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The Indian Direct Selling Industry

Annual Survey 2015-16

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The Indian Direct Selling Industry
Annual Survey 2015-16





Saurabh Sanyal

Message from Secretary General PHD Chamber

Annual Survey 2015-16 for the Indian Direct Selling Industry is an addition to the series of annual surveys to assess the overall growth dynamics of the industry. PHD Research Bureau, PHD Chamber is holding continuous collaboration with Indian Direct Selling Association (IDSA) for undertaking annuals surveys over the many years. This report is an exhaustive survey-based report on financial performance of the Direct Selling Industry based on several parameters.

Direct Selling has emerged as one of the most prominent channel of distribution in meeting demands of today's consumers. Going ahead, the recent introduction of Direct Selling Guidelines by the Central Government have provided much needed relief to the stakeholders of Direct Selling and a sense of confidence and trust which is expected to boost the growth of Direct Selling in the coming times.

I commend and appreciate the vigorous efforts of the PHD Research Bureau led by Dr. S P Sharma, Chief Economist & Director- Research and assisted by team members Ms. Rashmi Singh, Associate Economist, Ms. Surbhi Sharma, Senior Research Officer and Ms. Areesha, Research Associate who have come up with this report of analytical value.

I would like to express my gratitude towards IDSA for providing their continued co-operation and facilitating us with crucial information in preparing the study. I would also like to thank and appreciate the Chairman, IDSA and commitment of all the members and survey participants in supporting us for the completion of the report.



Amit Chadha

Message from Secretary General Indian Direct Selling Association (IDSA)

It gives me immense pleasure and proud to present to you the latest edition of the Annual Survey Report for the financial year 2015-16. Over the years, the Annual Survey Report of IDSA has gone on to become one of the most sought report on the Direct Selling Industry. It has become an important reference point for Industry Stakeholders, Direct Selling Entities, Scholars for their study, Sector Experts as well as by the Government for formulating policies. This report is a result of an in-depth research, both primary and secondary, and there is plenty of data on Direct Selling Industry for the readers to have first-hand information on.

The Indian Direct Selling Association celebrated its 20 years' celebration in October 2016. It has been a wonderful journey, which witnessed many highs while facing some lows also. However, the spirit at IDSA has always been high, with a single-point agenda of bringing the due recognition for the Direct Selling Industry. Direct Selling is still a relatively new phenomenon in the domestic sectoral set-up in the country. While, there are some prominent players like Amway, Tupperware, Oriflame, Avon, Modicare, Herbalife who have been in the doing business in the country for the last 20 years having many feats to their credit. Yet, as an Industry, there is a lot to be achieved by this Industry. Having said that, it is pertinent to mention that this Industry has been tremendously contributing to self-employment, entrepreneurship and women empowerment.

The Ministry of Consumer Affairs, Food & Public Distribution came up with Guidelines on Direct Selling Industry, giving the much-needed definitional clarity to the Industry. Not only that, these Guidelines also distinguished between legitimate Direct Selling and Fraudulent Schemes, operating under the guise of Direct Selling. These Guidelines are the first step towards the regulatory framework for this Industry. The absence of proper policy or regulatory framework has been adversely affecting the Direct Selling Industry as numerous fraudulent players have taken advantage of the situation. These Guidelines, apart from giving a statute back-up also address the current concerns of the Industry and provide much needed impetus.

The Indian retail industry one of fastest growing Industry in the world. The retail Industry is experiencing exponential growth by expanding not only in Tier I cities but also in the, Tier II, Tier III and rural areas. Increase in personal disposable income, increased awareness and changing consumer tastes and preferences are driving the growth in retail sector. In the midst of this interesting phase, various store and non-store formats have evolved to cater to the ever-growing demand in the retail sector in India. While e-commerce has emerged as a prominent segment of non-store retail distribution, Direct Selling has been another important mode of product marketing and distribution.

The Direct Selling industry has witnessed a steady growth in the last few years. The 8300 crore Industry (FY'2015-16) has provided self-employment opportunities to about 4.1 million people, out of which about 57 per cent are women. World over, women outnumber their men counterparts in Direct Selling. However, in India, share of men has been increasing over the years, with the current Survey showing 43 per cent men are associated with this Industry. It clearly states that Direct Selling, in India, is as much sought by men, as by women. I firmly believe that the Direct Selling Industry has the potential to become one of the major contributors to the GDP in the coming years. While the possibilities and probabilities are infinite, the Industry has to put in collaborative efforts to get regulatory framework.

I believe the Annual Survey Report 2015-16 will enlighten the readers about Industry's contribution to the economy, the industrial; scenario and to the country. I also believe that Direct Selling will continue to make progress on back of increased investments by companies and favorable policies by the government, making a conducive environment for Direct Selling. I take this opportunity to show our gratitude and thank PHD Chamber Secretary General, Mr. Saurabh Sanyal and Research Bureau head, Dr. S.P. Sharma along with his team members Surbhi Sharma and Rashmi Singh for their dedicated study and efforts in making this report.

I would also like to thank all the survey participants who have spared their valuable time, providing necessary information. A special thanks to all IDSA member companies who have been supporting this report by sharing vital statistics and information required to formulate this report. IDSA's quest towards bringing regulatory clarity for the Industry will continue with the team being committed to not let any stone unturned towards its advocacy efforts.

Contents

1. Global outlook of Direct Selling Industry : Introduction
 2. The Indian Direct Selling Industry: Snapshot of past surveys
 3. Objectives of the study
 4. Research Methodology
 5. Direct Selling Entities survey analysis
 6. Policy regulations for Direct Selling in India
 7. Direct Selling Industry going digital with the advent of reforms
 8. Consumer Survey Analysis
 9. Key concerns of Direct Selling Entities
 10. Future outlook of Indian Direct Selling Industry
 11. Conclusions and suggestions
-

Table

- 1.1 The Global Direct Selling Industry
 - 1.2 Region wise sales 2015
 - 1.3 Top 10 Direct Selling Countries in World in 2015
 - 1.4 Top 10 Direct Selling Countries in Asia in 2015
 - 1.5 Top 10 Direct Selling Companies in the World in 2015
 - 1.6 BRICS Economies Direct Selling Sales (2015)
 - 1.7 Corporate Social Responsibility of the Direct Selling Industry
 - 4.1 Mode of data collection
 - 4.2 Process of data collection
 - 5.1 Gross sales statistics of Direct Selling Industry during recent years
 - 5.2 Gross sales statistics of Direct Selling Industry during recent years
 - 5.3 Gross sales statistics of Direct Selling Industry during recent years
 - 5.4 Ranking of cities: Top ten
 - 5.5 Product expansion
 - 5.6 Taxes paid by IDSA Direct Selling Entities (member)
 - 5.7 Region wise Direct Sellers in 2015-16
 - 5.8 Per-capita revenue generation by Direct Selling Industry
 - 5.9 Direct sellers' gender wise split
 - 7.1 Characteristics of Respondent(s)
 - 7.2 Source of Direct Selling publicity
 - 9.2 Growth perception of Direct Selling Entities
-

Graph

- 1.1 Global Sales vis-a-vis Direct Sellers Growth Rate (%)
 - 1.2 Overview of Direct Selling in USA in 2015
 - 1.3 Product wise sales for the year 2015 (% Share)
 - 2.1 Y-O-Y growth of Indian Direct Selling Industry Since 2006
 - 5.1 Product wise category coverage among Direct Selling Entities
 - 5.2 Trend in gross sales of Direct Selling Industry (INR million)
 - 5.3 Growth rate of gross sales of the Direct Selling Industry (%)
 - 5.4 Share and growth of organized and unorganized players (%)
 - 5.5 Percentage of Direct Selling Entities across varying levels of growth(% of respondents)
 - 5.6 Product category-wise share in gross sales in the organized market (% share)
 - 5.7 Target consumer category of Direct Selling Entities (%)
 - 5.8 Sales method adopted (%)
 - 5.9 Taxes paid by IDSA Direct Selling Entities--member (INR million)
 - 5.10 Share of direct and indirect tax paid by IDSA Direct Selling Entities-Member
 - 5.11 Direct Sellers
 - 5.12 Channel of investment (Areas of support for CSR activities by Direct Selling Entities) (% respondents)
 - 7.1 Direct Selling products purchased by respondents (%)
 - 7.2 Factors for purchase/re-purchase (responses in %)
 - 7.3 Factors for non purchase/no repurchase (responses in %)
 - 7.4 Household income vis-à-vis share in purchase of Direct Selling products (%)
 - 9.1 Market size of Indian Direct Selling Industry (INR million)
-

Abbreviations

(AEPS)	Aadhar Enabled Payment System
B2B	Business-to-Business
B2C	Business-to-Commerce
CAGR	Compounded Annual Growth Rate
CIS	Commonwealth of Independent States
CSR	Corporate Social Responsibility
DIPP	Department of Industrial Policy and Promotion
DSA	Direct Selling Association
DSO	Direct Selling Organizations
FSS	Food Safety and Standards
FSSAI	Food Safety and Standards Authority of India
FY	Financial Year
GDP	Gross Domestic Product
GDSI	Global Direct Selling Industry
GRDI	Global Retail Development Index
GST	Goods & Service Tax
ICC	International Chamber of Commerce
IDSA	Indian Direct Selling Association
IICA	Indian Institute of Corporate Affairs
IMF	International Monetary Fund
INR	Indian Rupee
IT	Information Technology
Mn	Million
MSMEs	Micro, Small and Medium Enterprises
ML/MLM	Multi level / Multi level marketing
MUDRA	Micro Unites Development and Refinance Agency
NIC	National Industrial Classification
NCR	National capital Region
PAN	Permanent Account Number
PCMCS	Prize Chits and Money Circulation Schemes (Banning) Act
PPP	Purchasing Power Parity
P2P	Person to Person
Rep	Republic
R&D	Research and Development
SAR	Special Administrative Region
SL	Single Level
UNCPC	United Nations Central Product Classification
UPI	Unified Payment Interface
USA	United States of America
USD	US Dollar
USSD	Unstructured Supplementary Service Data
VAT	Value Added Tax
WFDSA	World Federation of Direct Selling Associations
YOY	Year on year

Executive Summary



Direct Selling typically includes home selling situations such as door-to-door selling, appointments, referrals and product parties, as well as catalogues and the Internet to disseminate information. The direct selling business model currently engages close to 100 million people globally who generate close to \$183 billion in sales, most of whom are women. Direct Selling offers a unique opportunity to Direct Sellers to start a business with modest investment, learn basics business building principles and skills, and earn in proportion to effort invested.

The top markets representing the highest sales globally are United States of America (20%), China (19%) and Korea (9%). India's ranking in terms of size of the sector improved from 22nd in 2014-2015 to 20th in 2015-2016. Direct Selling accounted for more than US \$ 183 billion in retail sales globally in 2015 – a new sales record for the industry, registering a slow sales growth of 0.5%. Worldwide, the total sales force increased by 3.5% to 103 million people in 2015, up from 99.7 million in 2014. In all, 23 countries posted sales of \$1 billion or more from direct selling. Every region in 2015 reported surge in sales, and 80 percent of countries around the world showed increases in both sales and Direct sellers.

Globally, top ten countries share in global sales stands at more than 80% with USD 147437 million of sales in the year 2015. Among the top direct selling countries worldwide, United States, China and Korea have grown at the compounded annual rate of 4.5%, 22.5% and 7.5% respectively capturing more than 48% of the GDSI sales.

In terms of sales, the Asia Pacific region generated \$84 billion in sales in 2015. Among the top countries with highest sales, the USA has scored the top most position with sales at USD 36120 million in 2015 with a share of 19.7%, while Slovenia stands at the lowest level with sales at USD 18 million in the same year.

Direct Selling has contributed significantly to socio-economic development of the nation in regards with generating self employment opportunities, source of earning supplementary income, encouraging entrepreneurship, empowering women, imparting skill through various training programmes and encouraging growth of MSMEs sector.

India's macro-economic outlook has been stabilizing and lead economic indicators are gathering pace on account of several reforms introduced by the Government. However, with an improvement in the overall sentiments in the economy, Direct Selling Entities have not been able to register notable growth scenario as stakeholders are struggling with concerns like regulatory bottlenecks, absence of defined law or act, fraudulent activities impacting confidence of genuine stakeholders and consumers and declining demand scenario for the Direct Selling products.

The gross sales¹ by the Direct Selling Industry stands at INR 83,085 million in 2015-16 as against INR 79,583 million in 2014-15, INR 74,722 million in 2013-14 and INR 71,641 million in 2012-13. The Direct Selling Industry has registered a growth rate of 4.4% in 2015-16 as compared 6.5% in 2014-15.

During 2015-16, the growth sentiments of Direct Selling industry has declined on various factors such as lack of proper regulatory framework, lengthy product approvals, occurrence of fraudulent activities impacting the confidence of not only stakeholders but also consumers, high costs of doing business, slowdown in demand in the economy, stricter registration, among others. Going ahead, most of the respondents felt that economic reforms undertaken by the Government are highly commendable and would lead to desired outcomes in the coming times. The Direct Selling Entities are extremely hopeful on Government's support in recuperating business sentiments in the economy particularly for Direct Selling. According to the survey, Direct Selling could become the backbone of the economy if its awareness, acceptance and proper communication infrastructure are strengthened.

The survey revealed that the Northern region has contributed around INR 24,926 million to the gross sales in 2015-16. The region has contributed share of 30% to gross sales in 2015-16 and 2014-15 and has registered growth rate of about 4.4% in 2015-16 as against 10% in 2014-15. Eastern region has contributed around INR 15,786 million to the gross sales in 2015-16. The share of Eastern region to gross sales has increased to 19% in 2015-16 from 18% in 2014-15. The region registered a growth rate of 10.2% in 2015-16 as against 6.5% in 2014-15.

The North Eastern region has contributed around INR 10,801 million in 2015-16. The North Eastern region share to gross sales has remained same at 13% in 2015-16 and 2014-15. The region has exhibited a growth rate of 4.4% in 2015-16.

The survey revealed that the Western region has contributed around INR 14,124 million in 2015-16. The region has scripted an increase in the share to gross sales at 17% in 2015-16 from 16% in 2014-15 and registered growth rate of 10.9% in 2015-16 as against 6.4% in 2014-15. According to the survey, the Southern region has contributed around INR 17,448 million in 2015-16. The region holds second highest share in India's gross sales of Direct Selling in 2015-16. About 21% share to gross sales of the industry is contributed in 2015-16 as against 23% in 2014-15. However, the region witnessed a 4.6% decline in sales in 2015-16 as compared to 2014-15

The survey revealed that due to rising inclination towards healthy lifestyle, wellness and healthcare products have been in demand significantly and as a result it has contributed the largest share to the gross sales of the organised Direct Selling Industry at 43%, followed by beauty/cosmetics and personal care (35%), home ware and home improvements products (12%), consumer and household durables (6%) and others including food and beverages, agricultural products, ayurveda products, educational products, utilities, promotional items, plant growth promoters, etc (4%)

The total tax paid by the IDSA Direct Selling Entities (member) amounts to INR 12,583 million in 2015-16 as compared to INR 11,715 million in 2014-15. The tax paid as reported by the IDSA Direct Selling Entities (member) has increased to about 7.4% in 2015-16 over 2014-15. The direct taxes have increased to INR

¹ The figures used for gross sales in the Annual Survey 2015-16 refers to gross sales of Direct Selling Industry which is net sales plus direct and indirect taxes.

3,875 million in 2015-16 as against INR 3,550 million in 2014-15. While indirect taxes have scaled up to INR 8,708 million in 2015-16 from INR 8,165 million in 2014-15 .

On account of expanding activities of Direct Selling Entities, rising awareness, penetration and acceptance, there has been significant creation of self employment opportunities by the Direct Selling industry over the years. According to the survey, the active Direct Sellers² of the Indian Direct Selling Industry have increased from 39,29,105 in 2014-15 to around 40,31,262 in 2015-16 representing a Y-O-Y growth of 2.6% over the last year.

According to the Consumers' survey, majority of the respondents (36%) purchased wellness/health care products followed by 25% respondents who preferred purchasing homecare/home improvement products. About 19% respondents purchased beauty/cosmetics and personal care products with majority of them being females. Fourth most popular Direct Selling product category is consumer & household durables wherein nearly 11% respondents preferred these products whereas others products category including foods and beverages, agricultural products, ayurveda products, educational products, utilities, promotional items etc. constituted roughly 9%.

In the past years, couple of State Governments have introduced guidelines to regulate and strengthen the business of Direct Selling and protect consumers against any fraudulent activities. Ministry of Consumer Affairs, Food and Public Distribution, Government of India formulated and issued model guidelines on Direct Selling on 9th September 2016 and notified the same on 26th October 2016. These Guidelines have been sent to State Governments, advising them to consider the for regulating Direct Selling business in states These Guidelines will safeguard the interests of consumers, as well as help protect ethical Direct Selling Entities. These Guidelines will help to give a boost to the industry which gives employment opportunities to large number of youth and women, contributes to skill development and women empowerment, gives push to MSME sector and has contributed to Government's ambitious 'Make in India' campaign by giving boost to manufacturing sector in India.

Direct Selling has emerged as one of the most effective and efficient channel of distribution in meeting demands of today's consumers. However, a large number of Direct Selling stakeholders have concerns over non-availability of industry status, absence of nationalized law, occurrence of fraudulent activities impacting confidence of Direct Selling players and consumer too and quit of couple of international Direct Selling Entities impacting the scenario of foreign as well as domestic investments. However, with the recent introduction of Direct Selling guidelines by the Central Government have provided relief to the stakeholders of Direct Selling and a sense of confidence and trust which is expected to boost the growth of Direct Selling in the coming times.

With burgeoning income, urbanisation, emerging demographic dividend, speedy implementation of socio-economic reforms and favourable policy environment would boost the growth momentum of Direct Selling in the coming times. According to the survey, Direct Selling Entities felt that the size of the industry is estimated to reach upto INR 2,58,261 million by 2024-25 on account of supportive policy framework, nonexistence of illegal activities under the garb of Direct Selling, expanding consumer base, widening acceptance and awareness about Direct Selling in our country. It may be mentioned that during the last eight years, Industry has shown 12.13% CAGR.

² Active Direct Sellers is defined as Direct Sellers who purchase products four times in a Financial Year.

Global outlook of Direct Selling Industry



1. Global outlook of Direct Selling Industry: Introduction

Direct Selling typically includes selling of goods and services to consumers away from a fixed retail outlet through home selling situations such as door-to-door selling, appointments, referrals and product parties, as well as catalogues and the Internet to disseminate information. The Direct Selling business model currently engages close to 100 million people globally, generating about \$183 billion in sales, most of whom are women. Direct Selling offers a unique opportunity to Direct Sellers to start a business with modest investment, learn basics business building principles and skills, and earn in proportion to effort invested. Those who learn to sell products and services as well as recruit others, who desire to do the same, have an opportunity to build a successful part-time business and potentially a larger and significantly rewarding full-time business. Other benefits, some of which are nonfinancial, include enhanced skills related to business and relationship building, personal development opportunities, ways to create a blueprint for greater achievement in life, ways to better balance life and work, understanding of the value of entrepreneurship, recognition of achievement and bonuses for overachieving the targets.

There is no other business model based on individual entrepreneurship and ownership that comes close to the business model of Direct Selling companies offer. Products and services that benefit from the personalized introduction and presentation of an individual is a major reason why a company chooses Direct Selling as their preferred way of conducting business. When people from all walks of life become involved in a channel of distribution without discrimination or judgement based upon past experience or inexperience, the society at large benefit from increased employment opportunities, incomes as well as standard of living.

Despite being the oldest method of commercial distribution known to mankind, Direct Selling is not well understood. Direct Selling is often confused with direct marketing, and at times; Direct Selling is improperly equated with the Pyramid Scheme. Major modes of Direct Selling include one-on-one selling at home, one-on-one selling at a workplace, a sales party at a consumer's home, and a sales party at a workplace, church, or other location. DSOs (Direct Selling Organizations) can use two types of organization structures, identified as multilevel and single level. In a multilevel (ML) organization (also called network marketing organization); direct salespeople recruit, train, and supervise other direct salespeople who become part of the recruiter's organization. In return, the recruiting salesperson receives compensation on the sales of organization members as well as on his or her sales. In a single level (SL) organization, the salespeople do not build their own organizations via recruiting and training, but rather focus their efforts on selling and achieving compensation based on their own sales.

Direct Selling, as a business model, provides more opportunity for easy engagement than any other channel of distribution in existence. However, those who do not succeed in

business terms may still succeed in knowledge gained, experiences that were valuable and a new belief in one's ability to achieve more of their human potential. Direct Selling as channel of distribution will continue to grow, continue to serve consumers in even more effective ways as a result of technological innovation, and therefore, continue to support even more effectively those who choose to build direct selling businesses as part-time or full-time entrepreneurs. Direct Sellers will continue to compete more and more effectively for market share that traditional retailers are struggling to keep. Clearly, Direct Selling is a business activity of significant importance both in financial and human terms.

1.1 History and evolution of the Direct Selling Industry

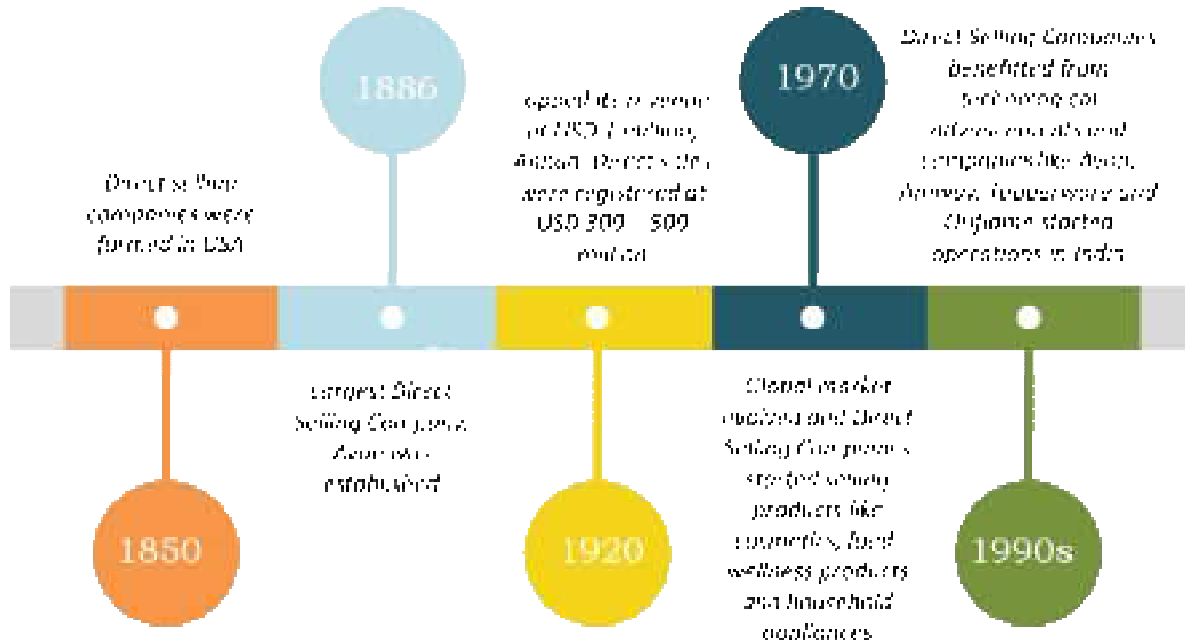
Beginning in the mid to late 1800s, Direct Selling companies were formed in USA offering various products directly to the final consumer. Avon, which today is one of the largest Direct Selling companies, was established in 1886, initially represented a means for women to earn money and work outside their homes, and by 1920 topped its revenue at USD 1 million.

