



INDIAN DIRECT SELLING ASSOCIATION

11/27/2008

# DIRECT SELLING INDUSTRY

ANNUAL SURVEY FINDINGS

APRIL 2007 - MARCH 08

## **Introduction - Indian Direct Selling Association**

In more than 12 years of its existence in India the Direct Selling industry has been able to make a meaningful contribution to society. This industry is also empowering women in India. 68% of Direct Sellers are women and 32% are men. Direct Selling's USP – low investments and high returns – makes it a great equalizer and a key driver of balanced growth in the country. IDSA recognizes that value growth will have to be complemented by a parallel increase in sales force, which is also set to go up by 10% to 1.7 million. At present, IDSA has 16 world-class companies as members.

The Indian Direct Selling industry, whose annual revenues are expected to double by 2012, is set to grow by 100% in the next four years. IDSA is confident that the vision for Rs 5,000 crore as annual turnover is very much in sight by 2012, provided Direct Selling gets government recognition as an industry.

New multinationals have launched last year and others have shown serious interest in the Indian market. India is on the radar of many companies globally from all regions whether it is USA, Europe, South East Asia.

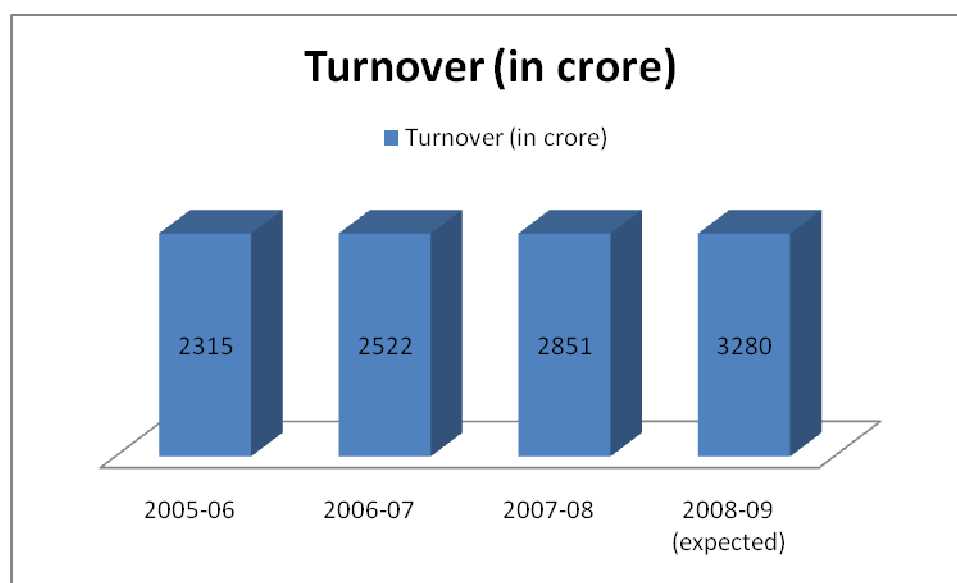
With a USP of low investments and high returns direct selling will be a great equalizer and a key driver of balanced growth in the country. IDSA recognizes that value growth will have to be complemented by a parallel increase in sales force, which is also set to go up by 100% by 2012.

Annually IDSA conducts 5000 training workshops across India where international trainers offer insights on both soft and hard aspects of the business. Since each member is a separate profit center, guidance is given in support and administrative functions of business.

Let us look at some of the important parameters to know about the current situation of the industry.

## **Business Volumes/Turnover**

The total turnover of the industry for the fiscal year April 2007 to March 2008 stands at Rs 2851 crores, compared to Rs 2522 crores in the previous year. In the year 2005-06 the total turnover of the Industry stood at Rs. 2315. The total growth recorded by IDSA member companies during 2007-08 was 13.04 % as compared to a growth of 8.94 % in the previous year.



## **Manpower/ No of Distributors**

Sales consultants engaged in direct selling last year grew from 1,578,367 people to over to 1,600,38 people. This figure is most likely to end up around 1,730,000 by 2008/2009.

