



For immediate release

Direct selling industry for stringent regulation against fraudulent schemes

Key highlights:

- ◆ Industry demands operational clarification between the fraudulent financial pyramid schemes and direct selling / multi-level business
- ◆ Industry concerned over falling into the criminal act; demands they should be treated as any other industry which falls into civil liability
- ◆ Govt. needs to protect all the stakeholders in the industry
- ◆ Industry targets reaching upto INR 10,843 Crore by 2014-15
- ◆ Over INR 647 Crore paid as taxes to the Government exchequer by IDSA member companies alone

Trivandrum, December 20, 2012

In an initiative to address the negative imagery being created by Fly-by-night operators for the direct selling business / MLM, **Indian Direct Selling Association (IDSA)** in association with **PHD Chambers of Commerce and Industry & ASSOCHAM** organized a 'Discussion Forum on Direct Selling' at Trivandrum. This was addressed by **Ms Chavi Hemanth, Secretary General, IDSA**, Mr. P. Devdas, Treasurer, IDSA, Dr. S.P. Sharma, Chief Economist, PHD Chambers of Commerce, D.S. Rajora, Senior Director, ASSOCHAM.

Chavi Hemanth, Secretary General, IDSA stressed that it is important to present the correct perspective to masses to help them differentiate between direct selling/ MLM business and fraudulent financial pyramid schemes offering overnight riches.

Chavi Hemanth informed that fraudulent money circulation schemes operating under the garb of direct selling / multi level marketing opportunities have been duping people; hence we seek and demand a robust regulatory framework to keep such fraudulent companies at bay and to protect & further harness the potential of the industry.

Chavi Hemanth stated that IDSA and World Federation of Direct Selling Association clearly differentiates that companies offering remuneration based on recruitment are a sure indication of a money circulation and fraudulent scheme. Product sale is a key driver of the legitimate direct selling / multi-level companies.

She also emphasized that Direct Selling is business opportunity and not an investment opportunity; any company promoting instant financial gains within a very short duration of investing money is a fraud company.

Ms Chavi Hemanth, Secretary General, IDSA moderated an exclusive session on Regulatory Challenges and Policy Recommendations with industry and policy experts.

A Sengupta, Vice Chairman, IDSA, stressed that there is an emergent need for an operational clarity between direct selling/MLM business and fraudulent financial pyramid schemes. He clearly deliberated upon the concept of MLM compensation structure in a direct selling company stating that the direct sellers in a principal-to-principal contract with the Direct Selling entity; earn money through the retail and / or wholesale profit margins made on the sale of products to the consumer. Additionally, direct sellers will legitimately earn additional payments from the Direct Selling Entity as incentives for sales made by other direct sellers supported by the sponsoring direct seller provided that the payment is always based on, and limited to a factor of product sales.

He added that the payment in the form of commission recognizes the value of the marketing and sales-support services provided by the sponsoring direct seller to their respective sales organisation that has resulted in additional sales both for the Direct Seller and for the Direct Selling Entity. Thus, the Sales System differs from a Prize chits Scheme both in form and function.

Dr. S P Sharma, Chief Economist, PHD Chamber of Commerce and Industry, “The Indian direct selling industry has scaled remarkable growth over the years and has been expanding its horizons in India as a rapidly emerging alternate distribution channel”.

Dr S P Sharma informed that the industry has displayed a robust 27% growth at INR 5230 Crore in 2010-11 turn over. The robust growth in the segment has been contributed by 28% growth in organised and 17% growth in the unorganized segments of the industry during 2010-11. The industry grew at 24% during 2009-10, with an expected year on year growth of 20% in the next four years.

D S Rajora, Senior Director, ASSOCHAM said like retail, direct selling falls under the purview of state legislation and is governed by a large number of ministries/departments at the centre, state and local levels. The multiplicity of regulatory bodies has resulted in multiple regulations governing this sector. These should be streamlined for the smooth performance of this sector.

Chavi Hemanth informed that subsequent to the issue of Kerala Guidelines in September, 2011; IDSA has submitted their representation to these guidelines with a draft legal framework guidelines to the CM office and Industry Secretary of the state of Kerala.

Chavi Hemanth said that despite advent of reforms in various segments of the economy no legislation / policy framework has been carved out to tackle the problem of fraudulent financial pyramid schemes.

Ms Hemanth said that the Policy framework should have comprehensive approach and covers the following aspects

- ✓ Clear distinction between direct selling/MLM business and fraudulent financial pyramid selling
- ✓ Remuneration based only on the Sale of Goods and Services
- ✓ Money back guarantee to be offered by the companies
- ✓ Redressal mechanism in place
- ✓ Following stringent code of ethics

For further information, you may contact:

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About Indian Direct Selling Association (IDSA)

The Indian Direct Selling Association (IDSA) is an autonomous, self-regulatory body for the direct selling industry in India. The Association acts as an interface between the industry and policy-making bodies of the Government facilitating the cause of direct selling industry in India.

Incorporated in 1996 and headquartered in Delhi, IDSA strives to create and further an environment conducive to the growth of direct selling industry in India, partnering industry and government alike through advisory and consultative activities.

IDSA catalyses change by working closely with government on policy issues, enhancing efficiency and ushering in desired credibility, clarity & confidence in Direct Selling.

IDSA's member companies are leading Indian and International Organizations engaged in the business of direct selling in India.

The association is also associated with the World Federation of Direct Selling Associations (WFDSA), a non-governmental, voluntary organization globally representing the direct selling industry as a federation of national Direct Selling Associations.

The IDSA and WFDSA table annual plans to take steps so that an environment that supports direct selling emerges and independent entrepreneurs can create fulfilling careers in direct selling similar to over 150 nations of the world.

IDSA has currently 18 members representing both domestic and global companies of repute that include:

1. Altos Enterprises Ltd, Ludhiana, www.altosindia.net
2. AMC Cookware (India) Pvt. Ltd, Bangalore, www.amc.info
3. Amway India Enterprises Pvt. Ltd, Noida, www.amway.com
4. Avon Beauty Products India Pvt. Ltd, Gurgaon, www.avonindia.in
5. CNI Enterprises (India) Pvt. Ltd, Bangalore, www.cni-india.com
6. Daehsan Trading (India) Pvt. Ltd, Delhi, www.daeshanindia.com
7. Elken International India Pvt. Ltd, Bangalore www.elken.com.my
8. Herbalife International India Pvt. Ltd, Bangalore, www.herbalife.com
9. Hindustan Unilever Network, Mumbai, www.huln.co.in
10. Jafra Ruchi Cosmetics India Pvt Ltd, Delhi, www.jafra.net.in
11. K-Link Healthcare (India) Pvt. Ltd, Chennai, www.klinkindia.in
12. Mary Kay Cosmetics Pvt. Ltd, Gurgaon, www.marykay.co.in
13. Max New York Life Insurance Co. Ltd, Gurgaon, www.maxnewyorklife.com
14. Modicare Ltd, Delhi, www.modicare.com
15. Oriflame India Pvt. Ltd, Delhi www.oriflame.co.in
16. Tianjin Tianshi India Pvt. Ltd, Delhi www.tianshiindia.co.in
17. Tupperware India Pvt. Ltd, Gurgaon www.tupperwareindia.com
18. 4 Life Trading India Pvt Ltd., Mumbai, www.4lifeindia.co.in

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