In the mid-1920s estimates of the volume of annual direct sales ranged from USD 300-500 million. The global market evolved between 1920s and 1930s in the USA driven by the need to regulate marketing and distribution costs, and the need for live demonstration for certain products in the absence of technology.

The period between 1970 and 1990, the Direct Selling industry saw significant change. The industry started with sale of products like cosmetics and household appliances through the direct selling channel, but after 1970 many direct selling companies diversified their product portfolios to a larger number of products such as household goods, food and wellness products.

The period also witnessed improvement in technology. Many new marketing techniques and strategies were developed and new distribution and retail channels emerged; as a result direct selling companies modified strategies to benefit from these technological advancements. Women became a major part of the industry. Many young women who found it difficult to simultaneously manage full time jobs and their families joined the workforce; they also got an opportunity to provide for their families.

History & Evolution of Direct Selling Industry

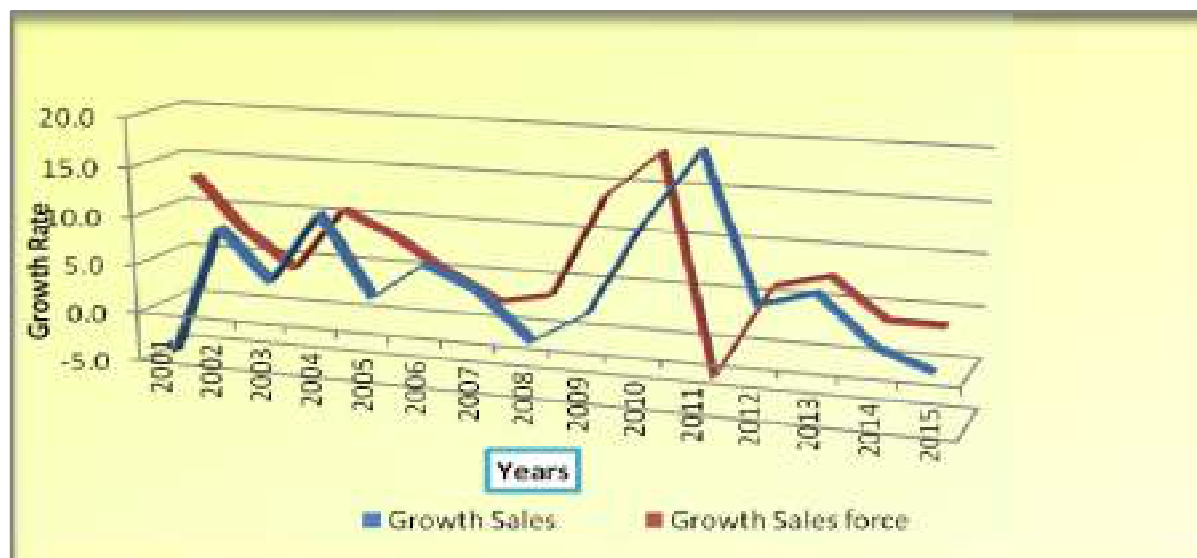


Source: PHD Research Bureau, compiled from World federation of Direct Selling Association (WFDSA).

1.2 Global Overview of the Direct Selling Industry

In the 1970s and 1980s, Direct Selling grew and came into existence globally in the 1990s. The top markets representing the highest sales globally are United States of America (20%), China (19%) and Korea (9%). India's ranking in terms of size of the sector improved from 22nd in 2014-2015 to 20th in 2015-2016. Direct Selling accounted for more than US \$ 183 billion in retail sales globally in 2015 – a new sales record for the industry, registering a slow sales growth of 0.5%. Worldwide, the total sales force jumped 3.5 percent, to 103 million people in 2015, up from 99.7 million in 2014. In all, 23 countries posted sales of \$1 billion or more from Direct Selling. Every region in 2015 reported sales jumps, and 80 percent of countries around the world showed increases in both sales and sellers. Despite being a booming industry, no specific levels of education, experience, financial resources or physical condition are required and therefore Direct selling is well positioned in today's marketplace as consumers seek personalized service and quality products from people who they know and trust.

Graph 1.1: Global Sales vis-a-vis Direct Sellers Growth Rate (%)



Source: PHD Research Bureau, compiled from World federation of Direct Selling Association (WFDSA).

Note: Data Available on WFDSA as on October 03, 2016

In terms of regional sales, the Asia Pacific region generated \$84 billion in sales in 2015. Among the top countries with highest sales, the USA has scored the top most position with sales at USD 36120 million in 2015 with a share of 19.7%, while Slovenia stands at the lowest level with sales at USD 18 million in the same year. The sales force in the GDSI (Global Direct Selling Industry) has growth at the rate of 3.5% in the year 2015.

Table 1.1: The Global Direct Selling Industry

Parameter(s)	Unit	2015
Global market size	USD Million	183,729
Global Sales Growth	in %	0.5
Highest regional share in global sales		Asia Pacific
	in %	45.8
Country wise –Top share in global market		USA
	in %	19.7
Country with highest sales		USA
	USD Million	36,120
Country with Lowest sales		Slovenia
	USD Million	18
Number of Direct Sellers		103,277,493

Source: PHD Research Bureau, compiled from World federation of Direct Selling Association (WFDSA). Note: Data Available on WFDSA as on October 03, 2016

1.3 Overview of Direct Selling in America in 2015

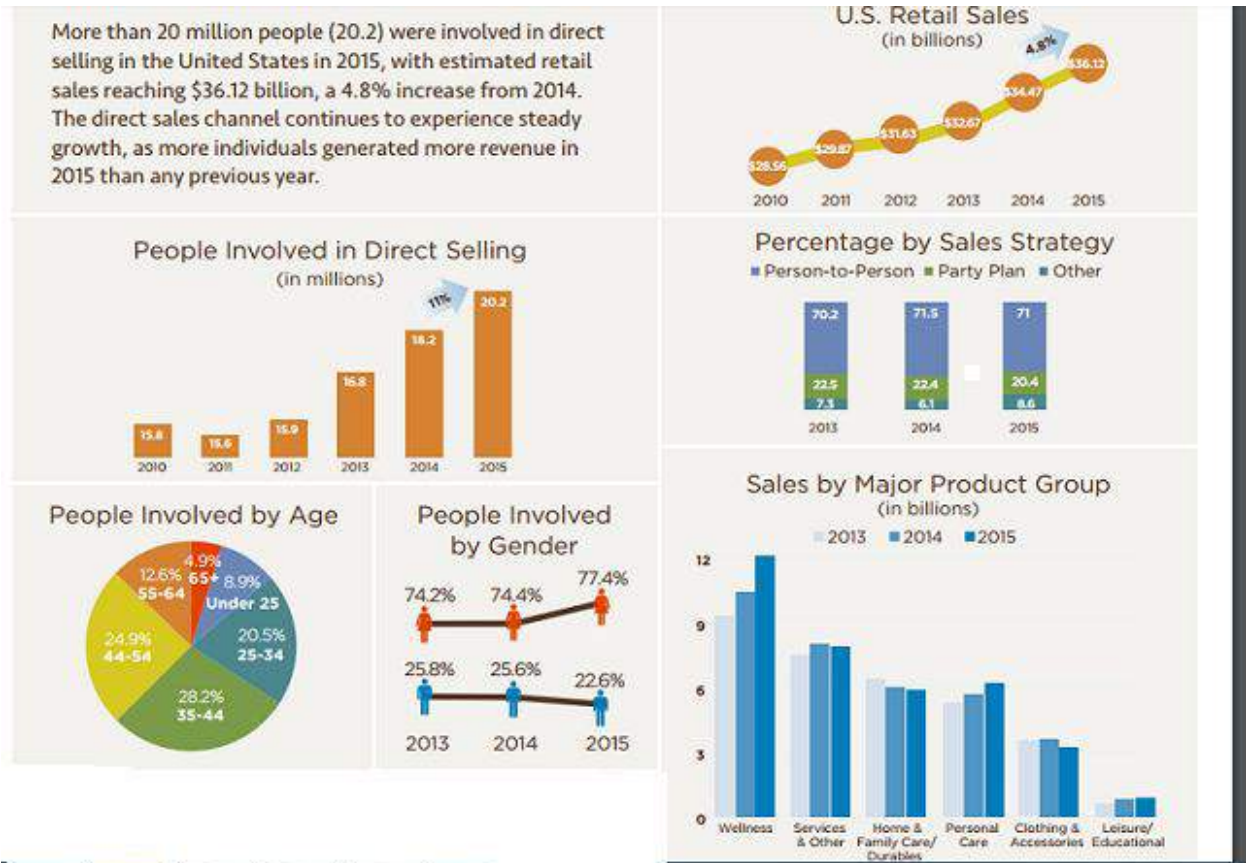
Direct Selling has a long history in the Americas, which includes the U.S., Canada and South and Central American countries, and three of the Top 10 largest direct selling markets. The group accounts for 34 percent of global sales or \$62.9 billion, up 4.6 percent from sales of \$60.2 billion in 2014. The U.S. delivers 57.4 percent of that revenue or \$36.12 billion, while Canada contributes 2.5 percent or \$1.63 billion. Three-year CAGR (2012-2015) for the Americas region is 4.8 percent. Central and South America combined provide 40 percent of the America's direct sales or \$25.2 billion. It is estimated that seven of the 23 billion-dollar markets are from the American region such as United States, Brazil, Mexico, Colombia, Argentina, Canada and Peru.

In many ways, Direct Selling has grown up along with many of these countries. Mexico, which came in at rank 7 having \$6.93 billion sales of on the list of billion-dollar markets with 2015 sales of \$6.93 billion. This middle-income country is facing many financial challenges from exchange rates and governmental changes designed to bring about economic reforms. Most direct selling firms active in Mexico are based in the U.S. That means a struggle exists for these companies to absorb the exchange rate in ways that do not increase prices for consumers and distributors. As a whole, the DSAs in the Americas are working hard to educate potential consumers and distributors about the industry and to dispel myths.

Today, Direct Selling channel continues to enjoy a large following in the United States, where more than 20.2 million people are involved. Direct sales and the number of people involved continue to grow, with more individuals generating more revenue in 2015 than ever before. The most popular sales method employed by companies remains person-to-person interactions at 71 percent, followed by party plans at 20.4 percent, according to data from the U.S. DSA. The gender mix of people involved in the industry showed a larger number of women, with 77.4 percent of consultants being female. Direct Selling is intertwined with many cultures in Latin America, where some of the big companies started distributing products as long as 60 years ago. The industry is well established in many growing nations as it began when infrastructure such as roads and transportation were not yet abundant, making person-to-person sales an ideal way to distribute goods.



Graph 1.2: Overview of Direct Selling in USA in 2015



Source: 2016 Growth & Outlook Report: U.S. Direct Selling in 2015

1.4 Direct Selling Region wise sales

Looking at the region wise sales of the GDSI for the year 2015, the Europe region has achieved the highest of 9% followed by Asia Pacific and Africa/Middle East region at 3% respectively. However, the Middle East region has recorded the lowest sales at USD 166 million registering a growth of almost 4% in 2015. The three regions, comprising Asia/Pacific, America and Europe capture almost 99% of the global market sales registering positive growth rates except Americas and Central and Eastern Europe, which have shown negative growth of 7% and 26% respectively. Whereas, Africa and Middle East region captures market size of less than 1 percent, registering positive growth rate in 2015 respectively.

Table 1.2: Region wise sales 2015

Region	Market size 2015 (USD mn)	Y-O-Y Growth 2015 (in %)	Market size 2015 (in %)
Asia /Pacific	84,084	3	45.8
Americas	62,934	-7	34.3
North America	37,753	4	20.5
South & Central America	25,181	-19	13.7
Europe	35,427	9	19.3
Western Europe	29,538	20	16.1
Central & Eastern Europe	5,889	-26	3.2
Africa/ Middle East	1,283	3	Less than 1
Africa	1,117	3	Less than 1
Middle East	166	4	Less than 1

Source: PHD Research Bureau, compiled from World federation of Direct Selling Association (WFDSA).
Note: Data Available on WFDSA as on June 03, 2016

1.5 Top Countries in the World in Direct Selling

Globally, top ten countries share in global sales stands at more than 80% with USD 147,437 million of sales in the year 2015. Among the top direct selling countries worldwide, United States, China and Korea have grown at the compounded annual rate of 4.5%, 22.5% and 7.5% respectively capturing more than 48% of the GDSI sales. In terms of Direct Sellers, United States has the highest number of Direct Sellers accounting for around 20% of global sellers, followed by Korea and Malaysia in 2015 respectively.

Table 1.3: Top 10 Direct Selling Countries in World in 2015

Rank	Country	Sales (USD million)	% Share in Global Sales	Direct Sellers (2015)	% Share in Global Sellers
1	United States	36,120	19.7	20,200,000	19.6
2	China	35,456	19.3	-	-
3	Korea	16891	9.2	6,737,546	6.5
4	Germany	15,185	8.3	838,833	0.8
5	Japan	14,664	8.0	3,311,000	3.2
6	Brazil	9,125	5.0	4,571,625	4.4
7	Mexico	6,930	3.8	2,200,000	2.1
8	France	4,590	2.5	640,215	0.6
9	Malaysia	4,437	2.4	4,800,000	4.6
10	United Kingdom	4,039	2.2	625,000	0.6
	Total	147,437	80.2	43,924,219	42.5

Source: PHD Research Bureau, compiled from World federation of Direct Selling Association (WFDSA).
Note: Data Available on WFDSA as on October 03, 2016

1.6 Top 10 Direct Selling Countries in Asia

Globally, top ten Asian countries' share in global sales stands at 45% with USD 82,109 million of sales in the year 2015. The Sales in China, Korea and Japan accounted for 82% of this amount who are also among the top 5 billion-dollar direct selling markets with share in global sales at 19.3%, 9.2% and 8% respectively capturing 37% of the GDSI sales. India's share in the top ten countries stands at just 0.6% with sales of USD 1186 million highlighting the need for clear definition and policy reforms in ease of doing business. In terms of employment generation, Indonesia and Thailand absorb the highest numbers of sellers which stands at 12.73 and 11 million in 2015.

Table 1.4: Top 10 Direct Selling Countries in Asia in 2015

Rank	Country	Global Sales	% Share in Global Sales	Direct Sellers (2015)
1	China	35456	19.3	na
2	Korea	16891	9.2	6737546
3	Japan	14664	8.0	3311000
4	Malaysia	4437	2.4	4800000
5	Taiwan	3354	1.8	2300000
6	Thailand	2698	1.5	11000000
7	Philippines	1241	0.7	4153000
8	India	1186	0.6	3929105
9	Australia	1113	0.6	593356
10	Indonesia	1069	0.6	12730100
	Total	82109	44.7	49554107

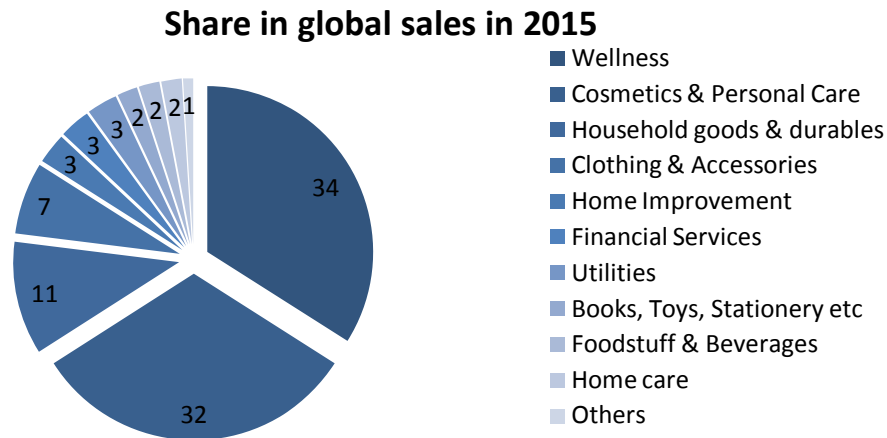
Source: PHD Research Bureau, compiled from World federation of Direct Selling Association (WFDSA).

Note: Data Available on WFDSA as on June 03, 2016

1.7 Product wise sales of Direct Selling Companies

The GDSI markets a long list of products spanning from cosmetics and personal care to wellness, household goods and durables, clothing and accessories to foodstuff and beverages. As per Chart 1.3, GDSI markets more than 10 categories of products and almost 84% of the sales were generated by the top four product categories namely wellness (34%), cosmetics and personal care (32%), household goods and durables (11%) and clothing and accessories (7%) with sales at USD 154,332 million in 2015.

Graph 1.3: Product wise sales for the year 2015 (% Share)



Source: PHD Research Bureau, compiled from World federation of Direct Selling Association (WFDSA).

Note: Data Available on WFDSA as on September 25, 2015

1.8 Top 10 Direct Selling Companies in the World

The GDSI has a huge network of companies diversifying in different product groups. Out of the top ten direct selling companies in the world, Amway stands at the top position registering sales of USD 9.50 billion with a market share of 5.2 percent in the year 2015. The top ten companies have contributed to USD 42.23 billion sales and constitute around 23% of the global sales.

Table 1.5: Top 10 Direct Selling Companies in the World in 2015

2016 Rank	Company Name	2015 Revenue (USD billion)	% Share
1	Amway	9.5	5.2
2	Avon -	6.16	3.4
3	Herbalife	4.47	2.4
4	Vorwerk	4	2.2
5	Infinitus	3.88	2.1
6	Mary Kay	3.7	2.0
7	Perfect	3.58	1.9
8	Natura	2.41	1.3
9	Tupperware	2.28	1.2
10	Nu Skin	2.25	1.2
	Total	42.23	23.0

Source: PHD Research Bureau, compiled from Direct Selling News

Note: Data Available on Direct Selling News as on October 02, 2016

1.8 BRICS Economies Direct Selling Sales

Among BRICS economies, all countries are actively involved in trade through Direct Selling. Out of these 5 economies, China dominates with a major chunk of around 73% at USD 35,456 million during 2015 registering a growth rate of 17.3%. Brazil with a share of around 19% in BRICS economies, its sales stands at USD 9125 million in 2015 with a growth rate of (-)30%. India has a market size of USD 1,186 million in 2015 registering 1% growth and its share in the BRICS economies stands at 2.4% in the same year. Other economies such as Russia and South Africa have a share of 4.4% and 1.2% respectively with a negative growth rate respectively.

Table 1.6: BRICS Economies Direct Selling Sales (2015)

Country	Sales 2014 (USD million)	Sales 2015 (USD million)	Y-O-Y Growth rate 2015	Share in BRICS economies (%)
Brazil	13037	9,125	-30.0	18.8
Russia	3604	2,145	-40.5	4.4
India	1174	1,186	1.0	2.4
China	30217	35,456	17.3	73.1
South Africa	676	597	-11.7	1.2
Total		48,509		100

Source: PHD Research Bureau, compiled from World federation of Direct Selling Association (WFDSA).

Note: Data Available on WFDSA as on October 02, 2016

1.9 Corporate Social Responsibility of the Direct Selling Industry

Direct Selling Industry being the successful global industry gives back to people around the world and to the communities where they exist and work. More than four in five direct selling companies (83 %) have corporate social responsibility activities, based on a WFDSA survey of 54 companies³. Many people benefit from the philanthropy of the direct selling industry.

Twenty-two companies reported that 4.8 million people benefited from their corporate support to charitable/philanthropic causes in 2014. Nine companies reported that 126,000 people benefited in 2014 from the charitable/philanthropic causes supported by their direct sellers. The philanthropy of the Direct Selling industry benefits many types of people, but particularly children and women. 47 percent focus or give special attention to children and

³ The Global Citizenship of the Direct Selling Industry, accessed at <http://www.wfdsa.org/documents/library/corporate-social-responsibility-survey-2014.pdf>

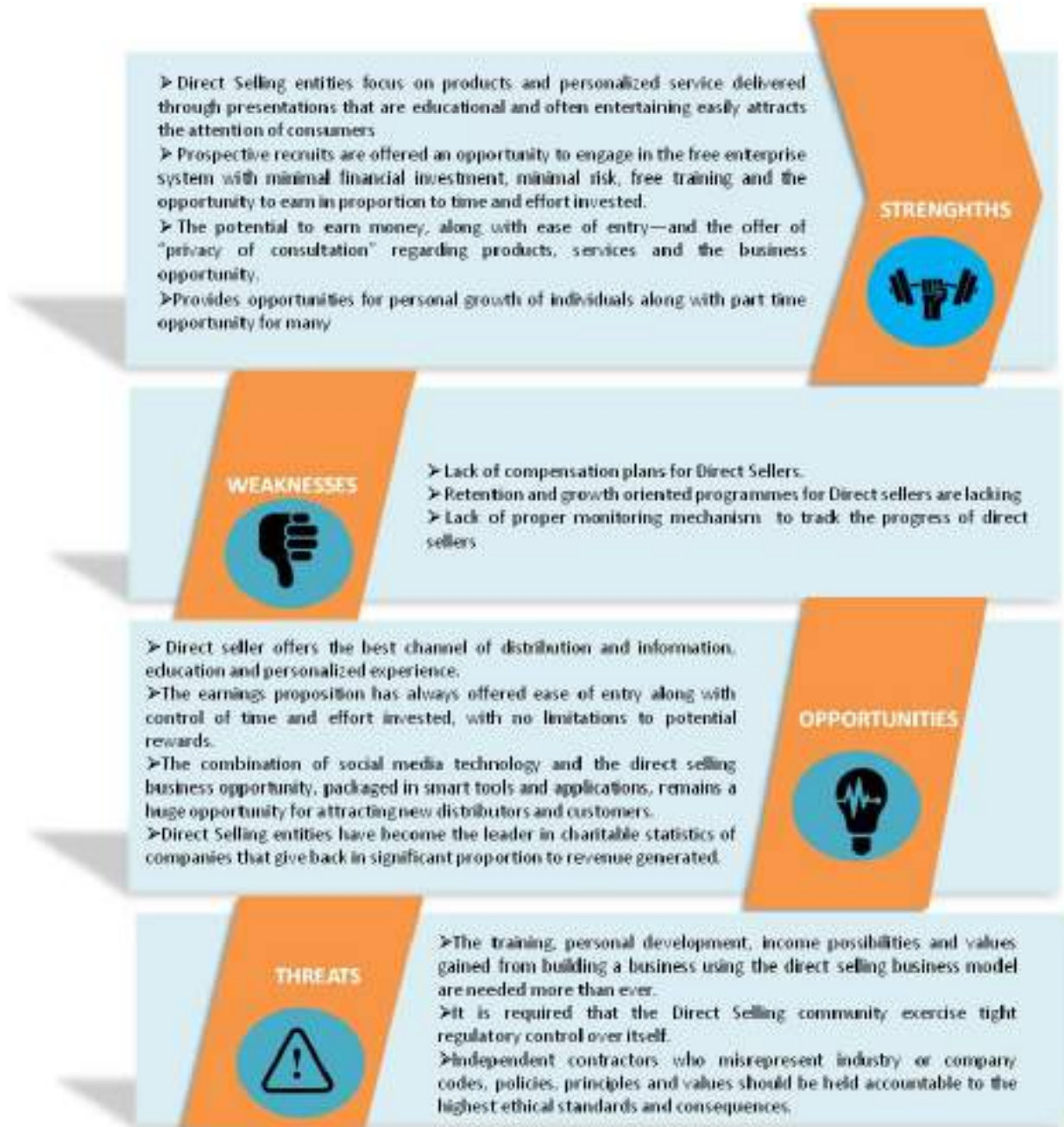
17 percent to women. Few are the CSR activities mentioned below, which are supported by the Direct Selling Industry.

