

Executive Summary

Over the years, Direct Selling Industry is a rapidly emerging as an alternative sales distribution channel, boosting self employment and holds immense importance to the economic system, contributing to the exchequer, providing financial stability and encouraging women empowerment. However, with the current volatile global as well as domestic milieu, emerging threats from fraudulent activities and lack of regulatory framework pose threats for the sector, which is presently standing at crossroads.

The sales revenue by the Direct Selling Industry reached at INR 71,641 million in 2012-13 from INR 63,851 million in 2011-12 and INR 52,294 million in 2010-11. The total sales revenue by firms during 2012-13 can be split up in to total sales revenue of INR 67,199 million by the companies belonging to organized sector and INR 4,442 million by the unorganized sector. The Direct Selling Industry has been growing robust over the recent years. However, during 2012-13, the industry has faced a decline in its overall growth scenario due to several hurdles such as volatile global economic milieu and policy environment and declining investments. The Direct Selling Industry has registered growth rate of about 12% in 2012-13 as against healthy growth rate¹ of 22% in 2011-12, 27% in 2010-11 and 24% in 2009-10.

The survey revealed that Northern region has contributed around INR 19,343 million to the gross sales revenue in 2012-13 and exhibited growth at around 33%. The Northern region has registered a significant increase in share to gross sales revenue at 27% in 2012-13 from 20% in 2011-12 and has registered growth rate of around 33% in 2012-13 as against 56% in 2011-12. The Eastern region has contributed around INR 12,179 million to the gross sales revenue in 2012-13 and exhibited growth at around 19%. The Eastern region has scripted an increase in share to gross sales revenue at 17% in 2012-13 from 15% in 2011-12 and has registered growth rate of around 19% in 2012-13 as against 32% in 2011-12.

The North Eastern region has contributed around INR 7,881 million in 2012-13 and exhibited growth at around 27%. The North Eastern region has scripted a marginal increase in share to gross sales revenue at 11% in 2012-13 from 10% in 2011-12. The Western region has contributed around INR 10,746 million in 2012-13 and exhibited growth at around 9%. The region has exhibited a decline in the share to gross sales revenue at 15% in 2012-13 from 17% in 2011-12 and registered growth rate of around 9% in 2012-13 as against 19% in 2011-12. The Southern region has contributed around INR 21,492 million in 2012-13 and exhibited growth at around (-) 14%. The region holds a significant share to gross sales revenue of the industry at 30% in 2012-13 as against 38% in 2011-12. However, the growth of the region declined significantly to (-) 14% in 2012-13 as against (-) 2% in 2011-12.

¹ IDSA Annual Surveys since FY2010



The total distributor base² of the Indian Direct Selling Industry during 2012-13 stands at 57,75,345 out of which 47,93,537 distributors are employed³ by member companies, whereas, 9,81,808 distributors are employed by the non-member companies. The growth of total distributor's network stands at 18.9% in 2012-13 over 2011-12, contributed by around 20% growth among members and about 12% growth among non-members. The steady growth is mainly attributed to factors such as entry of new firms, expansion of business to different cities and more youth joining the force. The region wise split of distributors' network stand highest in the Southern region of the country at 16,17,097 followed by Northern region at 15,01,590, Eastern region at 10,39,562, Western region at 9,24,055 and North East at 6,93,041. The share of women has always been more than 50% in Direct Selling Business. However, Indian men are looking up to this sector as a supplementary earning opportunity, as consumption basket of the families has swelled up over the years

Products related to wellness/healthcare contributed to a lion's share in the total sales revenue of the organised Direct Selling Industry, by a share of 47%, whereas, beauty/cosmetics and personal care and home ware and home improvements products have captured 35% and 11% shares respectively. This is followed by 4% share of consumer and household durables, 2% share belonging to other categories and a meagre share of 1% to foodstuffs and beverages.

The total tax paid by the IDSA member companies amounts to INR 9,869 million in 2012-13 as compared to INR 8,212 million in 2011-12, INR 6,470 million in 2010-11, INR 4,090 million in 2009-10 and INR 3,700 million in 2008-09. The tax paid as reported by the Direct Selling member companies has increased to about 20% in 2012-13 over 2011-12.

With increasing health consciousness among consumers and rapid increase in inclination towards a good quality of life, it has been observed that customers preferred to consume wellness/healthcare products capturing a share of 34%. The products sold through Direct Selling are quiet attractive to female consumers which is indicated from the fact that cosmetics and personal care products have been found to be the second most popular product category capturing a share of 30%. It was followed by home care/home improvement products (12%), consumer and household durables (10%) and food/beverages (8%). Although the Direct Selling Industry is currently running in slow gear, growth prospects of the industry are bright which is set to take off, driven by strong consumer base and expanding markets going forward. The survey revealed that respondents were positive about the robust growth of the Direct Selling Industry in the coming years. Respondents felt that the size of the industry is estimated to leap-frog by 2014-15 scaling upto INR 1,08,436 million from the present level of INR 71,641 million in 2012-13.

² Distributors include direct sellers and independent sale consultants.

³ Employment in direct selling industry is defined as self employment and micro-entrepreneurship opportunities

