

DSOF CASE STUDY

SCENTSY: THE SMELL OF SUCCESS



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Scentsy, a direct selling company, is a distributor of wickless candles, decorative warmers, diffusers, cleaning products, and other scented items. Direct selling is the marketing of products to end-consumers through person-to-person sales presentations at nonretail locations such as consumer homes, parties, events, the workplace, or online. Founded in 2004 by Heidi and Orville Thompson, Scentsy got its start in a 40-foot shipping container on a sheep farm in Meridian, Idaho. The company, which now has a 73-acre campus and a 770,000-square-foot (and growing) headquarters, has evolved into an international business. Scentsy products are sold through the company's more than 250,000 independent contractors in more than 14 countries with distribution centers in the United States, Australia, Mexico, the Netherlands, and the United Kingdom.

When the COVID-19 pandemic struck the United States in 2020, Scentsy had to act fast. Stay-at-home orders were issued throughout the country, and the business was engulfed in uncertainty. The executive team considered the pandemic's implications for its independent contractors and its 1,000 employees if the company was unable to operate. From the beginning, Scentsy was classified by local and state government as an essential business in the states it distributes products. When its Lexington, Kentucky, warehouse operations were shut down by local authorities, Scentsy's legal team worked with state officials to demonstrate that the company

met their definition of an essential business.

Extensive safety measures were put in place for the company's essential workers who could not do their jobs from home (i.e., warehouse, distribution, and manufacturing) to protect employees from potential virus spread that would threaten Scentsy's ability to operate. Scentsy leaned into CDC recommendations to ensure the safety of its team members. The human resource team developed COVID-19 testing and tracing procedures, and established a quarantine protocol for employees testing positive for the virus.

These measures aligned with both CDC recommendations and local government regulatory requirements. Deployment of masks, increased disinfecting, social distancing through expanded workdays and shifts were implemented.

Additional safety measures included fiberglass dividers in work areas, digital temperature kiosks, and hand sanitizer stations that were installed at all team member entrances.

Scentsy's management philosophy is that it's better to have too much inventory than too little in order to support potential growth of its independent consultant sales field. This policy set up Scentsy for success during the pandemic. When inventory for a catalog season is heavily front-loaded, it enables Scentsy to meet massive, near-term spikes in demand. To meet the needs of consultants and consumers, each department analyzed its workforce and redeployed employees to operations based on willingness, ability, and previous experience to enhance the company's production and fulfillment of orders. A process was put in place for high-level

management and other white-collar workers to volunteer after hours and on weekends to support manufacturing and shipping operations until the company could hire and train more than 800 new employees, effectively doubling its operations and consultant support teams.

The Thompsons made the critical early decision to lean into growth and invest heavily in additional inventory (raw materials and finished goods) to be able to service growth while operating under challenging conditions such as social distancing, extra cleaning cycles, and personal protective equipment needs. They implemented hazard pay for essential workers, which led to a significant philosophical shift and the implementation of living wage standards. A new bonus plan was also rolled out for every Scentsy employee. The company's ability to quickly implement safety and social distancing measures, adjust processes, and add personal

protective equipment (PPE), allowed Scentsy to not only meet government health and safety requirements but also prevent an outbreak that could have drastically reduced output or even forced a shutdown.

The company ramped up business with an alternative small package carrier (FedEx) and negotiated with a primary small package carrier (UPS) to enable last-mile shipment of packages to customers and consultants despite the imposition of caps on package counts during the busy holiday season. Overseas factory shutdowns created concern around sustainable growth. Supply chain managers worked with suppliers to facilitate large purchase orders. The company also engaged in supply chain mapping, identifying and selecting alternative overseas and domestic suppliers. The company even swapped out packaging as necessary due to availability issues. Scentsy offered



Orville Thompson, Co-Owner and Co-CEO of Scentsy, packs products for shipping.



some products that were missing a nozzle at a discounted price due to the limited supply of cleaning packaging, so that the company could continue to provide products for consultants to sell. Scentsy's diversified product portfolio proved to be a key strength. The company's ability to supply cleaning items while stock-outs happened in the retail space validated the company's decision to move production in-house. Being more vertically integrated over time rather than becoming reliant on out-sourcing has allowed Scentsy to become more nimble and flexible when trying to keep up with the performance of its independent contractors. Artificially limiting the growth of contractors as a result of stock-outs is potentially devastating in the direct selling channel.

Scentsy's IT team moved quickly to enable the rest of the company's employees to work from home—including the acquisition of special workstations for consultant support employees to take incoming calls from home. The Thompsons decided to step up communication

frequency to its independent sales field via Facebook Live and Zoom video conferencing events. They were transparent with field leaders about the uncertainty the company faced, Scentsy's efforts to remain operational and its plan to retain all corporate employees by moving to remote work. Sales leaders banded together to ensure the home office could avoid layoffs by establishing sales challenges to motivate consultants, such as "Active in April," "Slay in May," and "Joy in June." These sales challenges worked, resulting in dramatic growth. Total worldwide revenue for the company in 2020 was \$896 million, up 91 percent year over year with substantial growth in all regions.

Scentsy's independent salesforce thrives on social events. However, due to the pandemic, the company canceled its in-person events for the year, including the Scentsy World Tour, a traveling event that offers onsite training and a sneak peek of new products. This was merely a bump in the road. Scentsy successfully shifted from in-person to virtual events (e.g.,



Director Boot Camp, Leadership, Scentsy Family Reunion). Quarantine, working from home, and the availability of stimulus funds created a perfect storm that led to the massive demand for Scentsy home fragrance and cleaning products. Scentsy's products and culture attract people seeking alternate sources of income, especially during uncertain times. The total number of independent consultants increased more than 100 percent year over year.



Scentsy worked to ensure its consultants could service the majority of their customers while they waited for other products to come back into stock. The company also successfully worked with the field to shift away from the company's long-held policy of keeping catalog products available on backorder throughout the catalog season. Leadership ramped up communication and transparency with the field regarding product availability as capacity continued to expand in both manufacturing and shipping amid continued hypergrowth. One critical move was creating a new role dedicated to understanding and communicating product availability to the field daily to reduce uncertainty and maintain confidence. Scentsy's supply chain and operations continued to operate at serviceable levels but were able to regain traditional world-class performance indicators as early as September 2020 in its United States and Canada markets.



Scentsy stands out because it successfully meets the needs of key stakeholder groups. The company has been recognized by the Direct Selling Association (DSA) for its customer-centric sales and marketing. Additionally, Scentsy's efforts to bolster its supply chain amid a global pandemic and its ability to effectively communicate with its consultants were a recipe for success. The pandemic, which could have spelled disaster for the company, led to one of Scentsy's strongest years yet.





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