Table 1.7: Corporate Social Responsibility of the Direct Selling Industry

Company	Philanthropy activity	Action/ deliverables
Amway	Child nutrition	Guinness World Record in fighting child malnutrition
Best World	Child education	Student Exchange Programme (30 children) to Singapore from Sichuan, China
Herbalife	Child nutrition to over 100,000 children in over 50 countries	funding and assistance of \$ 2.3 million to more than 120 organizations worldwide
Mary Kay	Child education (1000 of children)	Funded 13 Spring Bud Schools
Nu Skin	Meals to Children (160,000 children every day)	Provided meals and spent around USD 58 million
Oriflame	Child Initiatives	Sponsor of the World Childhood Foundation
Shaklee	Child nutrition to around 50,000 children	
Avon	Women empowerment	promoting or aiding charitable, scientific, educational, and humanitarian activities for Women
Natura	Child education	Created the Natura Institute in 2010 to contribute to the cause of Child education.

Source: PHD Research Bureau, compiled from Corporate Social Responsibility Survey (2014), World federation of Direct Selling Association (WFDSA). Note: Data Available on WFDSA as on September 25, 2015

1.10 S.W.O.T. Analysis on Direct Selling



1.11 Role of Direct Selling Companies in providing equal opportunities to all

Direct Selling companies offer an opportunity to people from all walks of life, regardless of background, education or skill level, the chance to own and operate their own business backed by material support from a larger brand and supported by a pathway of training.

1. Customers are at the heart of Direct Selling

Customers are always the heart of any successful enterprise, and the new possibilities for greater customer focus through technology serves to position Direct Selling entities to really become best-in-class when it comes to personalized customer service. Direct Selling entities today, through technology, can identify all of their customers, those inside the compensation plan functioning as business builders as well as those who only are being served as actual customers by the business builders.

Direct Selling entities also are paying far more attention to the number of actual customers being served per business builder. This new focus is serving to strengthen the earnings opportunity, the manner in which incentive dollars are allocated, the relationship between customer and brand, and, the increased success of direct sellers themselves in accordance to time invested.

2. Personal growth is hard wired into the opportunity

Personal growth is something individuals keep with them the whole of their lives, whether or not they stick with the Direct Selling opportunity that provided the materials for that growth.

Often called soft skills, goal setting, time management, handling rejection and selling techniques are only a part of the education provided by most companies within our channel.

3. Recruiting is essential for Successful Direct Selling

Recruiting, sponsoring or building a team is a vital part of the Direct Selling business model. Direct Sellers have two key paths for developing their independent businesses: sell products or services to customers and if they wish to build a sales organization, recruit others who will also sell products and services to others as well as share the earning opportunity with others. Direct Selling compensation plans reward a distributor for both opportunities

4. Direct Sellers donot have to make Large Investments in Inventory

Direct Sellers can start their business with minimal investment in inventory. The risk is even more minimal today, as direct-to-customer shipping practices and online ordering technology has all but eliminated the need for an individual distributor to hold onto large quantities of product.

5. Direct Sellers earn in proportion to time and effort invested

The opportunity within the Direct Selling industry is not one that advocates that all who enter will become successful, but that all who enter will be rewarded in proportion to their successful efforts in selling and servicing customers and recruiting others who do the same. The access to a Direct Selling business opportunity offers a very diverse population a favourable chance to learn basic business fundamentals associated with opportunity.

6. Self-Regulation is Important to the Future of the Direct Selling

It is therefore of utmost importance that the Direct Selling community exercise tight regulatory control over itself. Independent contractors who misrepresent industry or company codes, policies, principles and values should be held accountable to the highest ethical standards and consequences



The Indian Direct Selling Industry

(Snapshot of past surveys)

2. Indian Direct Selling Industry: An overview of past surveys 2010-11 to 2014-15

Direct Selling is emerging rapidly as a non-store retail format in India in a significant way over the years which enables the companies to market their products and services into consumer's hands directly. It provides an excellent platform to work independently to build a business with low start up and overhead costs. Over the years, annual surveys of the Indian Direct Selling Industry have been undertaken to gauge the dynamics of the industry in terms of its growth scenario, assess the challenges and prospects.

Survey Year 2010-11

The Direct Selling industry grew at 27% during 2010-11 with its sales revenue expanding from INR 41,200 million in 2009-10 to INR 52,294 million in 2010-11. The robust growth in the segment has been contributed by 28% growth in the organized and 17% growth in the unorganized segments of the industry during 2010-11. The industry grew at 24% in 2009-10, 17% in 2008-09, 13% in 2007-08 and 9% in 2006-07.

Factors challenging the growth of the Indian Direct Selling Industry in the year 2010-11 included multiplicity of regulatory bodies has been a major hurdle faced by the Direct Selling Industry ever since 2010. Further, it used to be very difficult to trust and build confidence among consumers since there were handful of consumers who had their relatives/friends/neighbours as Direct Sellers. Also, Direct Selling entities used to face hurdles while hiring Direct Sellers with local mother tongue to convince consumers while purchasing the product.

Survey Year 2011-12

The Direct Selling industry grew at 22% during 2011-12, with its sales revenue¹ expanding from INR 52,294 million in 2010-11 to INR 63,851 million in 2011-12. The robust growth in the segment has been contributed by 22.5% growth in the organised and 17.7% growth in the unorganized segments of the industry during 2011-12.

As per Indian Direct Industry survey 2011-12, major challenges which hindered the growth of the Direct Selling Industry were high incidence of fraudulent companies, absence of regulatory law/guidelines, lack of training and orientation for leaders, political risks, poor logistics and distribution channels

Survey Year 2012-13

During 2012-13, the Direct Selling industry 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 sales revenue by the Direct Selling Industry reached at INR 71,641 million in 2012-13 from INR 63,851 million in 2011-12 with a growth rate of 12% and 22% in the years 2012-13 and 2011-12. 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 Annual survey of the India's Direct Selling Industry 2012-13 observed that Direct Selling Sector is grappled with changing consumer preferences. Volatile and gloomy global economic condition was also observed playing a key role in impacting business operations which resulted in impacting the investment and demand scenario of the economy. Further, sustained inflationary pressures was recorded as one of the major challenge which impacted the business as it boosted operational costs and ended up in leaving less commissions or incentives for distributors.

Another key challenge was the multiplicity of regulatory bodies which eventually hindered the smooth performance of this sector. Also, volatility in the policy environment, as the industry was victimized by frequent fraudulent activities that impacted goodwill of the Direct Selling Businesses which contributed significantly to a fall in the overall growth of the industry.

Survey Year 2013-14

The gross sales by the Direct Selling Industry reached at INR 74,722 million in 2013-14 from INR 71,641 million in 2012-13 with a growth rate of 4.3% and 12.2% in the years 2013-14 and 2012-13. The gross sales can be split up in to gross sales of INR 70,239 million by the Direct Selling Entities

belonging to organized sector and INR 4,483 million by the unorganized sector during 2013-14.

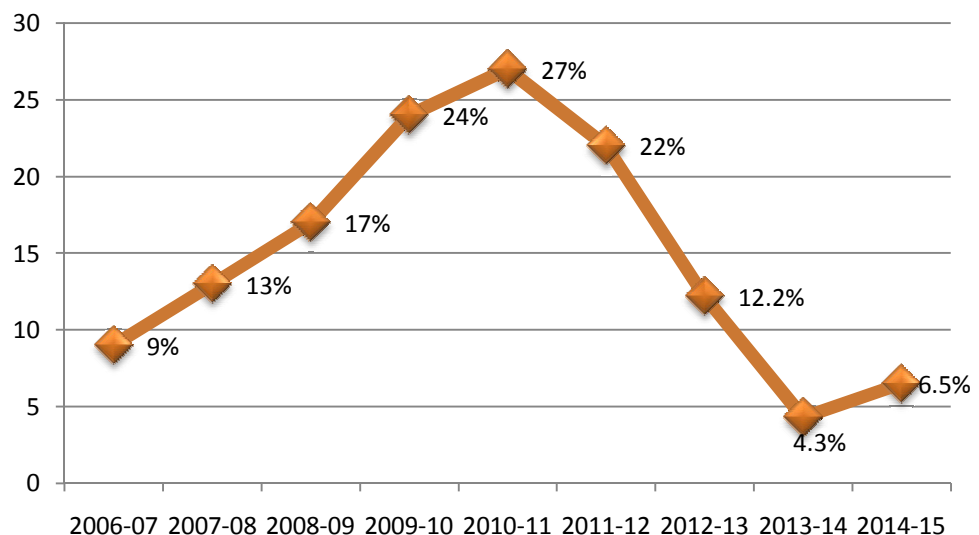
Among the key challenges, first and foremost were the activities of fraudulent fly by night operators who were operating under the garb of Direct Selling Business. Further, another biggest challenge faced by the industry was the absence of central guidelines and regulation for direct selling industry. Further, it was suggested that there should be formulation and implementation of a unified act and regulation throughout the country.

Survey Year 2014-15

The gross sales by the Direct Selling Industry stands at INR 79,583 million in 2014-15 as against INR 74,722 million in 2013-14 with a Y-O-Y growth of 6.5% in 2014-15 as compared to 4.3% in 2013-14.

Major challenges faced by the Direct Selling Industry as per Indian Direct Selling Annual Survey 2014-15 were regulatory laws/guidelines, fraudulent companies eroding image of genuine Direct Selling players, misinterpretation of Direct Selling and MLM with Pyramid and Ponzi Schemes, declining foreign investments, complex process for registration of Direct Sellers hindering their participation.

Graph 2.1: Y-O-Y growth of Indian Direct Selling Industry Since 2006



Source: PHD Research Bureau, compiled from Annual Surveys of India's Direct Selling Industry

3. Objectives of the study



Annual Survey 2015-16 of Indian Direct Selling Industry is undertaken with an objective to understand the growth dynamics of the Direct Selling Industry from the perspective of entities involved in manufacturing and selling and perception of customers regarding Direct Selling has also been analysed. The specific objectives of the survey are:

- To analyse the global developments of the Direct Selling Industry
- To study the emerging trend in gross sales in the Direct Selling Industry in India
- To understand the extent of geographical penetration and product diversification of the Direct Selling Industry of India.
- To know the production and current year market strategies
- To analyse the perspective of consumers on Direct Selling and its products
- To analyse the critical success factors and sensitivities of the Direct Selling Industry
- To assess the growth outlook, going forward.

4. Research methodology



Indian Direct Selling Industry's growth pattern, product composition, geographic segmentation, contribution to exchequer, Direct Sellers base, policy environment, prospects and important issues both from Direct Selling Entities and consumers' perspectives have been studied. The key activities to conduct the survey for the year 2015-16 were initiated in June 2016 and extended for a period of three months. These activities ranged from preparation of questionnaires, data retrieval, verification of the survey findings, and inputs from Direct Selling Entities and customers of the Direct Selling Industry.

4.1 Data Collection

Primary and secondary data sources have been taken into consideration. Both qualitative and quantitative methods have been used. Inferences regarding gross sales⁴ have been arrived at through inputs received from Direct Selling Entities and trend analysis of times series data. The figures on number of Direct Sellers have been estimated from inputs given by Direct Selling Entities on the basis of new recruitments and attritions in the year. In addition, total taxes paid by the IDSA Direct Selling Entities have been calculated on the basis of inputs received from questionnaire on the amount paid as direct and in-direct taxes by them. In addition, detailed study of various issues of newsletters, magazines and articles on Direct Selling was undertaken along with documents like project reports of companies, feasibility reports and organisational announcements.

Table 4.1: Mode of data collection

Primary Data	Secondary Data
Quantitative Aspect: Questionnaire was designed targeting Direct Selling Entities, regarding company specific gross sales, taxes paid, Direct Sellers, strategy/method, etc	Statistics regarding global data and national data of Direct Selling, company specific details and data.
Qualitative Aspect: Questionnaire was designed, targeting Direct Selling Consumers to understand the better market trend regarding product preference, price and customer requirement.	Gathering information for parameters such as revenue generation, market size and product category coverage etc.

Source: PHD Research Bureau

4.2 Data collection technique

Systematic sampling technique has been used in case of Direct Seller Entities' survey, while random sampling technique has been used in case of consumers' survey. In systematic sampling technique respondents were chosen on the basis of data available with PHD Chamber and past experience and in random sampling technique respondents were chosen randomly across various cities.

⁴Two separate questions were asked during the survey about net sales and direct and indirect taxes paid by the Direct Selling Entities. Subsequently both the figures were clubbed to arrive at the gross sales.

Table 4.2: Process of data collection

Questionnaire	Technique	Description	No. of respondents
Direct Selling Entities	Systematic Sampling ⁵	Direct Selling Entities across product categories and services in India was identified and an exhaustive list was prepared.	23
Consumers	Random sampling: Equal Probability of Selection Method of Sampling ⁶	<p>Responses were received from cities including Aizwal, Ambala, Amritsar, Allahabad, Agartala, Baroda, Bengaluru, Bhopal, Bhubaneshwar, Bokaro, Chennai, Chandigarh, Cochin, Coimbatore, Delhi, Dehradun, Faridabad, Gurgaon, Gwalior, Gangtok, Guwahati, Gandhinagar, Hyderabad, Itanagar, Indore, Imphal, Jaipur, Kolkata, Kohima, Ludhiana, Lucknow, Mumbai, Muzaffarpur, Pune, Patna, Panchkula, Puducherry, Ranchi, Shimla, Silvassa, Surat, Sriganaganagar, Shillong, Panaji, Thanjavur, Thiruvananthapuram, Udaipur, and Vadodara</p> <p>Customers from different strata of the society including age-groups, income levels, preferences and tastes were chosen to understand their attitude towards Direct Selling products.</p>	5,852

Source: PHD Research Bureau

⁵It is used in those cases where a complete list of population from which the sample is to be drawn is available.

⁶In this technique every individual, or object, in the population of interest has an equal opportunity of being selected for the sample.

Direct selling entities Survey analysis



5. Direct Selling Entities survey analysis

Direct Selling has contributed significantly to socio-economic development of the nation in regards with generating self employment opportunities, source of earning supplementary income, encouraging entrepreneurship, empowering women, imparting skill through various training programmes and encouraging growth of MSMEs sector.

Strengths of Direct Selling

Encouraging women empowerment
Opportunities for earning decent income opportunities
Promoting entrepreneurship
Contribution to the exchequer
Promoting technological development
Skill development
Greater choices to the consumers
Contributing to employment generation
Contributing to the growth of MSMEs as Direct Selling outsource their manufacturing to MSMEs and enhances employment too

5.1 Sample Selection

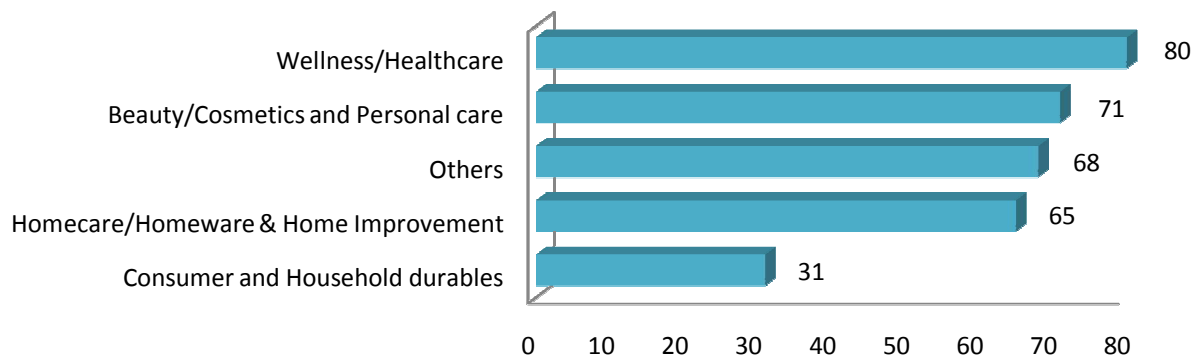
Direct Selling has made significant contribution to the socio-economic development of the economy and hence it becomes imperative to study the dimension of Direct Selling in terms of its gross sales, market penetration, product composition, sales method and promotional tools, contribution to exchequer, Direct Sellers, contribution to CSR, qualitative inputs regarding policy milieu, concerns and its growth prospects. PHD Research Bureau has received in total 23 responses from Direct Selling Entities including both IDSA members⁷ (14) and non IDSA members (9). Hence, the responses received from them have been put together and inferences drawn based on the aggregation are represented in terms of averages and percentages.

⁷ IDSA members include Altos Enterprises Ltd., Amway India Enterprises, Avon Beauty Products India Pvt. Ltd., Daehsan Trading (India) Pvt. Ltd., ForLife Trading India Ltd, Glaze Trading India Pvt. Ltd., Herbalife International India P. Ltd, K-Link Healthcare (India) Pvt. Ltd., Modicare Ltd., Oriflame India Pvt. Ltd., Tianjin Tianshi India Pvt. Ltd , Tupperware India Pvt. Ltd., Unicity Health Pvt. Ltd and Vestige Marketing Pvt Ltd.

5.2 Characteristics of the sample

As per the survey, Direct Selling Entities manufacture broadly five product categories. Wellness/ healthcare contributes the largest share at 80%, followed by beauty/ cosmetics and personal care⁸ at 71%, others⁹ at 68%, homecare/home-ware and home improvement¹⁰ at 65% and consumer and household durables¹¹ at 31%.

Graph 5.1 Product wise category coverage among Direct Selling Entities



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16, Note: Others include Food and Beverages, Agricultural products, ayurveda products, educational products, utilities, promotional items, plant growth promoters etc., Note: Figures includes multi-category production Direct Selling Entities

5.3 Sales growth (Gross) of the Indian Direct Selling Industry

India's macro-economic outlook has been stabilizing and lead economic indicators are gathering pace on account of several reforms introduced by the Government. However, with an improvement in the overall sentiments in the economy, Direct Selling Entities have not been able to register notable growth scenario as stakeholders are struggling with concerns like regulatory bottlenecks, absence of defined law or act, fraudulent activities impacting confidence of genuine stakeholders and consumers and declining demand scenario for the Direct Selling products.

Indian Direct Selling Gross sales revenue at INR 83,085 million in 2015-16 with a growth of 4.4%

⁸ Color cosmetic, skin care products, hair-care products, Clothing, lingerie, sleepwear, shoes, fashion jewellery, fashion watches, accessories & personal items

⁹ Others include Food and Beverages, Agricultural products, ayurveda products, educational products, utilities, promotional items, plant growth promoters etc

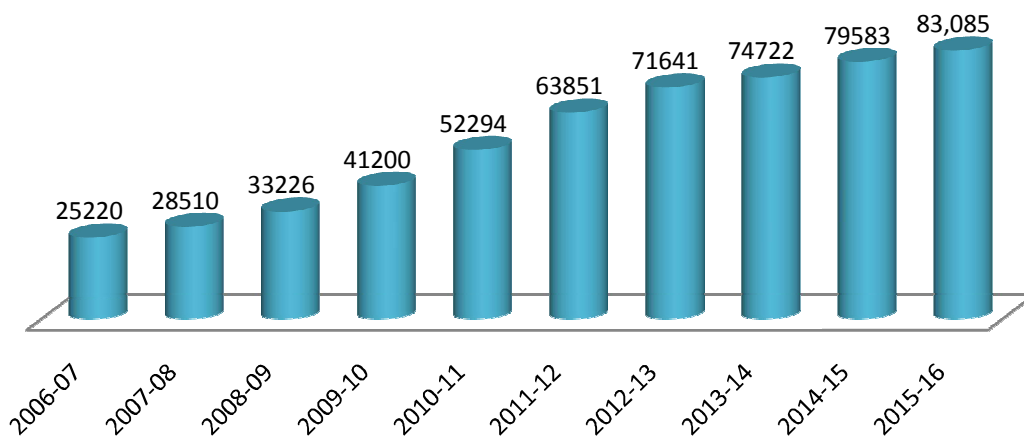
¹⁰ Household cleaning products, auto care and equipments, animal/pet care, fitted kitchens, window frames, refurbishing works, doors, security systems, heating systems and other related products

¹¹ Cookware, kitchenware, cutlery, tableware, house wares, gift & decorative accessories, art/framing, gardening items, furniture, home appliances, air & water treatment systems & filters, vacuum cleaners, bedding & linens

Going ahead, Indian Direct Selling holds strong expectation for building a foundation with proper regulatory framework for Direct Selling with rising penetration in urban areas and enhancing acceptance and awareness towards Direct Selling among consumers. According to the survey, the Direct Selling Industry has been able to increase their gross sales revenue slightly in 2015-16 over the last year, though the growth scenario has declined.

The gross sales¹² by the Direct Selling Industry stands at INR 83,085 million in 2015-16 as against INR 79,583 million in 2014-15, INR 74,722 million in 2013-14 and INR 71,641 million in 2012-13. The Direct Selling Industry has registered a growth rate of 4.4% in 2015-16 as compared 6.5% in 2014-15.

