efforts.
- **Belief in the Products:** Some people join direct sales companies because they believe so much in the attributes of the products that they want to share them with their friends, neighbors, and the public at large.

* Source: [World Federation of Direct Selling Associations \(2014b\)](#)

Table 2. Illustrative products offered by direct sellers*

Aerial photographs	Air purifiers	Arts & crafts	Ceramics
Chinaware	Cleaning products	Clothing	Cookware
Cosmetics	Cutlery	Electronics	Glass & crystal
Home decorations	Jewelry	Lingerie	Magazines
Nutritional supplements	Reference books	Tableware	Toys
Vacuum cleaners	Wines & beverages		

* Source: [Crittenden and Crittenden \(2004\)](#)

area of controversy—for the direct selling marketplace. While direct selling is a method of distribution, multilevel marketing is a type of compensation plan often found in the direct selling distribution method. Within the multilevel marketing compensation plan, direct sellers can be compensated for sales made by themselves, sales made by recruits, and sales made by downline recruits (the sales people the recruits have brought into the business). Direct sellers cannot be compensated merely for recruiting sales people or for inventory loading by their sales force recruits. To do so makes the multilevel marketing compensation plan an illegal pyramid ([R&R Law Group PLLC, 2015](#)). As evidenced in the payment scheme, inventory loading—the second and related area of major controversy—has been determined to be illegal by the Federal Trade Commission and the European Union’s Unfair Commercial Practice Directive. Unfortunately, inventory loading is often confused with, and possibly disguised as, that of internal consumption.

2.1. Inventory loading or internal consumption?

Inventory loading occurs when members of the sales force purchase large quantities of their company’s products—at a discounted price—so as to qualify for a sales volume goal rather than to strictly meet the needs of the customer. The salesperson meets his or her volume goals and simultaneously receives commissions for purchases that might or might not be used for his or her personal consumption. Unfortunately, such inventory loading has cast a shadow upon members of the direct selling sales force who purchase product for personal use. This purchasing for personal use has been labeled as ‘internal consumption’ and has essentially created a stigma and negative buzz about the direct selling marketplace in general ([Eisenstein, 2002](#)).

Peterson and Albaum (2007, p. 317) define internal consumption as “the practice of an employee or other type of company representative purchasing product or services at a discount from list or regular market price from his or her employer (or other principal) for his or her own use or consumption.”

[Webster v. Omnitrition International, Inc. \(1996\)](#) included internal consumption as a component of an unlawful pyramid scheme and suggested that sale of a product to an ultimate user meant that the product sale was to a user outside of the selling organization ([Peterson & Albaum, 2007](#)). However, the [BurnLounge](#) decision draws a clear distinction between internal consumption and inventory loading, making it clear that internal consumption is legal as long as there is legitimate consumer demand for the company’s products ([Thompson, 2014](#)). Recently, the Ninth Circuit Court of Appeals offered its opinion with regard to internal consumption, declaring that internal consumption was legal if the products were purchased for legitimate personal use ([Thompson, 2014](#)).

By equating internal consumption with inventory loading, antagonists have created an aura of general corruption with respect to direct selling. We contend, however, that consumption by employees at a discounted rate, regardless of the marketplace context, is as American as apple pie and that internal consumption occurs in all areas of business—not just direct selling. For example, an administrative assistant is noted as saying that the reason she switched employers, accepting a lower per-hour wage at a local university, was for the tuition benefit for her children. One has to wonder why this is different from that of Jennifer Azzi, former university, Olympics, and women’s professional basketball player who evolved from being a user of USANA (a direct selling company marketing nutritional products) to being an endorser of the product to being a distributor of the product. Azzi said, “I’m using the products and telling everyone to take them. It’s something I believe in. If I’m doing all that, why wouldn’t I be a distributor?” ([Direct Selling News, 2009](#)). Thus, if the sales force in the direct selling marketplace is monitored for internal consumption, why are employees outside the direct selling marketplace not also monitored?