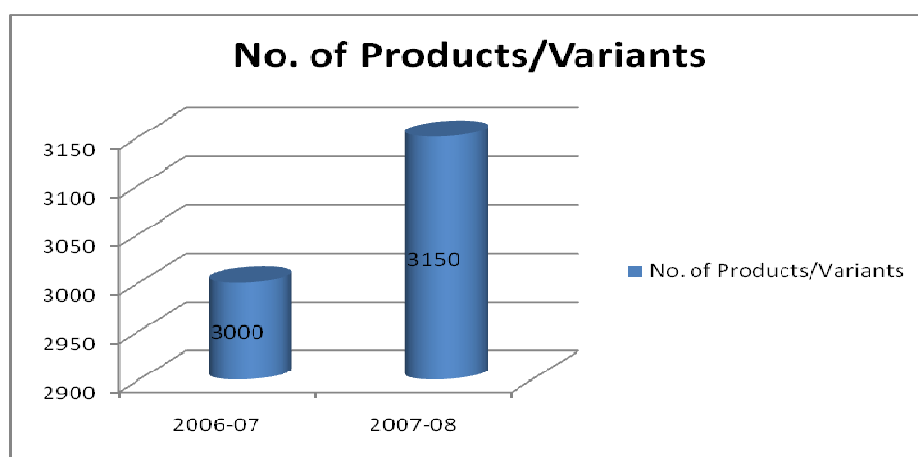
It is estimated that since direct selling took off in 1995 almost 4,500,000 people have had a stint with the direct selling business. Direct selling companies have over 341 company owned outlets spread over the length and breadth of the country and stockists own another 2600 centres. Direct selling now reaches out to around 4648 towns and cities across India and has a rural presence of 270 centres.

## **Increased interest to participate in the India Growth Story**

There has been a consistent increase in the number of queries from corporate. IDSA received about 25 queries during the year 2007-08 regarding membership to the association. We also received queries from international companies for establishing Direct Selling centres in India. They are waiting for government to pass a legislation for Direct Selling industry in India.

## **Products/Variants**

Product sales of IDSA member companies have been growing consistently and the main drivers of business remain repeat purchase and product performance. Today the total number of products including variants on offer through direct selling is 3150 up from last year's number of 3000. The high quality of products on offer through our channel is well accepted and appreciated. Last year some 150 new products were added to the category of products, with 272 more slated to be launched this year. The important product categories are colour cosmetics, home care range of cleaners, maintenance products, skin care, body and bath, kitchenware, cookware, nutrition and health supplements, ayurvedic supplements for health, daily home use products, advanced cooking systems, etc. The fastest growing segment currently is nutrition followed by home, kitchen and beauty products. Off late, education based products and other personal products are also catching up fast.



Some of our members are servicing Oman, Srilanka, Maldives, Nepal, other SAARC countries and parts of Europe from India. And some are even exporting their produce back to their headquarters, thereby earning valuable foreign exchange for India.

## **Contribution to the Indian Economy**

The IDSA companies paid Rs. 313.5 Crores of taxes to the Indian government for the year ended 07-08, which included a direct tax of Rs. 125.64 Crores and Indirect tax of Rs. 187.86 Crores. The amount of taxes paid in the previous year was about a sum of Rs. 290 Crores, thus contributing to the overall development of the economy and country.

## **Competitors & Challenges**

Recent Survey suggests that on an average there are 2-3 competitors for each Direct Selling Co. within industry and another 3-5 competitors who are retailers.

**Biggest threat – Emergence of pyramid & Fraud Companies**

Imitation industry is emerging as one of the biggest competitor and threat to the Direct Selling . The products sold in the grey market are adversely affecting the image of the industry.

Government intervention in this regard is immediately required to help this industry flourish in years to come.

## **IDSA Current Focus Areas**

- Idsa is constantly lobbying with the Government of India (Department of Industrial Policy & Promotion and Department of Consumer Affairs) with respect to regulating the Direct Sales Industry through a legislation/ notification.
- IDSA has proposed guidelines and suggestions to the Department of Industrial Policy & Promotion so that government can come up with legislation or notification which is at par with those governing Direct Selling industries in other countries.
- In the absence of a legislation on Direct Sales, IDSA acts as self regulatory body to ensure that the members enrolled with IDSA abide by the IDSA code of conduct.
- Creates awareness across the country about the concept of Direct Selling.