Graph 5.2 : Trend in gross sales of Direct Selling Industry (INR million)



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

¹² The figures used for gross sales in the Annual Survey 2015-16 refers to gross sales of Direct Selling Industry which is net sales plus direct and indirect taxes.

Table 5.1 Gross sales statistics of Direct Selling Industry during recent years (INR Mn)

Category	YOY growth 2015-16 (in %)	2015-16	YOY Growth 2014-15 (in %)	2014-15	YOY Growth 2013-14 (in %)	2013-14	2012-13
Member	6.6	54,005	8.2	50,668	6.3	46,833	44,059
Non-Member	0.6	29,080	3.7	28,915	1.1	27,889	27,582
Total	4.4	83,085	6.5	79,583	4.3	74,722	71,641
Organised sector	4.8	78,931	7.2	75,286	4.5	70,239	67,199
Unorganised sector	(-) 3.3	4,154	(-) 4.1	4,297	0.9	4,483	4,442

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16. Data for other financial years pertains to IDSA Annual Surveys since FY2013

Table 5.2: Gross sales statistics of Direct Selling Industry during recent years (USD Mn)

Category	YOY growth 2015-16 (in %)	2015-16	YOY growth 2014-15 (in %)	2014-15	YOY growth 2013-14 (in %)	2013-14	2012-13
Member	-0.58	824.9	7.1	829.7	(-) 4.42	774.09	809.9
Non-Member	-6.09	444.2	2.6	473	(-) 9.07	460.98	507
Total	-2.53	1269.1	5.4	1,302	(-) 6.21	1,235.07	1316.9
Organised sector	-2.06	1205.6	6.1	1,231.37	(-) 6.01	1160.98	1,235.2
Unorganised sector	-9.36	63.5	(-) 5.2	70.28	(-) 9.30	74.10	81.7

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

Note: Average Exchange rate for for 2012-13 is 54.4 INR/US\$, for 2013-14 is 60.5 INR/US\$, for 2014-15 is 61.14 INR/US\$ and for 2015-16 is 65.46 INR/USD

Table 5.3: Gross sales statistics of Direct Selling Industry during recent years (Deutsche Mark/Euro Mn)

Category	YOY growth 2015-16 (in %)	2015-16	YOY growth 2014-15 (in %)	2014-15	YOY growth 2013-14 (in %)	2013-14	2012-13
Member	14.3	747.07	13.3	653.6	(-) 8.2	576.76	628.5
Non-Member	7.8	402.27	8.6	373	(-) 12.7	343.46	393.5
Total	12.0	1149.34	11.6	1026.6	(-) 9.96	920.22	1022
Organised sector	12.4	1091.88	12.3	971.2	(-) 9.76	865.01	958.6
Unorganised sector	3.7	57.46	0.4	55.43	(-) 12.92	55.21	63.4

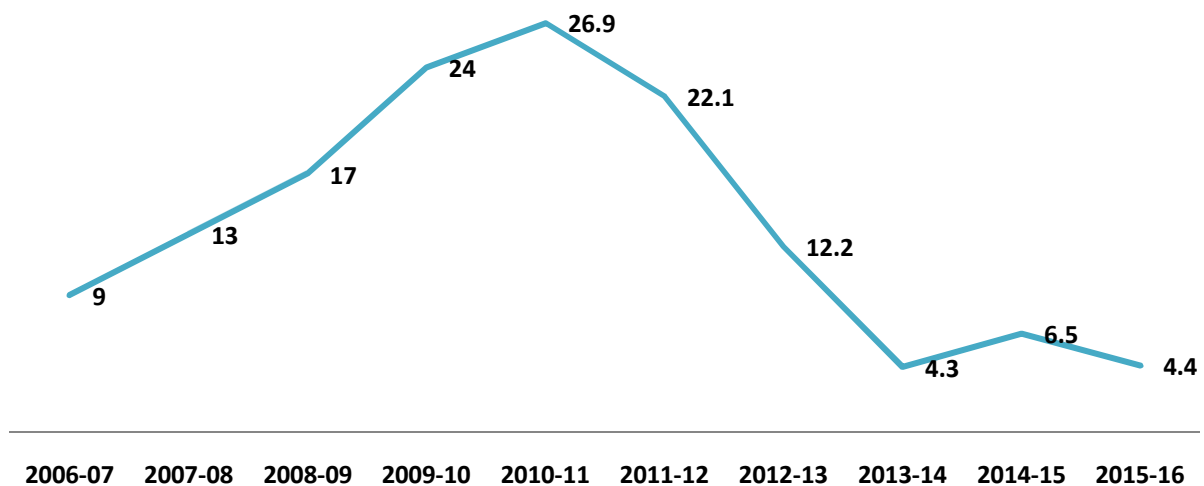
Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

Note: Average Exchange rate for 2012-13 is 70.1 INR/ Euro, for 2013-14 is 81.2 INR/Euro, for 2014-15 is 77.52 INR/Euro and for 2015-16 is 72.28 INR/Euro

5.4 Growth pattern of Direct Selling Industry

During 2015-16, the growth sentiments of Direct Selling industry has declined on various factors such as lack of proper regulatory framework, lengthy product approvals, occurrence of fraudulent activities impacting the confidence of not only stakeholders but also consumers, **high costs of doing business**, slowdown in demand in the economy, stricter registration, among others. Going ahead, most of the respondents felt that economic reforms undertaken by the Government are highly commendable and would lead to desired outcomes in the coming times. The Direct Selling Entities are extremely hopeful on Government's support in recuperating business sentiments in the economy particularly for Direct Selling. According to the survey, Direct Selling could become the backbone of the economy if its awareness, acceptance and proper communication infrastructure are strengthened.

Graph 5.3: Growth rate of gross sales of the Direct Selling Industry (%)

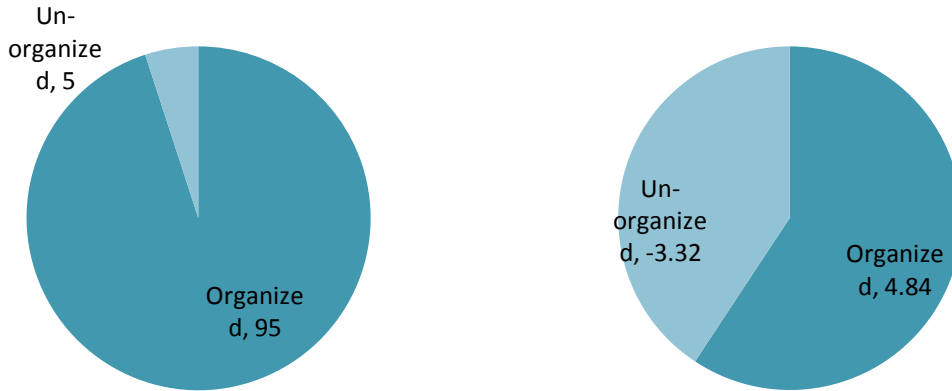


Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

The survey revealed that Direct Selling Entities under organized sector¹³ contributed to about 95% to the gross sales of Direct Selling Industry, marking a growth of about 5%. On the other hand, Direct Selling Entities in unorganized market, contributed to around 5% of gross sales of Direct Selling Industry, growing at about (-) 3.3% in 2015-16.

¹³ We have considered the organised sector to consist of companies/ enterprises which have registered themselves, have a set pattern of financials and file their returns regularly. Un-organised companies are those who have not registered themselves and have not any set pattern of financials.

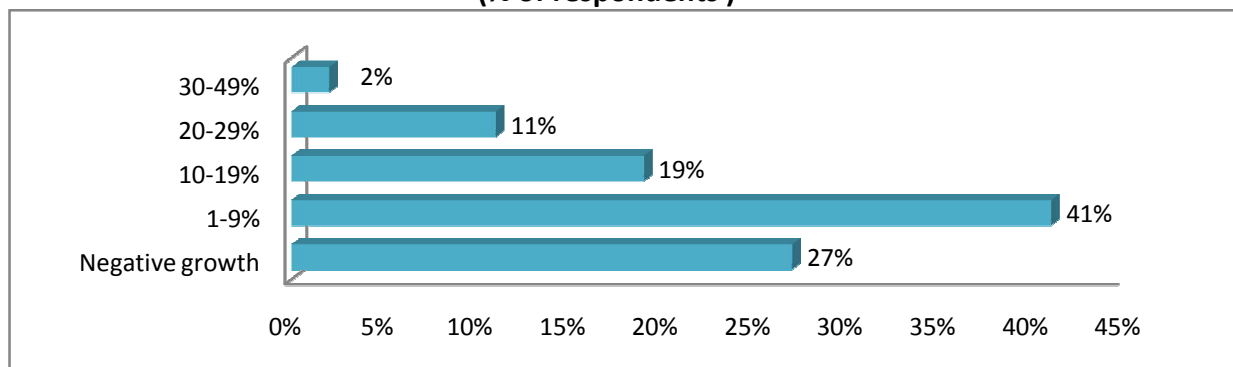
Graph 5.4: Share and growth of organized and unorganized players (%)



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

According to the survey, nearly 32% of the Direct Selling Entities have grown at double digit rates in 2015-16. About 41% of Direct Selling Entities have grown between 1-9%, 19% of Direct Selling Entities were growing at 10-19%, 11% of them growing at 20-29% and 2% of them growing in the range of 30-49%. About 27% of the Direct Selling Entities have also recorded negative growth. According to the survey, during 2015-16 positive growth rates have been recorded as the levels of growth of the Direct Selling Entities is different owing to factors like sales methods, changed marketing strategies, target consumer base, promotional policies and discounts, type of products, competitiveness, time investment, etc. While some respondents opined that introduction of new products have made difficult for them to reach larger section of the market coupled as the industry largely relies on word of mouth publicity coupled with enhanced levels of competition in the market, etc.

Graph 5.5: Percentage of Direct Selling Entities across varying levels of growth (% of respondents)



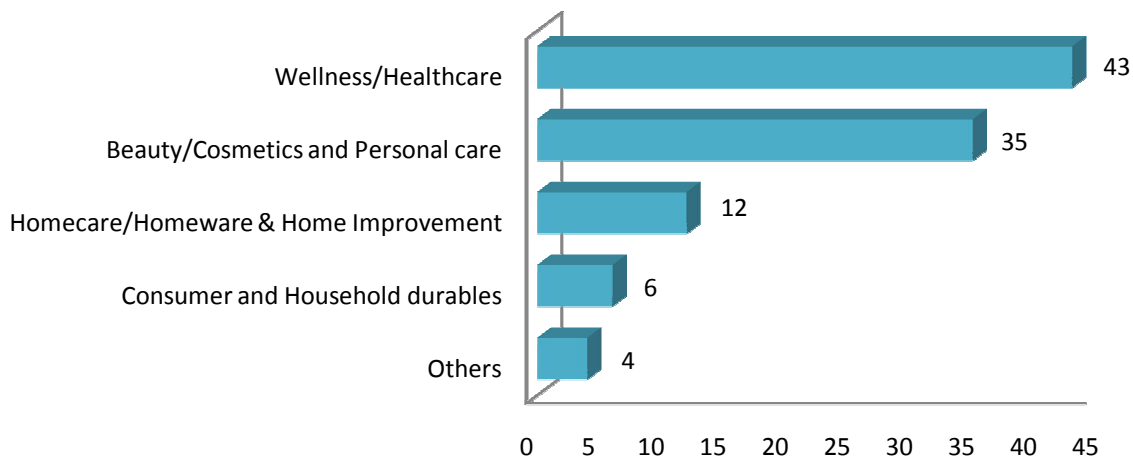
Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

5.5 Product composition in gross sales of Direct Selling

The survey revealed that due to rising inclination towards healthy lifestyle, wellness or healthcare products have been in demand significantly and as a result it has contributed the largest share to the gross sales of the organised Direct Selling Industry at 43%, followed by beauty/cosmetics and personal care (35%), home ware and home improvements products (12%), consumer and household durables (6%) and others including food and beverages, agricultural products, ayurveda products, educational products, utilities, promotional items, plant growth promoters, etc (4%)

Rising inclination towards healthy lifestyle has made Wellness/ Healthcare contributing largest share a in sales revenue of Direct Selling

Graph 5.6: Product category-wise share in gross sales in the organized market (% share)



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16 Others food and beverages, agricultural products, ayurveda products, educational products, utilities, promotional items, plant growth promoters etc

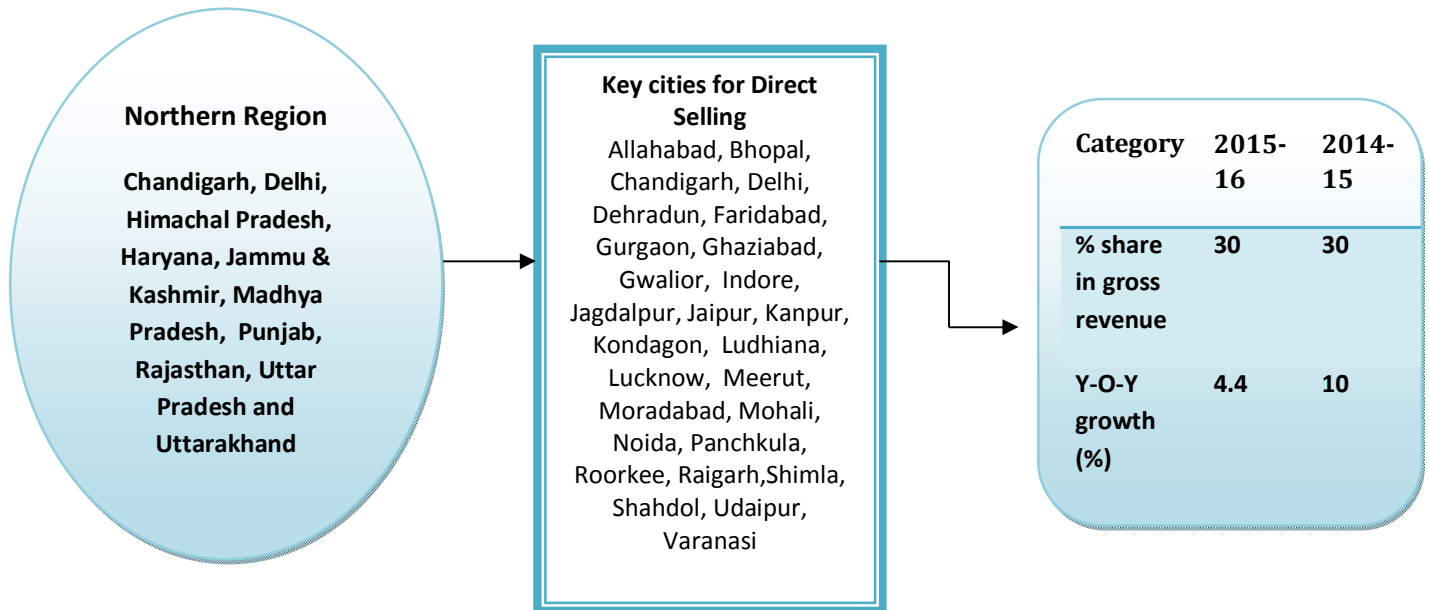
5.6 Geographical segmentation-- Region wise share in gross sales

The region wise penetration of Direct Selling reveals that the Northern region¹⁴ contributes largest share in the gross sales revenue of Direct Selling at 30%, followed by Southern region at 21%, Eastern region (19%), Western region (17%) and North Eastern region at (13%) during 2015-16.

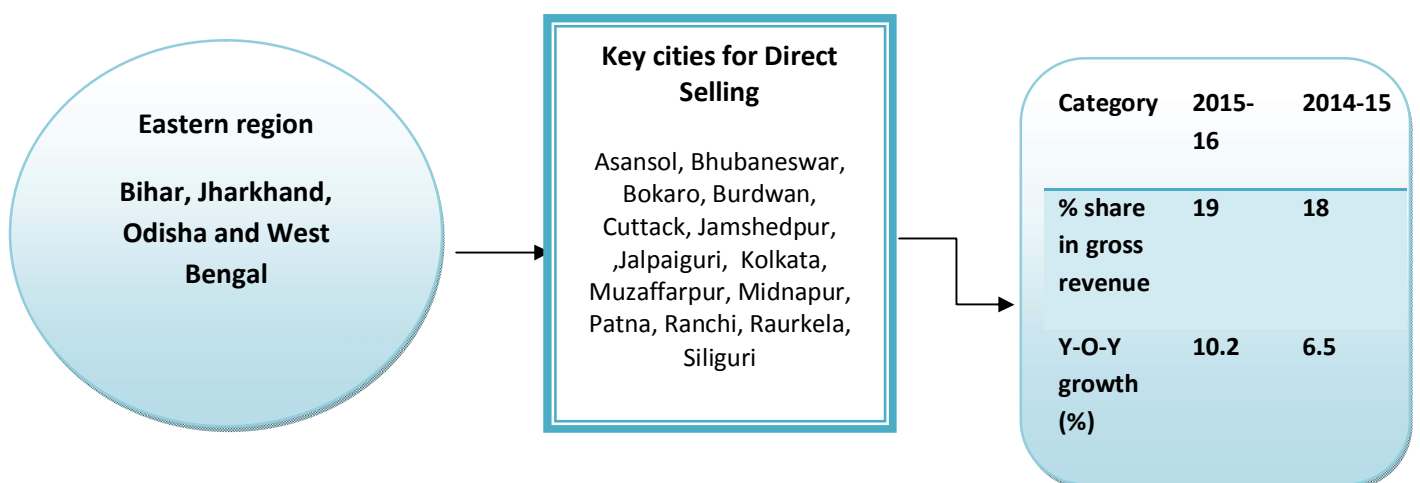
Northern Region-The survey revealed that the Northern region has contributed around INR 24,926 million to the gross sales in 2015-16. The region has contributed share of 30% to

¹⁴ Northern regional includes Madhya Pradesh . Panchukula is representing views of the state of Haryana, Chandigarh and Punjab.

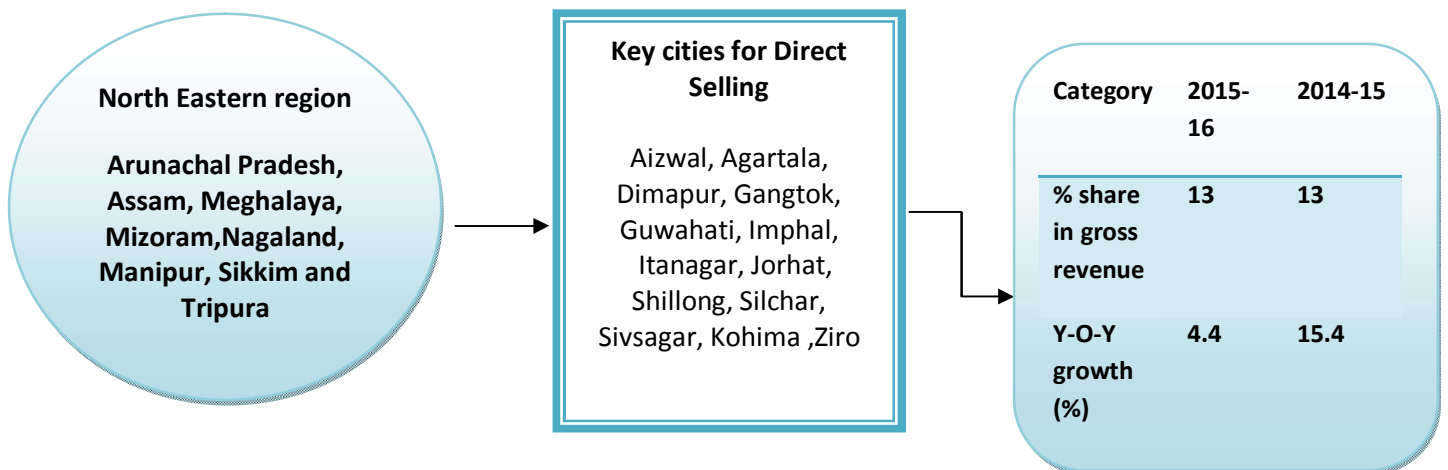
gross sales in 2015-16 and 2014-15 and has registered growth rate of about 4.4% in 2015-16 as against 10% in 2014-15. The survey has revealed that Direct Selling Entities have opined that if conducive and strong support is provided by the government, this region carries immense potential to prosper and could contribute significantly to the region's economic growth in the coming times.



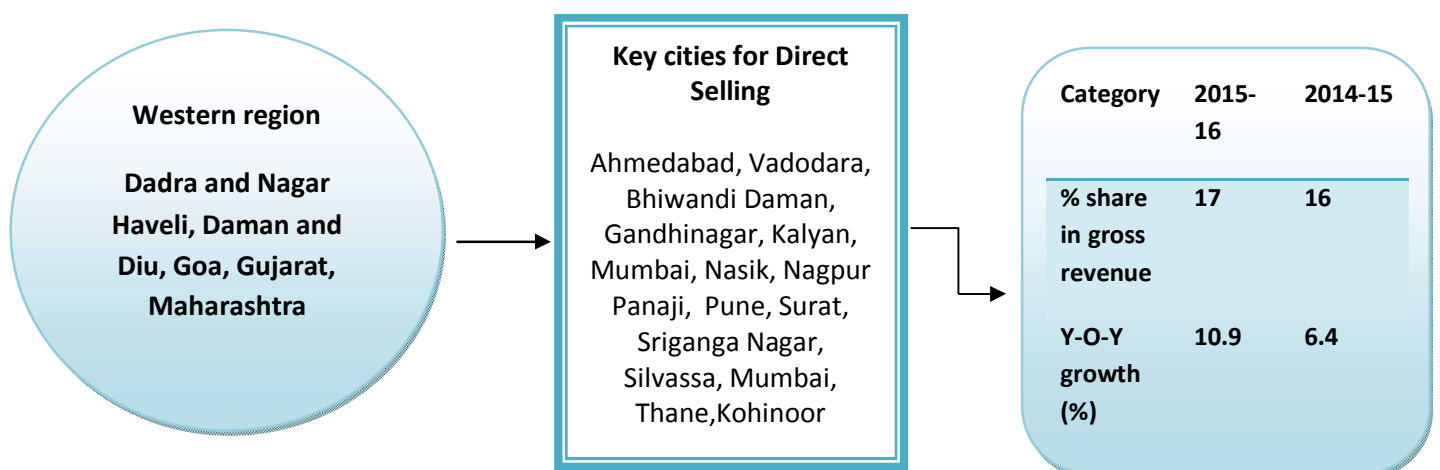
Eastern Region—According to the survey, Eastern region has contributed around INR 15,786 million to the gross sales in 2015-16. The share of Eastern region to gross sales has increased to 19% in 2015-16 from 18% in 2014-15. The region registered a growth rate of 10.2% in 2015-16 as against 6.5% in 2014-15. Direct Selling Entities responded that industry status and proper regulation would tap the potential of this region.