2.2. Discounts: As American as apple pie

Employee discounts are a popular perk for employees of many companies. Examples include ([if0 Apple Store, 2015](#); [Max, 2003](#)):

- Dining establishments—Wolfgang Puck employees pay only 50% of the tab when they, with up to three guests, dine at the company's restaurants.
- Airlines—Most carriers allow employees and their relatives to travel for free on stand-by.
- College tuition—Many colleges offer tuition remission/discounts for employees and their immediate family members.
- Ski resorts—Employees and family members at Vail receive passes for any of the five resorts as well as reduced rates at Vail hotels, restaurants, and stores.
- Retail shops—The Apple Store reportedly offers considerable discounts to its employees, including ongoing discounts for anything in the store, larger discounts once per year for complete systems, occasional discounts on third-party products, and deals on discontinued/overstock items.
- Automobile manufacturers—Employees and their family members can save thousands of dollars on new car purchases, often paying less than the dealer's invoiced price.

Clearly, companies are using internal consumption opportunities as an alleged win-win situation for both company and employee. For example, an analyst in Detroit attributed the internal consumption phenomenon in the automobile industry to the basic fact that people in the marketplace were not buying cars (Strumpf, 2008). Thus, the automobile manufacturers and dealerships were moving cars downstream, regardless of whether the consumption was by a non-employee or a salesperson on the dealer lot. Discounts are also a common perk for many retail stores; they move merchandise even when the sales are at reduced prices to their own employees. But, should internal consumption of automobiles or clothing be counted toward a company's bottom line in the same manner as sales to the external public?

In addition to showing that purchasing for personal use occurs across a variety of companies and industries, our research suggests that internal consumption is a misunderstood phenomenon from the perspective of employee and customer benefits. While the benefits of discounted purchasing for personal use might be an initial enticement to work for a particular company, we propose that allowing internal consumption does not have an effect on overall job satisfaction. Additionally, we suggest that a salesperson's internal consumption has no

effect upon a consumer's likelihood to purchase. Thus, internal consumption is merely a perk that one can choose (or not) to participate in and is not something exclusive to the direct selling marketplace.

3. Incidence and value of internal consumption

Our purpose here is to report on a series of studies that addressed the incidence and value of the practice of discounting product for personal use and to propose that internal consumption is not a *prima facie* indicator of an illegal MLM pyramid scheme since it is not restricted to the direct selling marketplace nor something that necessarily creates long-term value for firms. Five separate studies were conducted to assess various issues related to internal consumption.

3.1. Does internal consumption occur in retailing outside of direct selling?

Personal interviews were conducted in two cities in the southwestern United States with a purposive sample of 40 national retailers. These retailers included companies such as Best Buy, Target, Wal-Mart, Home Depot, Firestone, Macy's, Walgreens, Albertsons, and Radio Shack. The size of the retailers, in terms of sales volumes, ranged from \$24.6 million to \$256.3 billion. The number of employees nationally ranged from 5,100 to 1.5 million. All interviews were conducted with store managers. Specifically, store managers were asked (1) if discounts were offered to employees, (2) if discounts were also offered to employee family members, and (3) if there were limits placed on the amount that could be purchased at discount. The questioning was expanded in the second city, where store managers were also asked if employee-discounted sales (internal consumption) were included in total sales for purposes of any bonuses given to store managers.

In City A, 37 of the 40 retailers offered some type of discount purchase program for their employees. Twenty-two of these 37 retailers also offered discounts for their employee's immediate family members. Employee discounts for purchasing products or services for personal consumption ranged from the firm's cost to a 5% discount off the retail price. As a whole, the retailers referred to the discount purchase program, which is in effect a form of internal consumption, as a standard employee benefit. Many of the store managers interviewed stated that their firm believed it had to offer such a program to compete for quality employees.

In City B, 28 of the 40 national retailers were available for the interview. Twenty-two of the 28 retailers interviewed offered a discount program for employees, with discounts available to both full- and part-time employees. Nineteen of the 22 companies included employee family members in the discount program. With respect to bonuses, 13 of the store managers reported that managers received a bonus based on total store sales. Nine of these store managers reported that discounted sales to employees and/or employee family members were included in the sales figure used to calculate manager bonuses. Thus, 32% of the sample included internal consumption sales in the bonus calculation.

Based on these results, internal consumption does occur outside of direct selling; it occurs within the United States' retail sector. Within the direct selling context, [Keep and Vander Nat \(2014\)](#) claimed that paying commissions on internal consumption resembles an illegal pyramid scheme. Yet, including internal consumption sales in bonuses for retail store managers is analogous to upline distributors receiving commission on internal consumption of downline distributors in a direct selling organization. Since it is not illegal in traditional brick and mortar retailing, we are left to wonder why it should be illegal in direct sales organizations.

