

PARTY PROFITS

Home-party sales have moved way beyond Tupperware. And now some big guns want in on this global business

BY CAROLINE HSU

When Kathy Yellets, then a sales executive at Hewlett-Packard, began hawking Pampered Chef kitchen gear using the kind of home parties that made Tupperware and Mary Kay cosmetics famous, her friends were horrified. "They said, 'Kathy, you have a master's degree. If you get a license plate that says Pampered Chef, we will disown you,'" recalls Yellets, of Darnestown, Md.

Nine years later and it's Yellets, 51, who is having the last laugh. She doesn't drive a pink Cadillac, but she has long since left her high-pay, high-stress day job and last year pulled down \$120,000 as a "kitchen consultant," doing two or three home parties a week and also collecting commissions on the sales of consultants working for her.

Now the rest of the world is catching up to Yellets. Last year, home parties accounted for \$8.3 billion in American sales, according to the Direct Selling Association. Marketers have discovered that there's almost nothing you can't sell at a home party, whether it's scented candles, scrapbook supplies, golf clubs, Canadian pharmaceuticals, or battery-powered "marital aids."

And now the big guns are getting in. Established companies that may have scoffed at the lowly home party a decade ago are embracing it. Last fall, billionaire investor Warren Buffett acquired the Pampered Chef for an undisclosed sum, adding the \$700 million-plus home-party business to his Berkshire Hathaway group. Time Warner's Southern Living magazine now has a successful home-party affiliate for its new line of furnishings. And companies such as the Body Shop, Binney & Smith (makers of Crayola crayons), and consumer products giant Unilever are also exploring direct sales. "Major companies that were not involved in any sort of direct selling are seeing party plans as a way of lending their name to another venture and bring in more revenues," says Thomas Ingram, professor of marketing at Colorado State University.

Burp. Home-sales parties originated in the 1920s when a primarily male sales force used them to introduce aluminum cookware. In the 1940s and '50s, single mother and saleswoman Brownie Wise took the idea and began a marketing juggernaut from Earl Tupper's line of burping plastic containers, which had been winning design awards but languished on retail shelves.

But in the career-woman climate of the '80s and '90s, "people wrote the party plan off like it was dead," says Neil Offen, president and CEO of the Direct Selling Association. Then came the Internet shopping craze, which seemed to sound the death knell for two-hour parties where single-product lines of often dubious utility are sold at premium prices. Yet home parties are a mainstay of direct sales, an industry that has shown 18 years of consecutive growth.

Industry insiders say, in fact, that in today's high-tech, high-paced life, direct sales in the home are a way to build community and provide social contact. Parties are often organized around an event like a bridal shower, housewarming, or birthday and thus combine socializing with shopping or a hobby, while offering extra income for the sellers.

It's good business, too. Just ask Tupperware. The Orlando company earned \$90 million last year on \$1.1



Consultant Alexandra Uhil (left) demonstrates Tupperware to Charlotte Turner & Anna Yiu at a home party in New York.

billion in worldwide sales. That's a lot of plastic containers, though a recent move into mainstream retailing at Target proved a misstep. And revenue at the Longaberger Co., a maker of handmade maple baskets and other home goods, was \$906 million last year. "The financial profile of the direct-selling industry is superb," says Douglas Lane, a research analyst at Avondale Partners who follows Tupperware as well as Blyth Inc., the company behind PartyLite candle parties. "They don't have very high working capital needs, it's a cash business, and they get decent returns on capital."

While other companies sometimes wait 30 days or more before the retailer pays for a shipment of goods, party-plan companies deliver products only after they have the cash in hand for the order. The companies also avoid the high overhead of retail, including insurance, rent, and employee salaries and benefits.

Indeed, Tupperware learned the hard way the vagaries of the retail environment. Its venture into Target was billed not so much as a direct move into retail but more a parallel universe where local distributors would get a cut of its store sales and perform demos in a retail setting to broaden its reach. But Tupperware found out instead that customers went directly to Target and canceled home parties. That contributed to what the company has said will be a \$20 million operating loss for 2003, and last month Tupperware pulled its wares off Target shelves, though it still sells some products through TV retailer QVC and in local shopping malls.

The upfront cash nature of the party business also appeals to entrepreneurs. "I never opened the doors of my business without having customers in front of me," says Doris Christopher, founder of the Pampered Chef. "That's such an advantage in direct selling." In 1980, Christopher launched her highly successful company with \$3,000 borrowed against life insurance. Determined to continue spending time with her two young daughters, Christopher bought the bare minimum in inventory and started organizing parties. The company has not been in debt since.

Christopher is the first to admit there was no great secret to her success. All her original kitchen gadgets

were available at various retail stores, but she brought them together in the home-party format where they could be demonstrated by kitchen consultants.

Although home-party lore is rich with stories of women becoming millionaires, making more than pocket money is the exception. The average American party consultant makes \$2,500 a year, according to the Direct Selling Association. On top of straight commissions from 15 percent to more than 40 percent, most companies offer chances to recruit new consultants and move up a managerial ladder, as well as an elaborate system of gifts, all-expense-paid vacations, and grand celebrations. Longaberger, makers of baskets that range in price from \$28 to \$299, hosts visitors in a seven-story faux picnic basket that houses the company's main offices in Newark, Ohio.

Since the days of Tupperware, women seeking income and time to care for their families have dominated the industry, working social connections and sometimes discovering their inner moguls. "The fact that the home-party plan still exists is [evidence that] a lot of women's conditions have not changed since the 1950s," says Alison Clarke, author of *Tupperware: The Promise of Plastic in 1950s America* and professor of design history and theory at the University of Applied Arts in Vienna.

Rina Valan Hudson, founder of Fantasia Home Parties, a Kresgeville, Pa., company that sells lingerie, lotions, and other romance and marital aids, says she started her own business after working in a grocery store from 4:30 p.m. to midnight for three months at minimum wage while caring for a new infant. "I wanted to stay home and be the best mother I could be," says Hudson. "But at the same time I had to contribute to the household income."

But who attends all these parties? Bonnie McLeod, a 37-year-old Washington, D.C., attorney, is one such person, but it wasn't always that way. When she was first asked to a Pampered Chef party two years ago, "I thought, 'Oh God, this is a Tupperware party,'" says McLeod. She was invited twice before she went but adds, "I was really impressed, and I ended up buying quite a bit and agreeing to have my own party."

Despite the commercial focus, most home parties do not feel like hard sells. There are usually snacks, drinks, a period of socializing, and then a lively presentation. If the host is a close friend or family member, there's even more inducement to spend. McLeod hosted a party in September where many of the guests turned up to see her new baby for the first time. "We went from going to bars on Friday night to going to these parties," says Kathy Schuster, 36, a mother of two young children. "It's socially acceptable."

The focus on a product also removes social pressure for guests who don't know each other well. Molly Foti, 33, of Lorton, Va., credits home parties with creating community in her new development. "We've all gotten to know each other a lot better through the parties," says Foti. "Once the person is done with the presentation, it always turns into more than a product party."

And it's not just women who find the need to socialize while conducting a little business. "My wife was attending the 43rd Pampered Chef party in as many weeks, and I was at home with the kids and thinking there was really nothing out there like this for guys," says Greg Qualizza, founder of the ProShop@Home, a Chicago golfing accessories business. Though sales are going well, Qualizza says it's usually wives who persuade reluctant husbands to host or attend a party. However, after a few hours with cocktails and backyard putting contests, the men are won over, he says. Who knows? Maybe men will one day drop out of corporate America to get on the home-party fast track.

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