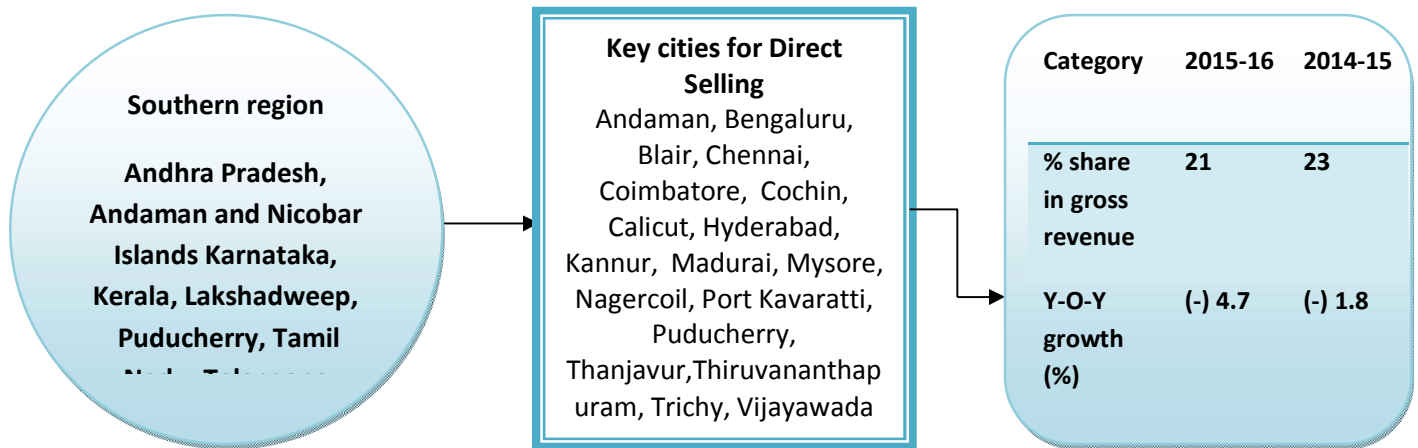
North Eastern region—The North Eastern region has contributed around INR 10,801 million in 2015-16. The North Eastern region share to gross sales has remained same at 13% in 2015-16 and 2014-15. The region has exhibited a growth rate of 4.4% in 2015-16. As per the survey, Direct Selling Entities opined that with strengthening up of infrastructure network, Direct Selling could emerge as one of the growing industries in the region, going ahead.



Western region—The survey revealed that the Western region has contributed around INR 14,124 million in 2015-16. The region has scripted an increase in the share to gross sales at 17% in 2015-16 from 16% in 2014-15 and registered growth rate of 10.9% in 2015-16 as against 6.4% in 2014-15.



Southern region— In Southern region¹⁵, the concentration of sales of Direct Selling is declining and moving to the other regions keeping in view the unwarranted occurrence of fraudulent practice impacting the confidence of Direct Selling Entities hindering the growth of Direct Selling business in this region. According to the survey, the Southern region has contributed around INR 17,448 million in 2015-16. The region holds second highest share in India's gross sales of Direct Selling in 2015-16. About 21% share to gross sales of the industry is contributed in 2015-16 as against 23% in 2014-15.



5.7 Ranking of the Cities

As per the survey, Delhi & NCR has been ranked the most attractive market followed by Mumbai, Bengaluru, Jaipur and Chennai in 2015-16.

Table 5.3: Ranking of cities: Top ten

Rank	City- 2015-16	City-2014-15
1.	Delhi & NCR	Delhi & NCR
2.	Mumbai	Bengaluru
3.	Bengaluru	Mumbai
4.	Jaipur	Jaipur
5.	Ludhiana	Ludhiana
6.	Lucknow	Chennai
7.	Chennai	Lucknow
8.	Guwahati	Hyderabad
9.	Hyderabad	Guwahati
10.	Kolkata	Kolkata

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16 and 2014-15. Note: According to Annual Report 2013-14, National Capital Region Planning Board, Ministry of Urban Development, Government of India, National Capital Region (NCR) is a distinct example of interstate regional planning for development of a region with NCT-Delhi as its core. It encompasses [1] an area of about 34,144 sq kms falling in the territorial jurisdiction of States of Haryana, Uttar Pradesh, Rajasthan and NCT of Delhi. The region accounts for about 1.6% of the country's land area. The districts falling in the region Haryana are Faridabad, Gurgaon, Mewat, Rohtak, Sonapat, Rewari, Jhajjar, Panipat and Palwal, while in Uttar Pradesh are Meerut, Ghaziabad, Gautam Buddha Nagar, Bulandshahr, Hapur and Baghpat and Alwar district falls in Rajasthan.

¹⁵ Hyderabad is representing views of Andhra Pradesh and Telangana

5.8 Product expansion

Direct Selling Entities on an average have introduced around 12 new products/ variants in 2015-16 as compared to about 5 new products/variants during 2014-15. According to the survey, Direct Selling Entities have expressed that they look forward to expansion of products in other unexplored segments owing to the increasing acceptance and awareness of Direct Selling in the society. The survey also revealed that there is a need to provide liberal policy norms for easy product approvals by the Food Safety and Standards Authority of India (FSSAI) in order to enable the businesses to introduce new products.

Table 5.4: Product expansion

Product expansion	2015-16	2014-15
New products/expansion	12	5

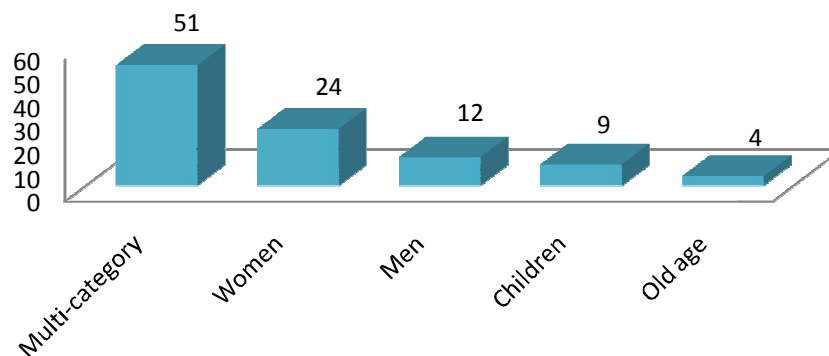
Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16 & 2014-15

5.9 Population segmentation in manufacturing

According to the survey, the Direct Selling industries are more inclining towards manufacturing or designing products of multicategory i.e. meeting up requirements of various sections of society like men, women, children, as well as old age people. It has been observed that Direct Selling Entities are expanding their consumer base rather than limiting to one section of the society keeping in view its enormous potential towards the socio-economic development of the country.

Nearly 51% of Direct Selling Entities surveyed manufacture or design products for multiple category, followed by around 24% of Direct Selling Entities, manufacture products which are utilized by women, including cosmetics, kitchenware, home care, skin care, hair care, jewellery among others, while 12% Direct Selling Entities manufacture products for men, 9% of products cater to children and 4% cater to old age people.

Graph 5.7: Target consumer category of Direct Selling Entities (%)

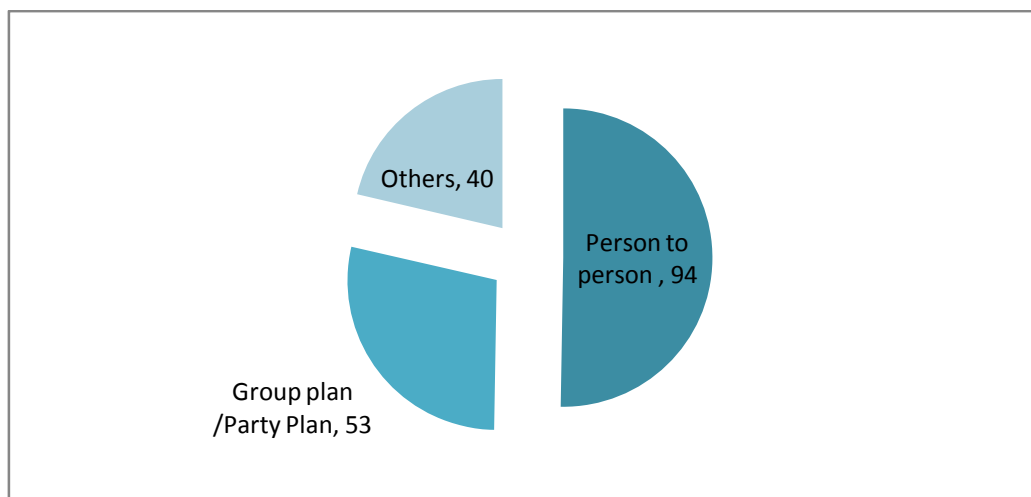


Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

5.10 Sales method of Direct Selling Entities

In the year 2015-16, Direct Selling Entities, other than following person to person selling, have also aggressively adopted group plan or party plan methods of selling goods owing to rising occurrence of social events, home parties, kitties, functions, etc which is emerging as an excellent platform for networking and establishing cordially relations. Nearly 94% of the Direct Selling Entities used person to person sales method for selling their products. On the other hand, nearly 53% of the Direct Selling Entities opted for group plan/part plan sales method while around 40% also adopted other sales methods like social media platforms, internet, etc.

Graph 5.8: Sales method adopted (%)



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

Note: Direct Selling Entities have opted for more than one method of selling

5.11 Research and Development

Direct Selling Entities have expressed their strong desire to invest in research and development as it provides ample scope for business to find innovative ways of manufacturing of products in a cost efficient manner, contributing to the growth of industry and serving consumers in a better way. The survey has revealed that Direct Selling Entities have invested around 3.6% of their gross sales for research & development during 2015-16. According to the survey, almost all the Direct Selling Entities offer 100% money back policy even if the products are used.

3.6% of gross revenue invested for R&D in 2015-16

5.12 Contribution to exchequer

IDSA Direct Selling Entities (member) are making contribution to the public finances by paying varying levels of taxes¹⁶ including corporate tax, sales tax/ value added tax, customs and excise duty, octroi etc, inter- state manufacturing and selling of products which hold significance in funding various activities for socio-economic development of the country. As per the survey, the percentage of total taxes including both direct tax and indirect tax in gross sales by the IDSA Direct Selling Entities have increased to 23.3% in 2015-16 as against 23.1% in 2014-15.

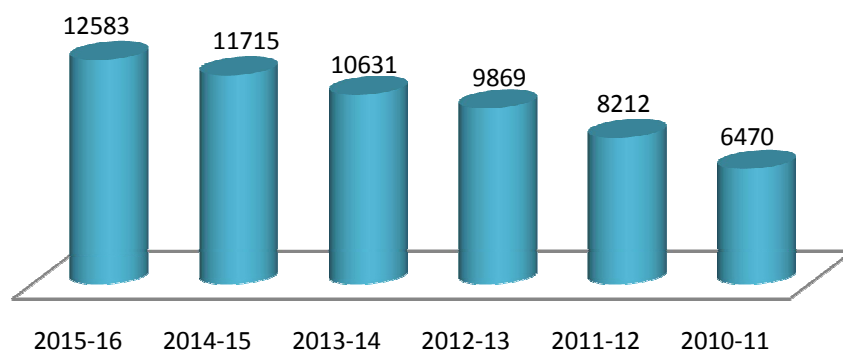
Table 5.5: Taxes paid by IDSA Direct Selling Entities (member)

Year	(% share in gross sales by IDSA Direct Selling Entities)
2015-16	23.3
2014-15	23.1
2013-14	22.7
2012-13	22.4
2011-12	21.8
2010-11	21.5

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

The total tax paid by the IDSA Direct Selling Entities (member) amounts to INR 12,583 million in 2015-16 as compared to INR 11,715 million in 2014-15. The tax paid as reported by the IDSA Direct Selling Entities (member) has increased to about 7.4% in 2015-16 over 2014-15.

Graph 5.9: Taxes paid by IDSA Direct Selling Entities--member (INR million)

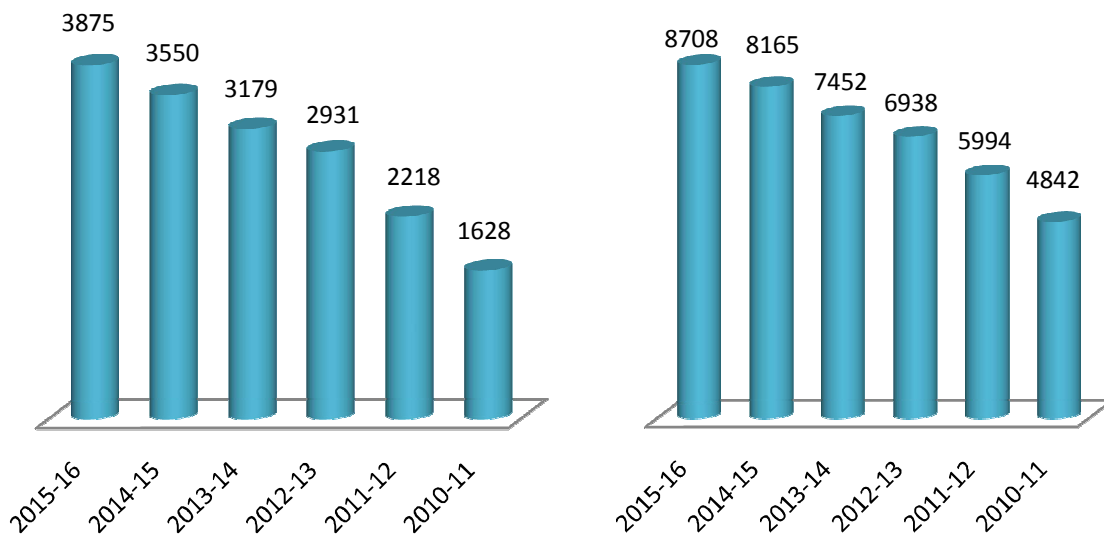


Source: PHD Research Bureau, Annual Survey of the India's Direct Selling industry 2015-16

¹⁶ It may be mentioned that the estimated taxes scenario also includes taxes paid through outsourced manufacturers, logistics providers and packers involved in the supply chain.

The direct taxes have increased to INR 3,875 million in 2015-16 as against INR 3,550 million in 2014-15. While indirect taxes have scaled up to INR 8,708 million in 2015-16 from INR 8,165 million in 2014-15 .

Graph 5.10: Share of direct and indirect tax paid by IDSA Direct Selling Entities-Member



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

In case of Direct Selling Entities who are not IDSA members, Indirect taxes paid by them stands at about INR 5,322 million in 2015-16 as against INR 5,205 million in 2014-15.

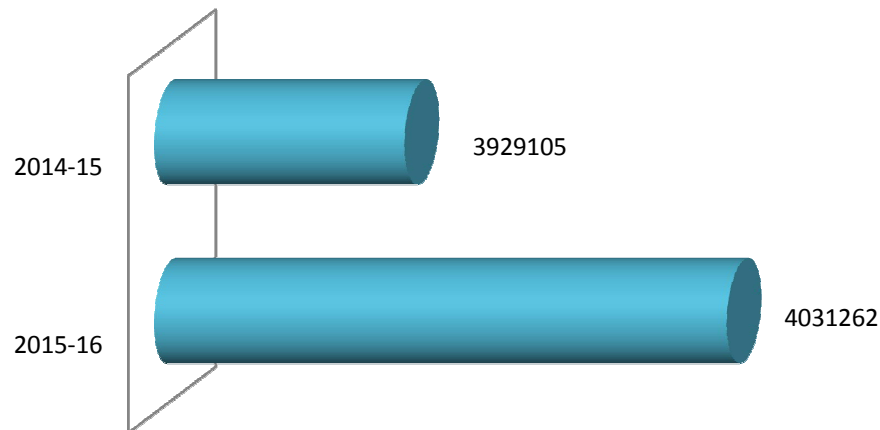
5.13 Self - employment generation

On account of expanding activities of Direct Selling Entities, rising awareness, penetration and acceptance, there has been significant creation of self employment opportunities by the Direct Selling industry over the years. According to the survey, the active Direct Sellers¹⁷ of the Indian Direct Selling Industry have increased from 39,29,105 in 2014-15 to around 40,31,262 in 2015-16 representing a Y-O-Y growth of 2.6% over the last year.

**2.6% Y-O-Y
growth in Direct
Sellers' base
during 2015-16**

¹⁷ Active Direct Sellers is defined as Direct Sellers who purchase products four times in a Financial Year.

Table 5.10: Direct Sellers



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

The region wise split of Direct Sellers in the Northern region of the country stands at 10,48,128 in 2015-16, followed by 10,07,815 in the Southern region, 8,06,253 in Eastern region, 6,45,002 in Western region and 5,24,064 in North Eastern Region. According to the survey, attrition rate amongst Direct Sellers as a percentage of total Direct Sellers stands at around 13.1% in 2015-16. The survey revealed that the key reasons for quitting are non-availability of adequate time to devote time to the business, unable to target right segment of consumers, fear of impact of fraudulent activities on their selling and sometimes making no sales.

Table 5.9: Region wise Direct Sellers in 2015-16

Category	Direct Sellers in 2015-16
North	10,48,128
East	8,06,253
North East	5,24,064
West	6,45,002
South	10,07,815
Total Direct Sellers	40,31,262

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

Note: Total Direct Sellers represent active Direct Sellers in 2015-16

5.14 Per capita revenue generation shoots up

The per capita revenue generation scaled up to INR 20,610 during 2015-16 as compared to INR 20,254 in 2014-15. The marginal increase of 1.7% in per capita revenue generation could be attributed to the more increase in gross sales of the industry as compared to the increase in Direct Sellers of the industry.

Table 5.11: Per-capita revenue generation by Direct Selling Industry

Year	2015-16	2014-15	2013-14	2012-13
Gross Sales (INR million)	83,085	79,583	74,722	71,641
Total Direct Sellers	40,31,262	39,29,105	43,83,487*	57,75,345
Per - capita revenue generation (INR)	20,610	20,254	17,046	12,404

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

Note: Gross Sales and Direct Sellers figures pertain to combined figures of members and non-members

*Note: Since 2013-14, total Direct Sellers represents active Direct Sellers

5.15 Share of men and women among Direct Sellers

According to the survey, the inclination of men towards Direct Selling is rising gradually owing to the several benefits Direct Selling offers such as ease of doing business, contribution to professional and financial development, supplementary earning opportunity and independent way of working. The share of women in total base of Direct Sellers base stands at about 57% in 2015-16, while share of men stands at 43% during the same period.

Table 5.12: Direct sellers' gender wise split (in %)

Year	Men	Women
2015-16	43.0	57.0
2014-15	42.4	57.6
2013-14	41.7	58.3
2012-13	40.6	59.4
2011-12	37.5	62.5

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

Note: Since 2014-15, Direct sellers' gender wise split represents share in active Direct Sellers

5.16 Pattern of commitment among Direct Sellers

According to the survey, percentage of self employed full time Direct Sellers in men's category stands at 33% and part-timers¹⁸ at 67%. While percentage of self employed full time Direct Sellers in women category stands at 67% and part-timers at 33%. This indicates that Direct Selling is gradually being adopted by men also as full time employment opportunity.

5.17 Training and Skill Development

Direct Selling carries immense potential to contribute towards social and economic development of the country by way of imparting skills to Direct Sellers by providing or conducting training programmes for them. The survey has revealed that most of the Direct

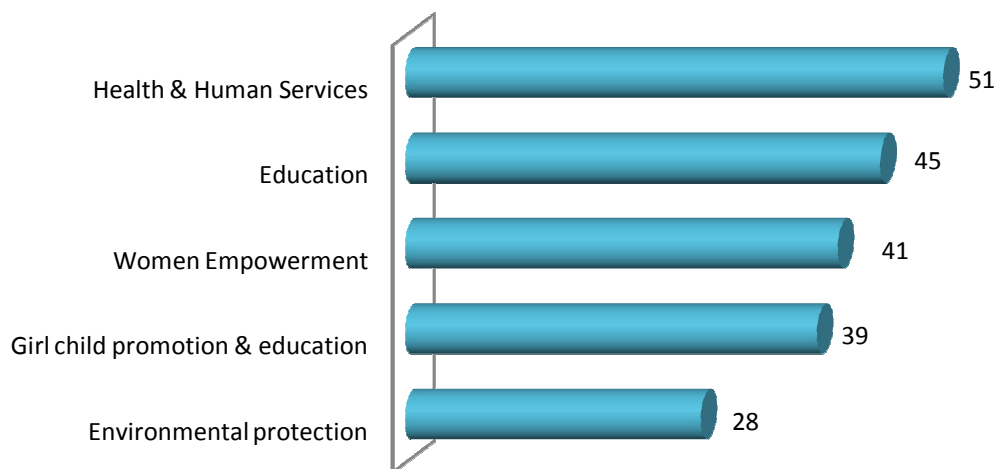
¹⁸ Part-timers are defined as persons who are already in some business or service.

Selling Entities have offered training to their sales representatives in the range of 300 man hours per quarter to around 24,850 man hours/ quarter in 2015-16. As a result, Direct Selling has been instrumental in contributing towards skill development of the Direct Sellers which offers opportunities for individuals to learn and grow by enhancing their interpersonal skills and enhance their confidence.

5.18 Direct Selling contribution to CSR

According to the survey, various areas have been supported by Direct Selling Entities for CSR activities. Health and human services is being the predominant one amongst CSR activities supported by about 51% Direct Selling Entities which include services for old age/orphanage homes and disabled people, followed by education (45%), women empowerment (41%), girl child protection and education (39%) and environmental protection (28%). According to the survey, Direct Selling Entities have contributed approximately INR 820 million of their gross sales in 2015-16.

**Graph 5.11: Channel of investment
(Areas of support for CSR activities by Direct Selling Entities) (% respondents)**



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

Note: Multiplicity of options have been chosen by the respondents

Direct Selling Industry Going Digital With The Advent of Reforms



6. Direct Selling Industry: Promoting Digital India

Direct Selling entities adapting digital practices for branding and payment

Digital India: Linking Millions

Digital India is an umbrella programme that covers multiple Government Ministries and Departments. It weaves together a large number of ideas and thoughts into a single, comprehensive vision so that each of them can be implemented as part of a larger goal. Each individual element stands on its own, but is also part of the larger picture. Digital India is to be implemented by the entire Government with overall coordination being done by the Department of Electronics and Information Technology (DeITY).

Digital India aims to provide the much-needed thrust to the nine pillars of growth areas, namely Broadband Highways, Universal Access to Mobile Connectivity, Public Internet Access Programme, e-Governance: Reforming Government through Technology, e-Kranti - Electronic Delivery of Services, Information for All, Electronics Manufacturing, IT for Jobs and Early Harvest Programmes. Each of these areas is a complex programme in itself and cuts across multiple Ministries and Departments.