The pervasiveness of internal consumption across various types of product and service organizations, in conjunction with the examples noted earlier (i.e., the woman who accepted a job for the tuition benefits for her children and another woman selling nutritional products because she used them herself), implies that there are organizational benefits to allowing discounts for personal use. Thus, we explored the range of benefits—from impact on job choice and satisfaction to impact on consumer choice and company loyalty.

3.2. Is internal consumption influential in the job choice process?

In the second study, a commercial vendor was hired to conduct a telephone survey of a national probability sample of 401 households in the United States. To ensure that the sample was representative of the population as a whole, this obtained sample was derived from the original calling of 5,414 telephone numbers. The 401 households represent 7.4% of the number of attempts, 9.8% of the total valid sample, 26.1% of the reachable working sample, and 54.6% of the total cooperative sample.

In addition to assessing the extent of internal consumption policies, this study explored whether such a benefit influenced the worker's decision to

accept the position at the firm. The questions asked of the respondents were:

- Do you or anyone else in your household work for a firm or organization that provides employee discounts or price reductions on the products or services that it sells?
- For what type of firm or organization do you work?
- Does the firm or organization that you work for allow you to buy its products or services at a discount or reduced price for your family or friends? If so, what are the types of employee discounts that your firm or organization provides?
- Does your firm put a dollar or quantity limit on how much you can buy using an employee discount? If so, what are the limits?
- How often do you personally buy something from your firm or organization using an employee discount or price reduction?
- Is the fact that your firm or organization offers employee discounts or reduced prices one of the reasons you work for it? If so, why?

One hundred respondents (46 males, 54 females) in the obtained sample reported that someone in the household worked for a company that provided employee discounts or price reductions on the products or services that it sells. These respondents lived in 35 different states, with no more than six from a single state. Overall, this sample does constitute a representative national sample.

Eighty of these 100 qualified respondents indicated that there was no monetary or quantity limit on the purchase size with the product discount. Twelve of the respondents indicated that they had never purchased using the employee discount program. When asked if the employee discount program was an influential factor in accepting the position with the company, only 15 respondents reported including this attribute in the employment decision process.

While internal consumption is once again a common occurrence, it does not, however, appear to be an influential force in the decision to accept a position at the company. Only 15% of the qualified respondents had included the attribute in the decision to accept the position, with an almost equal number never having taken advantage of the benefit program. This makes us wonder if companies are giving more credit to the program than is actually due. While discounting for personal use might help

entice a few people to work for particular companies, it does not appear to be a major force in the job choice process. The bottom line is that, while available, the internal consumption opportunity does not appear to be influential as a company benefit.

3.3. Does internal consumption lead to job satisfaction?

As noted by one employee/consumer, discounts are a way to instill employee loyalty and goodwill. As such, a total of 223 adult women were recruited by a commercial vendor to a central location and asked to respond to a short self-report questionnaire. The sample group was asked the following questions:

- What company or organization do you work for?
- Does this company or organization offer you the opportunity to purchase its products or services for your own or your family's use at a price lower than normal or the usual retail price? In other words, does your employer offer employee discounts or price reductions on its products or services? If yes, have you purchased any of these products or services in the past 12 months?
- Please indicate the extent to which employee discounts, or the lack thereof, affect your general satisfaction with your job. [A five-category response option anchored by 'no effect' and 'considerable effect' was used.]

Eighty-three respondents reported that the company they worked for offered employee discounts or price reductions on its products or services. Of these, 55% reported purchasing something during the 12 months prior to the data collection. Thus, the employee benefit had been used by some of the women in the sample group. However, when asked about the extent to which job satisfaction would be affected by an employee discount policy, 127 of the 223 female respondents indicated 'no effect.' In contrast, only 8.3% stated 'considerable effect.' With around 57% of the women in this representative sample saying that an employee discount had no effect on their job satisfaction, it is clear that internal consumption cannot substitute for other variables that comprise a worker's overall job satisfaction.

3.4. Does a salesperson's personal use of company products matter to consumers?

If companies are making internal consumption an option, yet employees are not viewing the option as

influential, we have to wonder as to the benefit of personal use as an employee perk. Thus, does the fact that a salesperson/employee uses his or her company's product make a positive impression on the consumer? If so, then the personal use benefit would be reflected in higher sales or at least consideration in the consumer decision-making process.