India is at the cusp of a major revolution with the advent of digital technologies being at the centre of business strategy for leading businesses. The Digital India Initiative aims to connect the whole country at affordable prices, offer high quality services and launch internet enabled devices.

New digital tools and platforms combined with powerful data analytics are enabling Direct Selling entities to directly engage with customers, improve the shopping experience and gain valuable data at every point along the path to purchase. In this process, new markets are being opened and new revenue channels are being created.

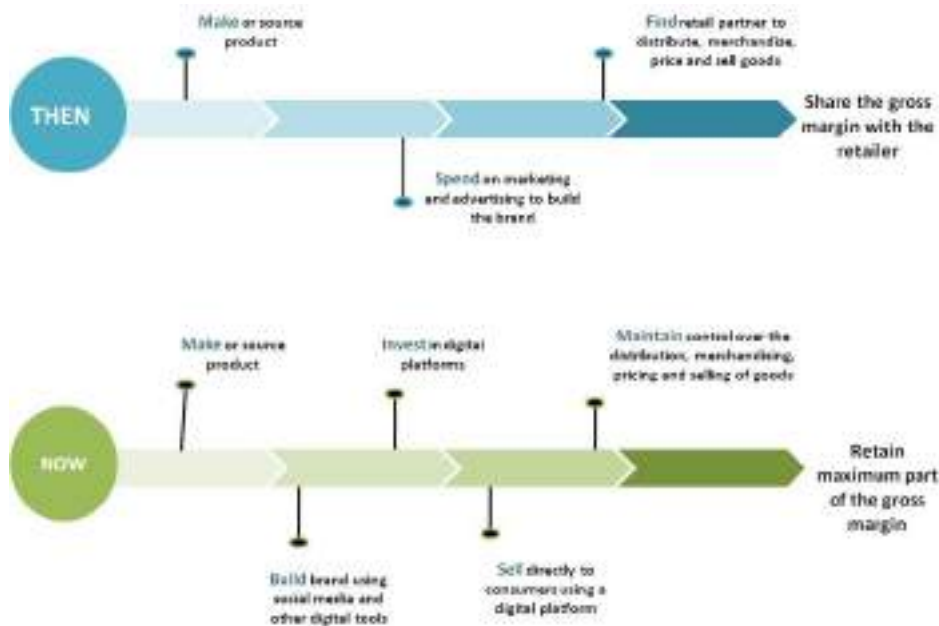
The survey revealed that the Direct Selling Industries are adapting and leverage data analytics to increase efficiency in bringing new products and services to the market as well as sell goods more profitably.

Digital platforms create new opportunities

These days, Direct Selling entities are using digital platforms for sales such as e-commerce website, apps, social media etc along with traditional retail and wholesale distribution and sales channel to help expand their reach and consumer engagement.

Social Media tools, such as Facebook, Twitter, Instagram and Pinterest have transformed the way that customers and Direct Selling entities interact with one another. For entities, these digital tools provide a free or low-cost way to connect and engage with the people who buy and use their products

Figure: Direct Selling Industry going direct in the digital era



All companies have something to gain by exploring and pursuing digital. For established Direct Selling entities that have traditionally offered products through retailers and Direct Sellers, it opens up new channels to drive revenue along with additional support to on-ground direct sellers. And for emerging Direct Selling entities, it can allow them to grow their business quickly without incurring the costs associated with traditional channels.

Direct Selling Industry promoting digitization

Capitalizing on today’s digital tools and platforms to develop a direct-to-consumer capability can deliver a range of benefits across financial, operational and market dimensions for the Direct Selling entities. The Indian Direct Selling Industry is taking full potential of digital platforms through websites, mobile apps, payment gateways, social media channels etc to support the vision of Digital India. Some of the enlisted benefits are as follows:

Increased interaction with Consumers

Direct Selling entities can establish their own direct connection with customers, increasing engagement and conversion rates through their own e-Commerce channels and apps.

Expanded market reach and support to Direct Sellers

Going digital helps Direct Selling entities to expand their market. The companies don’t need to be restricted by geography or their Direct Seller’s reach when they market and sell their products directly to consumers online. They can sell to the fastest growing markets with the most desirable customer segments, allowing them to increase their sales. Further, since Direct Selling Entities sell their products through direct sellers, digital platforms will help them to easily display the products, build trust and accept payments via e-wallets.

Improved customer data

Direct Selling entities can leverage the incredible wealth of data generated by digital tools and platforms to better understand their customers' preferences, lifestyles, demographics and path to purchase. High value segments can be identified and targeted, while challenges faced by customers can be alleviated.

Improved customer relationships

Direct Selling entities can own their customer relationships by leveraging their data-driven understanding of customer behaviour to deliver a more targeted value proposition.

comprehensive product assortment

Companies can provide a full assortment line of products while not being restricted to limited number of products sold by retailers and Direct Sellers.

The opportunities – and thus, the benefits – will vary depending on the type of the product produced by the Direct Selling Entities. However, the digital platforms take a lead over traditional marketing platforms in terms of reach, access to customers, assortment, lower investment, pricing, loyalty and overhead expenses.

Dimension	Traditional	Digital
Reach	Finite	Unlimited
Access to Customer	Limited	Comprehensive
Speed to market	Slow	Fast
Assortment	Limited	Full
Overhead	High	Low
Loyalty	Basic	Advanced
Pricing	Partial control	Full control

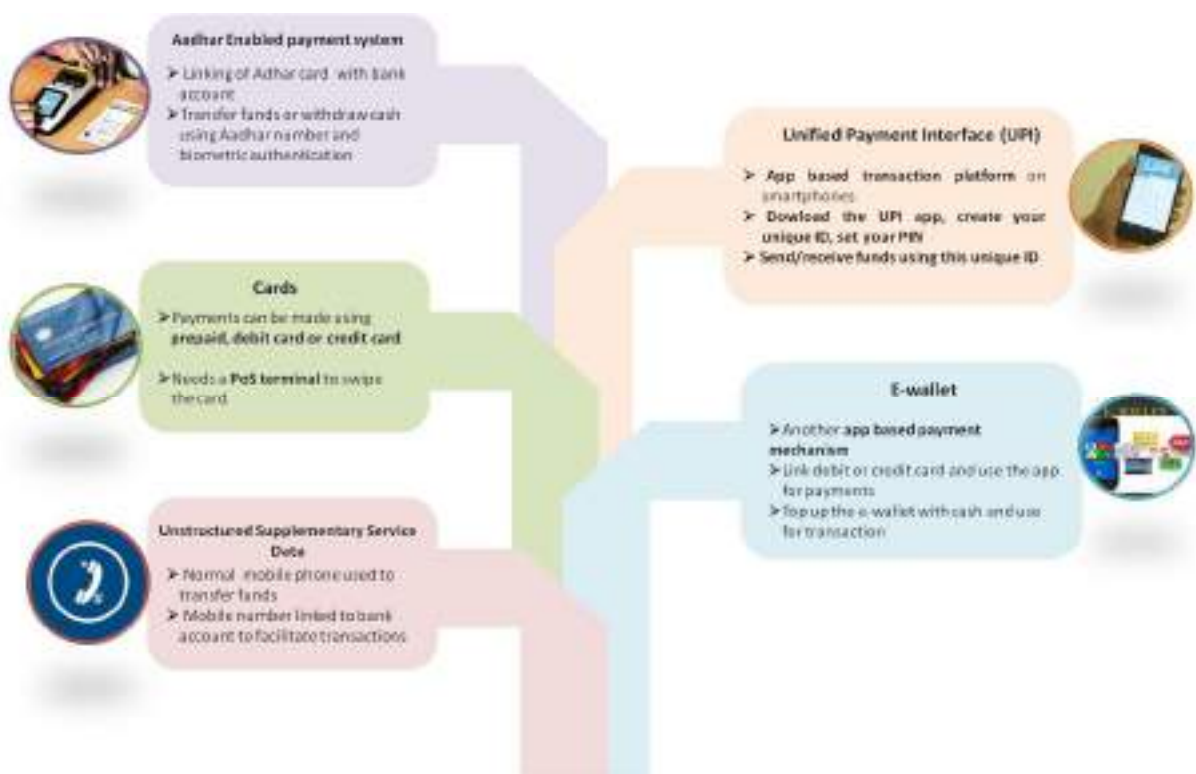
Source: PHD Research Bureau, compiled from Annual Survey of Direct Selling Industry 2015-16

Digital Payment gateways

Digitization of payments has a potential to significantly enhance financial inclusion by overcoming physical barriers which would further enhance access to financial services rapidly. In addition, it also enables formalization of all financial transactions thus increasing transparency and plugging leakages from the system.

Direct Selling Entities are using digital platforms to rapidly scale up access to financial services using mobile phones, retail point of sales and other broadly available access points. There are different modes of digital payment currently available such as cards (Debit/Credit card), USSD, digital wallets, Aadhar Enabled Payment System (AEPS) and Unified Payment Interface (UPI). Many Direct Selling entities have innovated new mobile interfaces to make online commerce easier and seamless with the numerous options for payments and making the payments for products on their mobile devices such as through e wallet and m wallet.

Different modes of digital payment



Some of the innovative options taken up by the Direct Selling entities for easing payment process includes app based transaction platforms using smart phones such as facility of e-wallet, Unified Payment Interface (UPI) app, payment through debit/credit cards using PoS terminals

6.2 Impact of GST on Indian Direct Selling Industry

GST: The game changing biggest indirect tax reform is being implemented expectedly from April 1, 2017. The GST Bill (122nd Constitutional Amendment) has been passed by Rajya Sabha and Lok Sabha with the objective of reducing the cascading effect of tax on the cost of goods and services. The implementation of GST in the country is the historic move by the Government which is commendable as India will move towards high growth trajectory in the next few years.

The impact of GST on the Direct Selling Industry in the current scenario would be of slight advantageous with present practices. However, to harness the added benefits of GST, the Direct Selling Industry needs to reshape its business strategy, mainly supply chain management. Some of the benefits of GST on Indian Direct Selling Industry are described as follows:

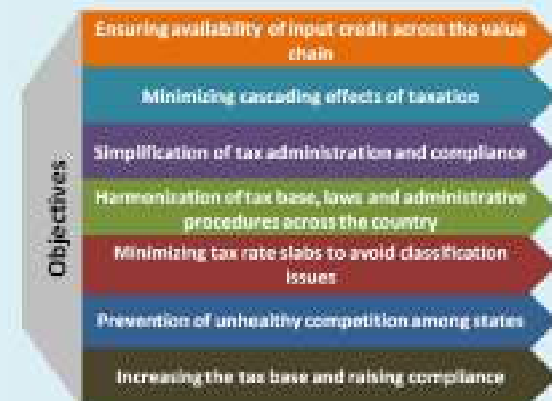
Benefits of GST for the Direct Selling Industry

- a) **Uniformity of tax rates and structures:** GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.

Understanding GST

GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

GST provides the economy a justifiable and fair taxation system as each and every individual who consumes products or services (apart from those which are exempted) will contribute in generating revenue for the Government. It helps in reducing practices of tax evasion by individuals and companies.



Therefore, GST is imposed throughout the production-distribution chain unlike the present sales tax and services tax which is collected at a single point. The burden of the tax is circulated from manufacturer to wholesaler to retailer then finally to the end consumers. This enables greater control and facilitating efficient monitoring than the traditional taxation system.

The proposed changes will simplify the complex indirect tax structure in the country and pave the way for India to rise up the ranks in the ease of doing business reckonings. Touted as one of the most major taxation reforms in the country, GST will create a single unified market by subsuming all other indirect taxes into a single tax including, octroi, central sales tax, excise duty, value added tax (VAT), state level sales tax, service tax. By doing away with the multiple tax levies, the government envisions creating efficiencies in tax administration by removing existing limitations.

- b) **Removal of cascading:** A system of seamless tax-credits throughout the value chain and across boundaries of states would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.
- c) **Improved competitiveness:** Reduction in transaction costs of doing business would eventually lead to and improved competitiveness for the trade and country.
- d) **Easy Compliance:** A robust and comprehensive IT System would be the foundation of the GST regime in India. Currently, every state has its own threshold limit for turnover beyond which a Direct Seller must obtain VAT registration. However, under GST, there will be a unified threshold limit. The limit will determine how it will impact the Direct Sellers. Businesses require VAT registration from state sales tax department to operate. Since currently states follow different procedures and fees, businesses operating from multiple states have a difficult time ensuring compliance. It is expected that GST registration bring about a centralised and standardized procedure enabling ease of doing business in the country. Therefore, all tax payer services such as registrations, returns, payments etc. would be available to the tax players online, which would make compliance easy and transparent.
- e) **Gain to manufacturers and exporters:** GST would reduce the cost of locally manufactured goods and services. This will increase competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.
- f) **Lower cost of production:** GST would lead to an increased fungibility of credit on goods and services. Further, full credit of tax on interstate sale will reduce cost of procurement/production. Additionally, no retention/disallowance on stock transfer of goods will also reduce cost procurement. With GST, credit of import duties will make imports cheaper and thus, all imported consumer goods will benefit. GST will ease the operations of Direct Sellers and goods will move out from mother warehouse to various locations.



Policy regulations for Direct Selling in India

6. Policy regulations for Direct Selling in India

In the past few years, some State Governments have introduced guidelines from time to time to regulate and strengthen the business of Direct Selling and protect consumers against any fraudulent activities. The Central government, in 2014 also constituted an Inter-Ministerial Committee to consider a separate legislation for Direct Selling. Some of the key initiatives undertaken by Central and State Governments are as follows:

Policy regulations for Direct Selling in India

September 2011	Specific guidelines for Direct Selling in the state of Kerala introduced as per GO (MS) No. 190/2011/ICD dated 12.09.2011
October 2012	Rajasthan Government came up with Guidelines on Direct Selling Industry vide notification number F5(2) Ind /1/2012 dated 05/10/2012
OCTOBER 2014	Ministry of Consumer Affairs, Government of India proposed for creating a new law on Direct Selling in the light of the law and practices across the globe in consultation with the Industry represented by IDSA, Other Chambers of Commerce, Consumer Groups along with the concerned Ministries of Government of India.
December 2014	Ministry of Consumer Affairs, Food and Public Distribution has convened an inter-ministerial meeting network to discuss entire gamut of Direct Selling
September 2015	The Indian Institute of Corporate Affairs (IICA), Ministry of Corporate Affairs, Government of India presented a "Whitepaper on Regulation of Direct Selling in India"
November 2015	4 th inter-ministerial meeting held under Chairmanship of Secretary of Ministry of Consumer Affairs, Food and Public Distribution, Government of India on legislation of Direct Selling.
September 2016	Model Guidelines on Direct Selling released by Ministry of Consumer Affairs, Food and Public Distribution, Government of India on 9th September 2016. These are guiding principles for State Governments to consider regulating the business of 'Direct Selling' and Multi-Level Marketing (MLM) and strengthen the existing regulatory mechanism on Direct Selling and MLM, for preventing fraud and protecting the legitimate rights and interests of consumers.
October 2016	Model Guidelines on Direct Selling are issued by the Ministry of Consumer Affairs, Food and Public Distribution, Government of India and are notified by the Ministry on 26th October 2016

Source: PHD Research Bureau compiled from various sources

Model Framework for Guidelines on Direct Selling

The Ministry of Consumer Affairs, Food and Public Distribution, Government of India issued model guidelines on Direct Selling on 9th September 2016 and the same has been sent to State Governments. It is also envisaged in the Guidelines that the State Governments will set up a mechanism to monitor/ supervise the activities of Direct Sellers, Direct Selling Entity regarding compliance of the Guidelines for Direct Selling.

These guidelines, may be called the Direct Selling Guidelines 2016. These are issued as guiding principles for State Governments to consider regulating the business of 'Direct Selling' and Multi-Level Marketing (MLM) and strengthen the existing regulatory mechanism on Direct Selling and MLM, for preventing fraud and protecting the legitimate rights and interests of consumers.

Clause 1. Definitions:

In these Guidelines unless and otherwise required:

1. "Act" means the Consumer Protection Act, 1986 (68 of 1986)
2. "Consumer" shall have the same meaning as provided under the Consumer Protection Act, 1986
3. "Prospect" means a person to whom an offer or a proposal is made by the Direct Seller to join a Direct Selling opportunity.
4. "Direct Seller" means a person appointed or authorized, directly or indirectly, by a Direct Selling Entity through a legally enforceable written contract to undertake direct selling business on principal to principal basis.
5. "Network of Direct Selling" means a network of direct sellers at different levels of distribution, who may recruit or introduce or sponsor further levels of direct sellers, who they then support:
Explanation: "network of direct selling" shall mean any system of distribution or marketing adopted by a direct selling entity to undertake direct selling business and shall include the multi-level marketing method of distribution.
6. "Direct Selling" means marketing, distribution and sale of goods or providing of services as a part of network of Direct Selling other than under a pyramid scheme.
Provided that such sale of goods or services occurs otherwise than through a "permanent retail location" to the consumers, generally in their houses or at their workplace or through explanation and demonstration of such goods and services at a particular place.
7. "Direct Selling Entity", means an entity, not being engaged in a pyramid scheme, which sells or offers to sell goods or services through a direct seller.
Provided that "Direct Selling Entity" does not include any entity or business notified otherwise by the Government for the said purpose from time to time.
8. "Goods" means goods as defined in the Sale of Goods Act, 1930 and "Service" means service as defined in the Consumer Protection Act, 1986.
9. "Saleable" shall mean, with respect to goods and / or services, unused and marketable, which has not expired, and which is not seasonal, discontinued or special promotion goods and / or services.

10. "Cooling-off Period" means the duration of time counted from the date when the direct seller and the direct selling entity enter into an agreement under Clause 4 and ending with date on which the contract is to be performed and within which the direct seller may repudiate the agreement without being subject to penalty for breach of contract.
11. "Pyramid Scheme" means: A multi layered network of subscribers to a scheme formed by subscribers enrolling one or more subscribers in order to receive any benefit, directly or indirectly, as a result of enrolment, action or performance of additional subscribers to the scheme. The subscribers enrolling further subscriber(s) occupy higher position and the enrolled subscriber(s) lower position, thus, with successive enrolments, they form multi-layered network of subscribers.

Provided that the above definition of a "Pyramid Scheme" shall not apply to a multi layered network of subscribers to a scheme formed by a Direct Selling Entity, which consists of subscribers enrolling one or more subscribers in order to receive any benefit, directly or indirectly, where the benefit is as a result of sale of goods or services by subscribers and the scheme/financial arrangement complies with all of the following:

- (a) It has no provision that a Direct Seller will receive remuneration or incentives for the recruitment / enrolment of new participants.
- (b) It does not require a participant to purchase goods or services:
 - i. for an amount that exceeds an amount for which such goods or services can be expected to be sold or resold to consumers;
 - ii. for a quantity of goods or services that exceeds an amount that can be expected to be consumed by, or sold or resold to consumers;
- (c) It does not require a participant to pay any entry/registration fee, cost of sales demonstration equipment and materials or other fees relating to participation;
- (d) It provides a participant with a written contract describing the 'material terms' of participation;
- (e) It allows or provides for a participant a reasonable cooling-off period to participate or cancel participation in the scheme and receive a refund of any consideration given to participate in the operations;
- (f) It allows or provides for a buy-back or repurchase policy for "currently marketable" goods or services sold to the participant at the request of the participant at reasonable terms;
- (g) It establishes a grievance redressal mechanism for consumers, more particularly described in Clause 7 herein.

Explanation 1 – For the purposes of this proviso the term "material terms" shall mean buy-back or repurchase policy, cooling-off period, warranty and refund policy

12. "Money Circulation Scheme" has the same meaning as defined under the Prize Chits and Money Circulation Schemes (Banning) Act, 1978.
13. "Remuneration System" means the system followed by the direct selling entity to compensate the direct seller which illustrates the mode of sharing of incentives, profits and commission, including financial and non-financial benefits, paid by the direct selling entity to the direct sellers, on a monthly or periodic or yearly basis or both, as the case may be. This system, for every Direct Selling entity, shall:

- a) Have no provision that a direct seller will receive remuneration from the recruitment to participate in such direct selling;
 - b) ensure that direct sellers shall receive remuneration derived from the sale of goods or services;
 - c) clearly disclose the method of calculation of remuneration.
14. 'State' includes a Union territory.

Clause 2. Conditions for the setting up of Direct Selling business:

Every Direct selling entity intending to carry out direct selling business subsequent to the publication of the notification in the Gazette, shall within 90 days comply with the following set of conditions for the conduct of direct selling business:

It shall

1. be a registered legal entity under the laws of India.
2. Provide a mandatory orientation session to all prospective direct sellers providing fair and accurate information on all aspects of the direct selling operation, including but not limited to the remuneration system and expected remuneration for newly recruited direct sellers;
3. Provide accurate and complete information to prospective and existing direct sellers concerning the reasonable amount of remuneration opportunity, and related rights and obligations;
4. Pay all dues and make withholdings from direct sellers in a commercially reasonable manner;
5. Notify and provide a full refund or buy-back guarantee to every direct seller on reasonable commercial terms which can be exercised within a period of 30 days, from the date of the distribution of the goods or services to the direct seller;
6. Notify and provide to every direct seller a cooling-off period which entitles such direct seller to return any goods /services purchased by the direct seller during the cooling-off period;
7. The promoter or key management personnel should not have been convicted of any criminal offence punishable with imprisonment in last 5 years by any Court of competent jurisdiction;
8. It shall have an office with identified jurisdiction of its operation in the State to enable the consumers and direct seller to acquaint themselves with price of products, return or replacement of products and efficient delivery of goods and services, and post-sale redressal of grievances;

Clause 3: Conditions for conduct of Direct Selling Business

Every Direct Selling entity shall comply with the following conditions:

- 1 It shall be the owner, holder, licensee of a trademark, service mark or any other identification mark which identifies the entity with the goods to be sold or supplied or services to be rendered;
2. It shall issue proper identity document(s) to its Direct Sellers;

3. It shall maintain proper records either manual or electronic of their business dealings, with complete details of their goods, services, terms of contract, price, income plan, details of direct sellers, including but not limited to enrolment, termination, active status, earning etc;
 - a) Every Direct Selling entity shall maintain a “Register of Direct Sellers” wherein relevant details of each enrolled Direct Seller shall be updated and maintained;
 - b) The details of Direct Sellers shall include and not be limited to verified proof of address, proof of identity and PAN;
4. It shall maintain proper and updated website with all relevant details of the entity, contact information, its management, products, product information, product quality certificate, price, complete income plan, terms of contract with direct seller and complaint redressal mechanism for direct sellers and consumers. The website should have space for registering consumer complaints and should ensure that grievances are addressed within 45 days of making such complaints;
5. It shall provide to all direct sellers their periodic account / information concerning, as applicable, sales, purchases, details of earnings, commissions, bonus and other relevant data, in accordance with agreement with the direct sellers. All financial dues shall be paid and any withholding made in a commercially reasonable manner;
6. It shall monitor the value of the purchases of all its Direct Sellers/Distributors on a monthly basis and once the purchase value crosses the VAT threshold; it must intimate the Direct seller/Distributor to pay the VAT;
7. A Direct Selling entity shall not:
 - a) Use misleading, deceptive or unfair recruiting practices, including misrepresentation of actual or potential sales or earnings, in their interaction with prospective or existing direct sellers;
 - b) Make any factual representation to a prospective direct seller that cannot be verified or make any promise that cannot be fulfilled;
 - c) Present any advantages of direct selling to any prospective direct seller in a false or deceptive manner;
 - d) Make or cause, or permit to be made, any representation relating to its direct selling business, including remuneration system and agreement between itself and the direct seller, or to the goods or services being sold by itself or by the direct seller which is false or misleading;
 - e) Engage in, or cause or permit, any conduct that is misleading or likely to mislead with regard to any material particulars relating to its direct selling business, including remuneration system and agreement between itself and the direct seller, or to the goods or services being sold by itself or by the direct seller;
 - f) Use, or cause or permit to be used, fraud, coercion, harassment, or unconscionable or unlawful means in promoting its direct selling practice, including remuneration system and agreement between itself and the direct seller, or to the goods or services being sold by itself or by the direct seller;
 - g) Require its direct sellers to provide any benefit, including entry fees and renewal fees or to purchase any sales demonstration equipment or material in order to participate in its direct selling operations;
 - h) Provide any benefit to any person for the introduction or recruitment of one or more persons as direct sellers;

i) Require the direct sellers to pay any money by way of minimum monthly subscription or renewal charges;

8. Notwithstanding the distribution system adopted by a direct selling entity, the Direct Selling Entity shall be responsible for compliance of these Guidelines by any member of its network of direct selling, whether such member is appointed directly or indirectly by the Direct Selling Entity.