Since our overall concern in this research effort was with direct selling and since females comprise about 80% of the direct selling workforce, we narrowed our research to the female population. In this third study, a cross-section sample of 803 adult females from a Midwestern state was recruited by a commercial research firm and asked to complete a brief self-administered questionnaire at a central location. Using a snowball sampling technique, recruiting was accomplished by means of telephone screening calls based on a random digit dialing technique to approximately 250 'kernels' of women whose telephone numbers were then augmented through referrals (Smith & Albaum, 2012). Thus, a mixed probability sampling approach was used to obtain a diverse sample of middle-class women.

A completely randomized experimental design was used to obtain the necessary data. The treatment variable had two levels: (1) a sales representative for a retailer indicates that she regularly buys her employer's products (Scenario 1) and (2) no mention is made of the salesperson's purchases (Scenario 2). Scenario 1 was provided to 407 sample respondents; 396 sample respondents received Scenario 2. Using a five-category response option anchored by 'very likely' and 'very unlikely,' the following question was asked:

- Suppose you are shopping at a retailer such as Wal-Mart, Sears, or Best Buy. [Included in *Scenario 1* only:] During the sales presentation about the retailer's products, the sales representative mentions that she regularly buys these products for her personal or family use. [The question continues as follows for both scenarios.] Now, assume for the moment that (1) you are interested in purchasing the type of products sold by the retailer and (2) the products appear to be of good quality and are priced competitively. How likely you are to purchase from this retailer?

Scenario results are presented in Table 3. For both scenarios, the greatest percentage of responses was in the 'very likely' and 'somewhat likely' categories, which indicates that the purchase decision would likely be driven by the desire for the product and the product's price and quality. Overall, the likelihood distributions for the two scenarios was highly significant at $p < .001$ (Mann-Whitney U test).

Table 3. Likelihood of purchase from a retailer

Response	Treatment Variable ^a		All Respondents (percent)
	Scenario 1 <i>personal use noted</i> (percent) (N=407)	Scenario 2 <i>no personal use noted</i> (percent) (N=396)	
Very Likely	23.8	51.3	37.4
Somewhat Likely	50.6	33.8	42.3
Indifferent	16.7	4.5	10.7
Somewhat Unlikely	6.1	4.3	5.2
Very Unlikely	2.7	6.1	4.4
	100.00	100.00	100.00

^a Mann-Whitney U=58,867, $p < .001$

Thus, it seems that the salesperson's use of the product was basically irrelevant when it came to whether or not a consumer would purchase the product (given that the consumer already desired the product).

All sample respondents were also asked the following questions:

- What company or organization do you work for?
- Does this company or organization offer you the opportunity to purchase its products or services for your own or your family's use at a price lower than normal or the usual retail price? In other words, does your employer offer employee discounts or price reductions on its products or services? If yes, have you purchased any products or services in such a program in the past 12 months?
- Please indicate the extent to which employee discounts, or the lack thereof, would affect your general satisfaction with your job.

As related to whether or not internal consumption occurs outside of direct selling, slightly less than one-third indicated that their employer had an internal consumption policy. Two-thirds of these respondents reported that they had purchased something within the past 12 months. Again, internal consumption did occur within this sample group, which further supports the contention that internal consumption is not solely a direct selling phenomenon.

To determine the connection between employee discounts and job satisfaction, satisfaction was measured by a five-category numerical rating scale anchored by 'no effect' and 'considerable effect.' Two-thirds of those responding to this question indicated 'no effect,' whereas only 7.8% indicated 'considerable effect.' This finding supports those in the previous study in that the ability to purchase product at a discounted rate for personal use was

not an employment attribute that ranked highly among employees.

3.5. Does internal consumption lead to an increased likelihood to purchase from a direct selling company?

To explore this contention, a commercial vendor in a major city in the southwestern United States recruited a sample of 220 adult females to a central location where they were asked to complete a brief self-report questionnaire. A completely randomized experimental design was used where the respondents were presented with one of two scenarios. So as to more closely pursue the notion of internal consumption as related to the direct selling industry, the salesperson in each of the scenarios was a representative of a direct selling company. Scenario 1 indicated that the sales representative used the direct selling company's products, while Scenario 2 made no mention of such use. Respondents used the same likelihood scale as that used in the third study—a five-category response option anchored by 'very likely' and 'very unlikely'—using the following question:

- Suppose you have been contacted by a sales representative for a direct selling company such as Amway, Avon, Mary Kay, or Herbalife. [Included in *Scenario 1* only:] During the sales presentation about the company's products, the sales representative mentions that she regularly buys these products for her personal or family use. [The question continues as follows for both scenarios.] Now, assume for the moment that (1) you are interested in purchasing the type of products sold by the retailer and (2) the products appear to be of good quality and are priced competitively. How likely are you to purchase from this direct seller?

Scenario results are presented in [Table 4](#). Almost 62% of those responding to Scenario 1 indicated that

Table 4. Likelihood of purchase from a direct selling company

Response	Treatment Variable ^a		All Respondents (percent)
	Scenario 1 <i>personal use noted</i> (percent) (N=112)	Scenario 2 <i>no personal use noted</i> (percent) (N=108)	
Very Likely	18.8	19.4	19.1
Somewhat Likely	42.9	38.9	40.9
Indifferent	8.0	3.7	5.9
Somewhat Unlikely	16.1	23.1	19.5
Very Unlikely	14.3	14.8	14.5
	100.00	100.00	100.00

^a Mann-Whitney U=5852.5, $p < .67$

they were at least ‘somewhat likely’ to purchase, whereas slightly more than 58% of the Scenario 2 respondents replied in a similar manner. However, the distributions of likelihood responses for the two scenarios were not statistically significant based on a Mann-Whitney U test ($p < .67$). As with the previous study, the question remains as to whether the customer cares if the product is used by the salesperson. Thus, product testimonials by a direct selling representative, as with any salesperson, do not have a significant impact on the consuming public.

All sample respondents were also asked the following questions:

- Some companies have a policy that allows their employees to buy company products at a discount or reduced price if the products are for personal or family use. Does your company have such a policy?
- If you answered ‘no’ or ‘unsure,’ would such a policy increase your loyalty toward your company and make you work harder?
- If you answered ‘yes,’ does this policy increase your loyalty toward your company or make you work harder?

Approximately 27% of respondents reported that the company they worked for had a policy allowing employees to purchase company products at a discounted or reduced price. Of those respondents whose company did not have such a policy, only 27.6% indicated that an employee discount policy would increase their loyalty toward their company or make them work harder. The vast majority reported either that there would be no effect on their work or that they were unsure as to the potential impact on work ethic. These findings were consistent with those in previous studies reported here.

4. Internal consumption is here to stay. . .but who cares?

Internal consumption occurs in various types of marketplaces. It is not a phenomenon restricted to the direct selling industry; rather, it appears that companies in many industries entice individuals to partake of internal consumption so as to have a positive impact on company sales and to incentivize employees. We contend that to tarnish the image of the direct selling industry by focusing on internal consumption as a corrupt practice specific to direct selling is discriminatory—it happens over and over again in a variety of retail outlets. At the same time, however, we question the company’s motivation behind engaging in this practice, regardless of the type of retailing marketplace.

The rationale that internal consumption is an employee benefit and leads to improved job satisfaction, and thus employee loyalty, is highly questionable. Our research suggests there is minimal connection: The majority of respondents reported that internal consumption had no effect on job satisfaction nor was the offering of product discounts a major reason for working for a particular company. Additionally, encouraging internal consumption as a means of employee testimonials did not appear to impact customer purchase intentions.

The current research suggests that internal consumption is pervasive, yet misunderstood, and that it is not specific to the direct selling industry. Our intent in the various studies was to look at the phenomenon from a variety of perspectives so as to (1) assess the incidence of occurrence, in particular to see if it occurred outside of the direct selling industry, and (2) determine its value. We found that it does occur, but we were unable to discern if there was necessarily long-term value in the occurrence. As such, we offer the following recommendations to companies:

- Understand the marketplace in which company products and services compete. If it is a tight job market, offering discounts for personal use could be a cost-effective way to entice job applicants. With only a relatively small number actually partaking of the discounting benefit, even a small recruitment gain should outweigh the cost of the benefit.
- Since discounted purchasing for product use is not the top priority for a potential hire, do not use that particular benefit as a major recruiting focus.
- The personal use discount cannot be used in place of other variables that can affect job satisfaction. Understand clearly the job satisfaction variables related to the company's particular industry and work environment.
- Do not convey to company sales people that personal product use will be reflected positively in sales to end users.