Clause 4: Conditions for Direct Selling contract between Direct Seller/Distributor and Direct Selling Entity.

1. Every Direct Selling entity shall execute a contract agreement, whether directly or indirectly, with Direct Sellers before enrolment:

a) The Agreement shall be provided in a manner consistent with Section 10 of the Indian Contract Act, 1872;

b) In addition to the rights and obligations of parties to this agreement under these guidelines or any other law in force, parties shall have rights and obligations that are coextensive with rights and obligations of parties under the Indian Contract Act, 1872;

2. The agreement shall be made in writing, describing the material terms of participation and shall:

a) Not compel or induce the direct seller to purchase goods or services in an amount that exceeds an amount that can be expected to be sold to consumers within a reasonable period of time;

b) Allow or provide the direct seller a reasonable cooling-off period in which to cancel participation and receive a refund for goods or services purchased;

c) Allow for the termination of contract, with reasonable notice, in such instances and on such terms where a direct seller is found to have made no sales of goods or services for a period of up to two years since the contract was entered into, or since the date of the last sale made by the direct seller;

d) Allow or provide for a buy-back or repurchase policy for currently marketable goods or services sold to the direct seller at the said direct seller's request at reasonable terms

Clause 5: Certain obligations of Direct Sellers

1. Direct Seller engaged in direct selling should carry their identity card and not visit the customer's premises without prior appointment/approval;

2. At the initiation of a sales representation, without request, truthfully and clearly identify themselves, the identity of the direct selling entity, the nature of the goods or services sold and the purpose of the solicitation to the prospective consumer;

3. Offer a prospective consumer accurate and complete explanations and demonstrations of goods and services, prices, credit terms, terms of payment, return policies, terms of guarantee, after-sales service;

4. Provide the following information to the prospect / consumers at the time of sale, namely:

a) Name, address, registration number or enrollment number, identity proof and telephone number of the direct seller and details of direct selling entity;

- b) A description of the goods or services to be supplied;
 - c) Explain to the consumer about the goods return policy of the company in the details before the transaction;
 - d) The Order date, the total amount to be paid by the consumer along with the bill and receipt;
 - e) Time and place for inspection of the sample and delivery of good;
 - f) Information of his/her rights to cancel the order and / or to return the product in saleable condition and avail full refund on sums paid;
 - g) Details regarding the complaint redressal mechanism;
5. A direct seller shall keep proper book of accounts stating the details of the products, price, tax and the quantity and such other details in respect of the goods sold by him/her, in such form as per applicable law.
6. A direct seller shall not:
- a) Use misleading, deceptive and / or unfair trade practices;
 - b) Use misleading, false, deceptive, and / or unfair recruiting practices, including misrepresentation of actual or potential sales or earnings and advantages of Direct Selling to any prospective direct seller, in their interaction with prospective direct sellers;
 - c) Make any factual representation to a prospective direct seller that cannot be verified or make any promise that cannot be fulfilled;
 - d) Present any advantages of Direct Selling to any prospective direct seller in a false and / or a deceptive manner;
 - e) Knowingly make, omit, engage, or cause, or permit to be made, any representation relating to the Direct Selling operation, including remuneration system and agreement between the Direct Selling entity and the direct seller, or the goods and / or services being sold by such direct seller which is false and / or misleading;
 - f) Require or encourage direct sellers recruited by the first mentioned direct seller to purchase goods and / or services in unreasonably large amounts;
 - g) Provide any literature and / or training material not restricted to collateral issued by the Direct Selling entity, to a prospective and / or existing direct sellers both within and outside the parent Direct Selling entity, which has not been approved by the parent Direct Selling entity;
 - h) Require prospective or existing direct sellers to purchase any literature or training materials or sales demonstration equipment.

Clause 6: Relationship between Direct Selling Entity and Direct Seller

- 1.1 The relationship between Direct Selling entity and Direct Seller shall be determined as per the written agreement between the parties which shall contain the rights and obligations that are expressly provided as conditions for the conduct of Direct Selling business as well as provide for the obligation of the direct selling entity and the direct seller in terms of these guidelines;
- 1.2 All other rights and obligations shall be determined as per the express terms of written agreement between a Direct Selling entity and Direct Seller;
2. The Direct Selling entity will be liable for grievances arising out of sale of products, services or business opportunity by its Direct Sellers;
3. It will be the responsibility of the Direct Selling entity to monitor and control the practices/methods adopted by the Direct Sellers;

Clause 7: Conduct for the Protection of Consumer

1. Direct Sellers and Direct Selling Entity shall take appropriate steps to ensure the protection of all private information provided by a consumer;
2. Direct Sellers and Direct Selling Entity shall be guided by the provision of the Consumer Protection Act 1986;
3. All complaints received over phone, email, website, post and walk-in should have a complaint number for tracing and tracking the complaint and record time taken for redressal;
4. Every Direct Selling company shall constitute a Grievance Redressal Committee whose composition, nature of responsibilities shall include but not limited to:
 - a) The Grievance Redressal Committee shall consist of at least three officers of the Direct Selling entity;
 - b) The Grievance Redressal Committee shall address complaints and inform complainants of any action taken;
 - c) Complaints may be made by any member of the general public against a Direct Seller of the company, an employee or any other officer of the entity;
 - d) All such grievances will be resolved directly by the Direct Selling Entity;
5. The direct selling entity shall provide information to the consumer upon purchase which shall contain:
 - (a) the name of the purchaser and seller;
 - (b) the delivery date of goods or services;
 - (c) procedures for returning the goods; and
 - (d) warranty of the goods and exchange / replacement of goods in case of defect. Provided that no Direct Seller shall, in pursuance of a sale, make any claim that is not consistent with claims authorized by the Direct Selling Entity.
6. Any person who sells or offers for sale, including on an e-commerce platform / marketplace, any product or service of a Direct Selling Entity must have prior written consent from the respective Direct Selling Entity in order to undertake or solicit such sale or offer.

Clause 8: Prohibition of Pyramid Scheme & Money Circulation Scheme

1. No person or entity shall promote a Pyramid Scheme, as defined in Clause 1(11) or enroll any person to such scheme or participate in such arrangement in any manner whatsoever in the garb of doing Direct Selling business.
2. No person or entity will participate in Money Circulation Scheme, as defined in Clause 1(12) in the garb of Direct Selling of Business Opportunities.

Clause 9: Appointment of Monitoring Authority

1. The Nodal department to deal with the issues related to Direct Selling will be Department of Consumer Affairs at the Union and the respective State Governments in the States;
2. The State Governments will also set up a mechanism to monitor/supervise the activities of Direct Sellers, Direct Selling Entity regarding compliance of the guidelines for Direct Selling;
3. Any direct selling entity conducting Direct Selling activities shall submit an undertaking to the Department of Consumer Affairs, stating that it is in compliance with these guidelines and shall also provide such details of its incorporation and other business details as may be notified from time to time.

GUIDELINES FOR THE DIRECT SELLING ENTITIES
MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION (Department of Consumer Affairs) NOTIFICATION New Delhi, the 26th October, 2016
FAQs

1. Clause 1.4

“Direct Seller” means a person appointed or authorized, directly or indirectly, by a Direct Selling Entity through a legally enforceable written contract to undertake direct selling business on principal to principal basis.” How shall digital and e-contracts be treated? Answer: The ‘written contract’ includes e-contracts or digital contracts and the same shall be governed as per the provisions of the Information Technology Act , 2000.

2. Clause 1.6 (Proviso)

“Provided that such sale of goods or services occurs otherwise than through a “permanent retail location” to the consumers, generally in their houses or at their workplace or through explanation and demonstration of such goods and services at a particular place”. Does this Proviso mean that every sale needs to take place away from permanent retail location only? Answer: Clause 1.6 does not restrict / preclude sales made from permanent retail location. However, direct selling entity will be governed by these guidelines

3. Clause 2.2

“Provide a mandatory orientation session to all prospective direct sellers providing fair and accurate information on all aspects of the direct selling operation, including but not limited to the remuneration system and expected remuneration for newly recruited direct sellers”. Whether the training/orientation provided by the Direct Seller to other prospective Direct Sellers would be in compliance to this clause?

4. Clause 2.8

“It shall have an office with identified jurisdiction of its operation in the State to enable the consumers and direct seller to acquaint themselves with price of products, return or replacement of products and efficient delivery of goods and services, and post-sale redressal of grievances” Whether an office in one State can be designated as focal point for jurisdiction of two or more states?

Answer: An office in one particular State can be designated having jurisdiction over two or more states, subject to the accessibility of the consumers, where Direct Sellers/consumers can interact with the Direct Selling Entity / Authorized representative of Direct Selling Entity.

5. Clause 3.3 (b)

“The details of Direct Sellers shall include and not be limited to verified proof of address, proof of identity and PAN”. Should the Direct Selling Entity take verified proof of address, identity and PAN?

Answer. The requirement of PAN shall be as per the provisions of the Income Tax Act, 1961. Direct Sellers should submit to Direct Selling Entity, any photo ID card as issued by the State or Central government. These ID cards could be from the following-: Aadhaar Card, Driving License, Voter ID Card, Passport and Ration Card or any other identity document issued by the state or central government which can be verified.

5. Clause 3.8

“Notwithstanding the distribution system adopted by a direct selling entity, the Direct Selling Entity shall be responsible for compliance of these Guidelines by any member of its network of direct selling, whether such member is appointed directly or indirectly by the Direct Selling Entity”. How will a Direct Selling Entity ensure compliance of these Guidelines by Direct Sellers?

Answer: To comply to this clause, Direct Selling Entity shall sign an addendum to the current contracts with the existing Direct Sellers. For the Direct Sellers to be appointed herein-after, this clause shall be added in the contract signed by both the parties. The Direct Selling Entity should ensure that it contractually binds its Direct Sellers to comply with these Guidelines and take disciplinary action against reported non-compliance.

6. Clause 4.2(c)

“Allow for the termination of contract, with reasonable notice, in such instances and on such terms where a direct seller is found to have made no sales of goods or services for a period of up to two years since the contract was entered into, or since the date of the last sale made by the Direct Seller”. When can the contract between Direct Selling Entity and Direct Seller be terminated?

Answer: The date of termination shall be provided or governed by the respective conditions of the contract executed between Direct Selling Entity and Direct Seller or by giving notice of reasonable period by either party say one month or as per the provisions of the Indian Contract Act.

7. Clause 6.2

The Direct Selling Entity shall be liable for grievances arising out of sale of products and services or business opportunity by the Direct Seller. And

Clause 6.3

“It will be the responsibility of the Direct Selling entity to monitor and control the practices/methods adopted by the Direct Sellers”. Does this mean that only the direct selling entity will be liable for all grievances arising out of sale of products and services or business opportunity by the direct seller?

Answer. It is clarified that the Direct Selling Entity will be responsible for the quality of products and services and it will guide and help the Direct Seller to follow best practices in the interest of consumers. The scope and specific liabilities of the Direct Seller in such cases will be defined in unambiguous terms in the contract signed. By way of providing in the contract, every Direct Selling Entity shall define and develop some mechanism to monitor the practices being adopted by its Direct Sellers.

8. Clause 7.5

Industry: It appears to be a typographical error in this Clause. As the consumer is buying the products or services from the Direct Sellers, it should be the Direct Seller which will provide various details listed in this sub-clause. Please clarify.

Answer – Yes, it should be the Direct Seller. Please read Direct Seller in place of Direct Selling entity in this sub-clause.

PHD Chamber hails Guidelines to regulate Indian Direct Selling Industry

PHD Chamber of Commerce and Industry wholeheartedly welcomes the new Guidelines to regulate Indian direct selling companies, issued by the Ministry of Consumer Affairs in September 2016 to safeguard the interests of consumers, as well as help protect ethical direct selling companies. The guidelines related to grievance redressal mechanism for consumers, remuneration system for the person engaged by direct selling firms and direct sellers mandatory compliance with some rules will safeguard the interests of consumers as well as companies alike.

The Guidelines will help to give boost to the industry which gives employment opportunities to large number of youth and women, contributes to skill development and women empowerment, gives push to MSME sector and has contributed to Government's ambitious 'Make in India' campaign by giving boost to manufacturing sector in India. Going forward, we look forward to a clear set of standard central guidelines across the country in order to build an environment of confidence and to bring India's Direct Selling industry at par with global levels

Consumer Survey Analysis



5,852 Consumers surveyed in 50 cities

66% gets influenced by word of mouth publicity to purchase Direct Selling products

48% majorly buy health care products from Direct Sellers

65% believe in purchasing /repurchasing from Direct Sellers

54% willing to join Direct Selling Industry

8. Consumer survey analysis

Direct Selling is one of the oldest modes of sales and is similar to the traditional consumer goods retail model. Consumers benefit from Direct Selling because of the convenience and service it provides, including personal demonstrations and explanations of products, home delivery, and generous satisfaction guarantees. This direct-to-consumer model of direct selling gives sellers an opportunity to build their brand relationship with customers. However, with the advent of digital era and rising consumer expectations, marketing and even customer service positions are becoming increasingly focused on technology acting as a major roadblock for the direct sellers to upgrade their marketing strategies and distribution channels.

The familiarity about the sector relies heavily on word-of-mouth publicity. This medium of marketing has strong reliance among stakeholders and is evolving year after year with new and better products to meet the diverse needs of consumers. For the prosperity of the Indian Direct Selling Industry, adoption of customer centric approach while designing marketing strategies becomes crucial. Hence, it is highly essential to understand the consumer buying behavior and their insights on Direct Selling Industry since they are the ones who eventually generate revenues for the industry.

Thus, a survey was conducted amongst a random sample of individuals from different segments of the society who were targeted through field surveys for better outlook of the sector and inferences have been derived on the responses received. Their answers reveal the changing behaviours that will drive the next Direct Selling revolution.

8.1 Sample characteristics

The survey encompasses the responses from individuals who were randomly chosen across various segments of the society. A benchmark of 5500 responses was set up to reap valid and credible results. During the period, the responses were collected through direct interaction on field and through online survey, this eventually equated to a sample size of 5852.

On the basis of demographic characterization, 56% of the respondents are females and 44% are males. Further, 54% of the respondents are married, while 46% are single. The results are in alignment with data of previous surveys wherein females have been observed to play a major role in Direct Selling than their male counter parts. The age-wise distribution of the respondents falls in the range of 18-60 years. The mode of the age-group of 21-30 years has been the highest comprising an overall 46% of the total sampled population. Following this were individuals within age-group of 31-40 years (22%), 41-50 years (14%) and more than 50 years (11%).

Table 8.1: Characteristics of Respondent(s)

Category	Respondent(s) in %
<i>Gender-wise classification</i>	
Female	56
Male	44
<i>Status-wise classification</i>	
Single	46
Married	54
<i>Age group classification</i>	
Less than 20 years	7
21-30 years	46
31-40 years	22
41-50 years	14
More than 50 years	11
<i>Occupation classification</i>	
Government sector –Central & State	12
Corporate sector (Indian Private Companies and Multi-National Companies)	47
Self Employed	14
Housewife	17
Student	10
<i>Family size classification (number of members)</i>	
More than 7	9
2 - 4	58
5 - 7	33
<i>Income group classification (per month)</i>	
INR 10,000- INR 20,000	8
INR 20,001-INR 30,000	10
INR 30,001-INR 40,000	21
INR 40,001-INR 50,000	25
More than INR 50,000	36
<i>Chief family earners classification</i>	
Self	33
Husband	42
Father	18
Mother	7

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

The largest share of respondents has been observed to serve corporate sector including private Indian and Multi National entities comprising of 47% share followed by house-wives (17%), self employed (14%) and students (10%). Majority of respondents were reported to have a family size of 2-4 people with a share of 58% while 33% had a family size of 5-7% and 9 % respondents had a family size of more than 7.

Pertaining to geographical distribution of the respondents, data from diversified areas were received from across India. However, due to operational constraints it was not feasible to survey all cities. The responses were received from cities including Aizwal, Agartala, Ambala, Amritsar, Allahabad, Baroda, Bengaluru, Bhopal, Bhubaneswar, Bokaro, Imphal, Chennai, Chandigarh, Cochin, Coimbatore, Delhi, Dehradun, Faridabad, Gurgaon, Gwalior, Gangtok, Guwahati, Gandhinagar, Hyderabad, Imphal, Itanagar, Indore, Jaipur, Jalandhar, Kolkata, Kohima, Ludhiana, Lucknow, Mumbai, Muzzafarpur, Patiala, Pune, Patna, Panchkula, Puducherry, Ranchi, Shimla, Silvassa, Surat, SrigangaNagar, Shillong, Panaji, Thanjavur, Thiruvananthapuram, Udaipur and Vadodra.

On assessing the economic status of respondents it was revealed that 36% respondents have household income of more than INR 50,000 per month. It was followed by respondents earning, in the range of INR 40,001-50,000 per month (25%) and INR 30,001-40,000 per month (21%). For nearly 42% respondents, husbands were chief earners and 33% were themselves the primary bread-winners. On further analysis of the parameter 'chief earners', it was revealed that 18 % respondents had their father as chief earners and 7% respondents had their mothers as chief earners.

8.2 Awareness and Publicity

Consumer decisions are impacted to some degree by what's around them: their culture, values and social class, along with the people they associate with and those they admire. All the things listed above are considered external influences on consumers buying decisions.

Growing share of digital media in the overall awareness generation of Direct selling products

Direct Selling heavily relies on various channels and mode of communication in order to generate sales. The survey has revealed that 89% of the sample population is well aware and has familiarity with the concept of Direct Selling and their products. Also, it has been inferred that informal channels contribute 66% in generating awareness and mass publicity of products. Among them, friends (24%) have played a major role in awareness generation and publicity followed by relatives (14%), colleagues (10%) and neighbours (12%). On the other hand, direct sellers contributed roughly 6% in the overall word of mouth communication.

Amongst print and electronic media, the share of TV/Radio (8%) and newspaper/pamphlets (6%) has been very less although higher than the previous year's share of 3% and 4% respectively. Whereas, Internet had a share of 20% in the overall awareness generation of Direct Selling industry and its products.

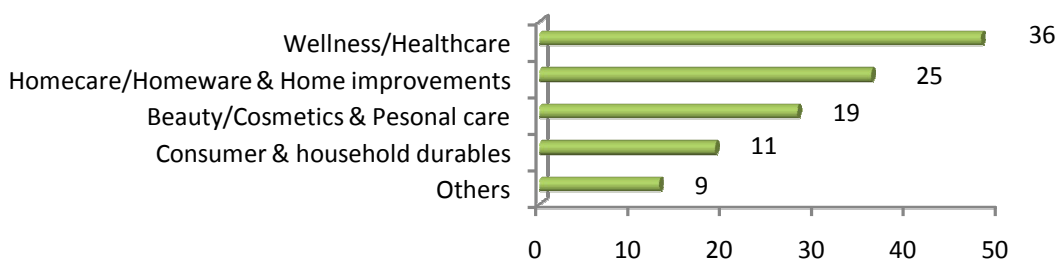
8.3 Type of product purchase

Increasing public awareness about the need for a healthy lifestyle seems to have increased the demand for health products which can be attributed to the higher consumer spending on wellness/ Healthcare products these days. The survey has revealed that majority of the

respondents (36%) purchased wellness/health care products followed by 25% respondents who preferred to purchase homecare/home improvement products. Nearly 19% respondents purchased beauty/cosmetics and personal care products with majority of them being females. Fourth most popular Direct Selling product category is consumer & household durables wherein nearly 11% respondents preferred these products whereas others products category constituted roughly 9%.

Consumer spending in wellness/healthcare products continues to be buoyant.

Graph 7.1: Direct Selling products purchased by respondents (%)



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

Note: Others include Food and Beverages, Agricultural products, educational products, utilities, promotional item, etc., Note: Multiplicity of options have been chosen by the respondents

8.4 Attributes for Purchasing and Non-purchasing of Product(s)

Consumers always react to maximize their utilities when buying commodities. Consumer behaviour serves as a successful tool for Direct Sellers in meeting their sales objectives. Understanding consumer buying behaviour is of utmost importance for them as the marketing of products is largely dependent on consumers' behaviour patterns.

According to the survey, all respondents unanimously opined that consumers' perception and attitude hold a significant say in determining their purchasing behaviour. Further, there are diverse reasons, situation and needs of a consumer that motivates a consumer to purchase or not to purchase a product. They also responded that attributes which are merely the features/characteristics of the product, its brand name, service, advertisement or any object of interest also plays an important role for pushing a consumer for its demand or non-demand, even without the requirement or necessity.

The survey revealed that 65% of the respondents have purchased/re-purchased Direct Selling products which may be attributed to several reasons such as high product quality, product durability, reputation of the company, product price, chance to ask questions, chance to try products or have them personally demonstrated and finally the trust and confidence on the word-of-mouth opinion by relatives, friends or neighbours. However, remaining 35% have not purchased/re-purchased any products as they were not very sure/satisfied/about these products.