Without a doubt, the buying process that occurs within a brick and mortar facility makes it relatively easy to track sales to individual employees since the purchase occurs on-site. This is unlike that of the direct selling process in which the company does not know who is purchasing what product since the shipment generally goes to the salesperson for ultimate delivery to the end user. Thus, the quantity or value of the personal use by the direct selling salesperson is difficult, if not impossible, to discern. However, our research shows that internal consumption is not exclusive to the direct selling marketplace. Thus, the attribution as a direct selling phenomenon is incorrect. Regardless, the low value in terms of satisfaction and loyalty by sales people and end users suggests that internal consumption is a phenomenon that does not warrant the attention that has been directed its way.

Acknowledgment

The authors thank Professor Robert A. Peterson, University of Texas at Austin, for his involvement in the data collection and his helpful comments on earlier drafts of this manuscript.

References

- Crittenden, V., & Crittenden, W. (2004). *Developing the sales force, growing the business: The direct selling experience*. *Business Horizons*, 47(5), 39–44.
- Direct Selling Association. (2015). *About direct selling: FAQs*. Retrieved from <http://www.dsa.org/about-direct-selling/faqs>
- Direct Selling News. (2009, November 1). *Sports sponsorships: Kicking it up a notch*. Retrieved from http://directsellingnews.com/index.php/view/sports_sponsorships_kicking_it_up_a_notch#.V0twjEo7cs
- Eisenstein, D. G. (2002). "Internal consumption" is not a disease (but the FTC contends it may not be enough to justify getting paid commissions). Retrieved from http://daveiseinstein.com/Library_Consumption.html
- European Direct Selling Association. (n.d.). *European statistics*. Retrieved from http://www.seldia.eu/index.php?option=com_content&view=article&id=22&Itemid=122
- ifo Apple Store. (2015). *Hiring advice for Apple Stores*. Retrieved from <http://www.ifoapplestore.com/hiring-advice-for-apple-stores/>
- Keep, W. W., & Vander Nat, P. J. (2014). *Multilevel marketing and pyramid schemes in the United States: An historical analysis*. *Journal of Historical Research in Marketing*, 6(4), 188–210.
- Max, S. (2003, August 28). *Company freebies*. *CNN Money*. Retrieved from <http://cnnmoney.com/2003/08/27/pf/saving/employeeediscounts/index.htm>
- Peterson, R., & Albaum, G. (2007). *On the ethicality of internal consumption in multilevel marketing*. *Journal of Personal Selling and Sales Management*, 27(4), 317–323.
- R&R Law Group PLLC. (2015). *Multilevel marketing primer—The MLM startup guide*. Retrieved from <http://www.mlmlaw.com/law-library/guides-reference/multilevel-marketing-primer/>
- Rapp, A. (2009). *Outsourcing the sales process: Hiring a mercenary sales force*. *Industrial Marketing Management*, 38(4), 411–418.
- Smith, S., & Albaum, G. (2012). *Basic marketing research: Designing your study*. Provo, UT: Qualtrics Labs, Inc.
- Strumpf, D. (2008, September 3). *GM extends employee discounts through September*. *USA Today*. Retrieved from http://usatoday30.usatoday.com/money/economy/2008-09-03-2500336695_x.htm
- Thompson, K. (2014, July 24). *The BurnLounge court decision clears the air on many issues*. *Direct Selling News*. Retrieved from http://directsellingnews.com/index.php/view/the_burnlounge_court_decision_clears_the_air_on_many_issues#.V0S04_nF-ok
- Webster v. Omnitrition International, Inc. (1996), 79 F.3d 776, 781-782 (9th Cir.), cert. denied, 117 S. Ct. 174 U.S. (No. 94-16477)
- World Federation of Direct Selling Associations. (2014a). *Global direct selling industry announces record sales and sales force figures*. Retrieved from http://www.wfdsa.org/press/index.cfm?fa=show_release&Document_id=814
- World Federation of Direct Selling Associations. (2014b). *WFDSA EU testimony*. Retrieved from http://www.wfdsa.org/legal_reg/index.cfm?fa=euTestimony