8.4.1 Positive attributes for purchasing/re-purchasing

The survey has inferred that the consumer buying behaviour is highly correlated with the quality of the products and its brand image. On analysis of 5852 respondents (65% of the total respondents) who have purchased/ re purchased products from the same Direct Seller, key factors triggering the buying behaviour are high quality standards (27%), reliability/durability (19%), reputation of the company (15%), brand image (14%) and reasonable price of the product (12%). The other attributes specific to Direct Selling Industry includes good demonstration (8%), refund/money back policy (7%) and promotional schemes (3%) among others.

Graph 7.2: Factors for purchase/re-purchase (responses in %)



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16
Note: Multiplicity of options have been chosen by the respondents

8.4.2 Factors for not purchasing/no repurchase

On closer analysis of the key factors which discouraged 35% respondents (out of total 5852 respondents) from buying/repurchase included high price of the product (25%) followed by unreliable quality (19%), difficulty to reach sales agent (14%), lack of durability / effectiveness (12%), selling agents being pushy (11%) and restricted availability in variety of products (9%). Other factors deterring the purchase of products included product delivery taking long time (6%), similar product available in the retail store (5%) and untimely visit of the salesperson (2%).

The share of untimely visits of the sales person in the list of key factors for not purchasing/repurchasing has been falling on y-o-y basis as it constituted roughly 2% in 2015-16 as compared to 4% and 6% in the years 2014-15 and 2013-14 respectively. The reasons for such an improvement can be attributed to the efficient services by the Direct Sellers and the initiatives undertaken to provide them skill training to improve their services.

8.5 Pattern of household income expenditure on purchase of Direct Selling products

The purchasing power of a consumer has decisive influence on his buying behaviour and purchasing patterns. The survey confirms this statement factually as the income group of more than INR 50,000 (36%) have captured the maximum share of products whereas respondents falling in the income bracket of INR 10,000-20,000 per month made very few purchases on Direct Selling products.

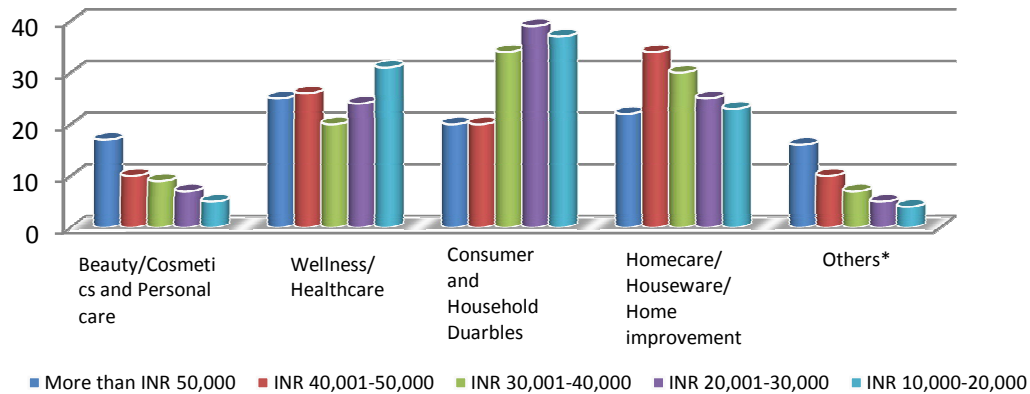
Respondents in the income group of more than INR 50,000 have purchased maximum proportion of wellness/healthcare products followed by homecare/ house-ware/ home improvement products (25%), household durables (22%), other products (18%). Following last year's trend, beauty and cosmetics share has been lowest in the overall purchase basket of this income group of nearly 17% but the share has been highest in this product category among all income groups.

Respondents falling in the income bracket of INR 40,001-50,000 have captured the maximum proportion of homecare/ house-ware/home improvement products (34%), with substantial share in wellness/healthcare products (26%) followed by consumer and household durables (20%) and other products category (10%). In middle income group of INR 30,001-40,000, consumer and household durables have maximum share of 34% followed by homecare products at 30%, wellness/healthcare at 20%, beauty/cosmetics at 9% and others at 7%. On the other hand, in the lower middle income group of INR 20,001-30,000, consumer and household durables (39%) and homecare products (25%) in conjunction constitutes 64% share. Beauty/cosmetics, wellness/healthcare and other products have a share of 7%, 24% and 5% respectively.

Ease of payment: Mode of payment while purchasing products from Direct sellers

We also studied the consumer's preference for payment while purchasing products in our survey. Nearly 92% respondents made payment through cash while 8% paid through cheques. However, with the advancements in technology and digitization in payment structures, consumer's expectations have been rising to higher horizons. In our survey, many respondents have recommendations for providing facilities to complete the transaction through online gateways such as debit card/ credit card, e-wallets etc.

Graph 8.4: Household income vis-à-vis share in purchase of Direct Selling products (%)



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

Note: Others include food and beverages, agricultural products, educational products, utilities, promotional item etc.

However, the respondents lying in the lowest income bracket of INR 10,000-20,000, consumer and household durables spent major part of their income on consumer and household durables (37%), wellness/healthcare products and homecare/ houseware /home improvement (23%). Beauty/cosmetics and other product category counted roughly 5% and 4% for this income group.

8.6 Consumer's view on Direct Selling

On closer analysis of survey results, nearly 54% respondents have expressed desire to join Direct Selling which is comparatively less than last year's proportion of 61%. Further, the key interest was expressed majorly by the respondents who did not had any other job opportunity or were dependent on other family members for their well-being. Also, respondents falling in the income bracket of Rs.10,001-20,000 per month expressed to join the Direct Selling as a part time activity in order to supplement their household income.

Through our interaction with consumers on joining the Direct Selling Industry, we were able to analyze that Direct Selling provides excellent platform for those who desire for other income opportunities, suiting to their flexibility to supplement their household income or whose responsibilities or circumstances do not allow regular part-time or full employment. Further, the Direct Selling Industry supports smaller entities who cannot afford to compete with the enormous advertising and promotion costs.

Some of the key reasons for the consumers on joining Direct Selling are:



Key concerns of Direct Selling Entities



9. Key concerns of Direct Selling Entities

Direct Selling is emerging as one of the most effective and efficient channel of distribution in meeting demands of today's consumers. However, a large number of Direct Selling stakeholders have concerns over non-availability of industry status, absence of nationalized law, occurrence of fraudulent activities impacting confidence of Direct Selling players and consumer too and quitting of couple of international Direct Selling Entities impacting the scenario of foreign as well as domestic investments. However, with the recent introduction of Direct Selling Guidelines by the Central Government has provided relief to the stakeholders of Direct Selling and a sense of confidence and trust which is expected to boost the growth of Direct Selling in the coming times.

Key Concerns of Direct Selling Entities

- **Industry status by the Government is missing**
- **Absence of Nationalized Law**
- **Fraudulent practices impacting confidence of Direct Selling players and consumers**
- **Withdrawal of some International Direct Selling Entities**

Direct Selling Industry has been impacted by the activities of fraudulent players operating under the garb of genuine Direct Selling players. However, with the recent introduction of new Guidelines to regulate Indian direct selling entities will help to give boost to the industry which gives employment opportunities to large number of youth and women, contributes to skill development and women empowerment, gives push to MSME sector and contribute to Government's ambitious 'Make in India' campaign by giving boost to manufacturing sector in India

Some suggestions to overcome hurdles impacting growth of Direct Selling

Challenges	Suggestions
Fraudulent entities impacting goodwill of genuine Direct Selling players	Development of effective mechanism to track the illegitimate or fly by night operators
FSSAI product approvals	Ease of obtaining approvals and simplified procedure from FSSAI is required
Attrition	Awareness and acceptance of Direct Selling along with increase in number of training programmes and incentives would help in curbing attrition of Direct Sellers
Decline in foreign investments	Need for well supported regulatory environment, ease of doing business and streamlining foreign investment norms
Acceptance and awareness	<p>Need for generating more awareness by organising programme in order to enhance the acceptance of Direct Selling in the country. Need for organising awareness programmes jointly by the industry and the government to educate public regarding Direct Selling</p> <p>Promoting knowledge and discussion forums in collaboration with Government to brainstorm on issues related to such activities and raise awareness for consumer protection.</p>
Research and Development	Promoting research and education in order to expand knowledge and understanding of the fundamentals of Direct Selling.

Source: Annual Survey of the India's Direct Selling Industry 2015-16

10. Conclusions

Globally, top ten Asian countries share in global sales stands at 45% with USD 82109 million of sales in the year 2015. The Sales in China, Korea and Japan accounted for 82 percent of that amount who are also among the top 5 billion-dollar direct selling markets with share in global sales at 19.3%, 9.2% and 8% respectively capturing 37% of the GDSI sales. India's share in the top ten countries stands at just 0.6% with sales of USD 1186 million highlighting the need for clear definition of direct selling and policy reforms in ease of doing business. Globally, direct selling offers the best channel of distribution and information, education and personalized experience. The earnings proposition has always offered ease of entry along with control of time and effort invested, with no limitations to potential rewards. Further, the combination of social media technology and the direct selling business opportunity, packaged in smart tools and applications, remains a huge opportunity for attracting new distributors and customers. Also, direct selling companies have become the leader in charitable statistics of companies that give back in significant proportion to revenue generated.

However, it is utmost importance that the direct selling community exercise tight regulatory control over itself. Independent contractors who misrepresent industry or company codes, policies, principles and values should be held accountable to the highest ethical standards and consequences.

Direct Selling has contributed significantly to socio-economic development of the nation in regards with generating self employment opportunities, source of earning supplementary income, encouraging entrepreneurship, empowering women, imparting skill through various training programmes and encouraging growth of MSMEs sector. India's macro-economic outlook has been stabilizing and lead economic indicators are gathering pace on account of several reforms introduced by the Government. However, with an improvement in the overall sentiments in the economy, Direct Selling Entities have not been able to register notable growth scenario as stakeholders are struggling with concerns like regulatory bottlenecks, absence of defined law or act, fraudulent activities impacting confidence of genuine stakeholders and consumers and declining demand scenario for the Direct Selling products.

The gross sales¹⁹ by the Direct Selling Industry stands at INR 83,085 million in 2015-16 as against INR 79,583 million in 2014-15, INR 74,722 million in 2013-14 and INR 71,641 million in 2012-13. The Direct Selling Industry has registered a growth rate of 4.4% in 2015-16 as compared 6.5% in 2014-15.

During 2015-16, the growth sentiments of Direct Selling industry has declined on various factors such as lack of proper regulatory framework, lengthy product approvals, occurrence of fraudulent activities impacting the confidence of not only stakeholders but also consumers, high costs of doing business, slowdown in demand in the economy, stricter registration, among others. Going ahead, most of the respondents felt that economic reforms undertaken by the Government are highly commendable and would lead to desired outcomes in the coming times. The Direct Selling Entities are extremely hopeful on Government's support in recuperating business sentiments in the economy particularly for Direct Selling. According to the survey, Direct Selling could become the

¹⁹ The figures used for gross sales in the Annual Survey 2015-16 refers to gross sales of Direct Selling Industry which is net sales plus direct and indirect taxes.

backbone of the economy if its awareness, acceptance and proper communication infrastructure are strengthened.

The survey revealed that due to rising inclination towards healthy lifestyle, wellness or healthcare products have been in demand significantly and as a result it has contributed the largest share to the gross sales of the organised Direct Selling Industry at 43%, followed by beauty/cosmetics and personal care (35%), home ware and home improvements products (12%), consumer and household durables (6%) and others including food and beverages, agricultural products, ayurveda products, educational products, utilities, promotional items, plant growth promoters, etc (4%)

The survey revealed that the Northern region has contributed around INR 24,926 million to the gross sales in 2015-16. The region has contributed share of 30% to gross sales in 2015-16 and 2014-15 and has registered growth rate of about 4.4% in 2015-16 as against 10% in 2014-15. According to the survey, Eastern region has contributed around INR 15,786 million to the gross sales in 2015-16. The share of Eastern region to gross sales has increased to 19% in 2015-16 from 18% in 2014-15. The region registered a growth rate of 10.2% in 2015-16 as against 6.5% in 2014-15.

The North Eastern region has contributed around INR 10,801 million in 2015-16. The North Eastern region share to gross sales as remained same at 13% in 2015-16 and 2014-15. The region has exhibited a growth rate of 4.4% in 2015-16. While, the Western region has contributed around INR 14,124 million in 2015-16. The region has scripted an increase in the share to gross sales at 17% in 2015-16 from 16% in 2014-15 and registered growth rate of 10.9% in 2015-16 as against 6.4% in 2014-15.

According to the survey, the Southern region has contributed around INR 17,448 million in 2015-16. The region holds second highest share in India's gross sales of Direct Selling in 2015-16. About 21% share to gross sales of the industry is contributed in 2015-16 as against 23% in 2014-15.

According to the survey, Direct Selling Entities have invested around 3.6% of their gross sales for research & development during 2015-16. According to the survey, almost all the Direct Selling Entities offer 100% money back policy even if the products are used.

IDSA Direct Selling Entities are making contribution to the public finances by paying varying levels of taxes²⁰ including corporate tax, sales tax/ value added tax, customs and excise duty, octroi etc, inter-state manufacturing and selling of products which hold significance in funding various activities for socio-economic development of the country. As per the survey, the percentage of total taxes including both direct tax and indirect tax in gross sales by the IDSA Direct Selling Entities have increased to 23.3% in 2015-16 as against 23.1% in 2014-15.

The total tax paid by the IDSA Direct Selling Entities (member) amounts to INR 12,583 million in 2015-16 as compared to INR 11,715 million in 2014-15. The tax paid as reported by the IDSA Direct Selling Entities (member) has increased to about 7.4% in 2015-16 over 2014-15.

²⁰ It may be mentioned that the estimated taxes scenario also includes taxes paid through outsourced manufacturers, logistics providers and packers involved in the supply chain.

On account of expanding activities of Direct Selling Entities, rising awareness, penetration and acceptance, there has been significant creation of self employment opportunities by the Direct Selling industry over the years. According to the survey, the active Direct Sellers²¹ of the Indian Direct Selling Industry have increased from 39,29,105 in 2014-15 to around 40,31,262 in 2015-16 representing a Y-O-Y growth of 2.6% over the last year. The per capita revenue generation scaled up to INR 20,610 during 2015-16 as compared to INR 20,254 in 2014-15. This could be due to more increase in gross sales of the industry as compared to the increase in Direct Sellers of the industry.

Over the years, Central and State Governments have been introducing guidelines from time to time to regulate and strengthen the business of Direct Selling and protect consumers against any fraudulent activities. Recently, Ministry of Consumer Affairs, Food and Public Distribution, Government of India has formulated model guidelines on Direct Selling on 12th September 2016 and has been sent to State Governments. These will safeguard the interests of consumers, as well as help protect ethical direct selling companies. The guidelines will help to give boost to the industry which gives employment opportunities to large number of youth and women, contributes to skill development and women empowerment, gives push to MSME sector and has contributed to Government's ambitious 'Make in India' campaign by giving boost to manufacturing sector in India.

Direct Selling is emerging as one of the most effective and efficient channel of distribution in meeting demands of today's consumers. However, a large number of Direct Selling stakeholders have concerns over non-availability of industry status, absence of nationalized law, occurrence of fraudulent activities impacting confidence of Direct Selling players and consumer too and quit of couple of international Direct Selling Entities impacting the scenario of foreign as well as domestic investments. However, with the recent introduction of Direct Selling guidelines by the Central Government have provided relief to the stakeholders of Direct Selling and a sense of confidence and trust which is expected to boost the growth of Direct Selling in the coming times.

Consumer decisions are impacted to some degree by what's around them: their culture, values and social class, along with the people they associate with and those they admire. The survey has revealed that 89% of the sample population is well aware and has familiarity with the concept of Direct Selling and their products. Also, it has been inferred that informal channels contribute 66% in generating awareness and mass publicity of products. Among them, friends (24%) have played a major role in awareness generation and publicity followed by relatives (14%), colleagues (10%) and neighbours (12%). On the other hand, direct sellers contributed roughly 6% in the overall word of mouth communication.

It has also been observed that gradually other means of marketing are also increasing for generating awareness and publicity regarding products in the markets such as online social networking, TV, print media, pamphlets etc. According to the survey, a large number of respondents stated that product reviews are posted online and opinions disseminated through social networks among consumers, which is rapidly extending these days and has influenced the consumer buying decisions. Increasing public awareness about the need for a healthy lifestyle seems to have increased the demand for health products which can be attributed to the higher consumer spending on wellness/ Healthcare products these days. The survey has revealed that majority of the respondents (36%)

²¹ Active Direct Sellers is defined as Direct Sellers who purchase products four times in a Financial Year.

purchased wellness/health care products followed by 25% respondents who preferred to purchase homecare/home improvement products. Nearly 19% respondents purchased beauty/cosmetics and personal care products with majority of them being females. Fourth most popular Direct Selling product category is consumer & household durables wherein nearly 11% respondents preferred these products whereas others products category constituted roughly 9%.

According to the survey, all respondents unanimously opined that consumers' perception and attitude hold a significant say in determining their purchasing behavior. On analysis of 5852 respondents (65% of the total respondents) who have purchased/ re purchased products from the same Direct seller, key factors triggering the buying behaviour are high quality standards (27%), reliability/durability (19%), reputation of the company (15%), brand image (14%) and reasonable price of the product (12%). The other attributes specific to Direct Selling Industry includes good demonstration (8%), refund/money back policy (7%) and promotional schemes (3%) among others.

Whereas key factor discouraging purchase/repurchase of direct selling products included high price of the product (25%) followed by unreliable quality (19%), difficulty to reach sales agent (14%), lack of durability / effectiveness (12%), selling agents being pushy (11%) and restricted availability in variety of products (9%). The share of untimely visits of the sales person in the list of key factors for not purchasing/repurchasing has been falling on y-o-y basis as it constituted roughly 2% as compared to 4% and 6% in years 2015-16, 2014-15 and 2013-14 respectively. The reasons for such an improvement can be attributed to the efficient services by the direct sellers and the initiatives undertaken to provide them skill training to improve their services. The purchasing power of a consumer has decisive influence on his buying behaviour and purchasing patterns. The survey confirms this statement factually as the income group of more than INR 50,000 (36%) has captured the maximum share of products whereas respondents falling in the income bracket of INR 10,000-20,000 per month made very few purchases on Direct Selling products.

On our interaction with consumers, nearly 54% respondents have expressed desire to join Direct Selling which is comparatively less than last year's proportion of 61%. Further, the key interest was expressed majorly by the respondents who did not had any other job opportunity or were dependent on other family members for their well being. Also, respondents falling in the income bracket of Rs.10,001-20,000 per month expressed to join the Direct selling as a part time activity in order to supplement their household income.

Going ahead, with burgeoning income, urbanisation, emerging demographic dividend, speedy implementation of socio-economic reforms and favourable policy environment would boost the growth momentum of Direct Selling. According to the survey, Direct Selling Entities felt that the size of the industry is estimated to reach upto INR 2,58,261 million by 2024-25 on account of supportive policy framework, nonexistence of illegal activities under the garb of Direct Selling, expanding consumer base, widening acceptance and awareness about Direct Selling in our country. It may be mentioned that during the last eight years, Industry has shown 12.13% CAGR.

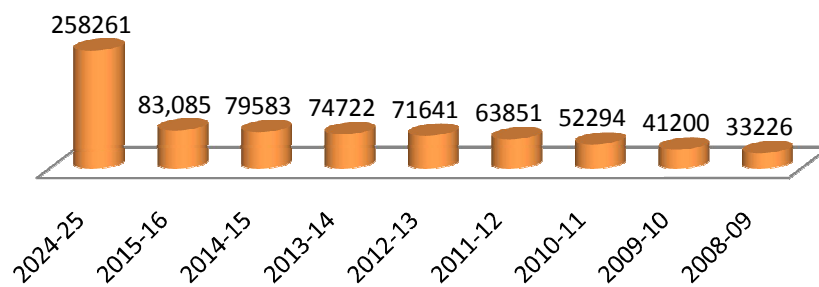
According to the survey, industry in the medium term i.e within next three years is expected to grow in the range of 9-15%, while in long term over next five to seven years, industry is expected to grow in the range of 14-16%. The stakeholders have expressed utmost confidence in improvement of overall business environment on introduction of recent guidelines by the Government and increasing reliability, trust and confidence not only among Direct Sellers but also consumers. The

survey has revealed that more introduction of nutrition range, expansion of personal category, recognition and credibility of industry, electronic products such as computers, software, phones etc could emerge as one of the leading product segments in the coming times for Direct Selling.

1. Future outlook of Indian Direct Selling Industry

With burgeoning income, urbanisation, emerging demographic dividend, speedy implementation of socio-economic reforms and favourable policy environment would boost the growth momentum of Direct Selling in the coming times. According to the survey, Direct Selling Entities felt that the size of the industry is estimated to reach upto INR 2,58,261 million by 2024-25 on account of supportive policy framework, nonexistence of illegal activities under the garb of Direct Selling, expanding consumer base, widening acceptance and awareness about Direct Selling in our country. It may be mentioned that during the last eight years, Industry has shown 12.13% CAGR.

Graph : Market size of Indian Direct Selling Industry (INR million)



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

According to the survey, industry in the medium term i.e within next three years is expected to grow in the range of 9-15%, while in long term over next five to seven years, industry is expected to grow in the range of 14-16%. The stakeholders have expressed utmost confidence in improvement of overall business environment on introduction of recent guidelines by the Government and increasing reliability, trust and confidence not only among Direct Sellers but also consumers. The survey has revealed that more introduction of nutrition range, expansion of personal category, recognition and credibility of industry, electronic products such as computers, software, phones etc could emerge as one of the leading product segments in the coming times for Direct Selling.

Table 12.1: Growth perception of Direct Selling Entities

S.No.	Term	Growth rate average (%)
1	Medium term (Within next 3 years)	9-15
2	Long term (Next 3-5 years)	14-16

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2015-16

Indian Direct Selling Industry so far

Category	2015-16	2014-15	2013-14	2012-13	2011-12
Gross sales (INR Crores)					
Member	5,400.5	5,066.8	4,683.3	4,405.9	3,767.2
Non-Member	2,908.0	2,891.5	2,788.9	2,758.2	2,617.9
Organised sector	7,893.1	7,528.6	7,023.9	6,719.9	5,874.3
Unorganised sector	415.4	429.7	448.3	444.2	5,10.8
Gross sales	8,308.5	7,958.3	7,472.2	7,164.1	6,385.1
YOY Gross sales growth (in %)	4.4	6.5	4.3	12.2	22.1
Gross sales (INR Million)					
Member	54,005	50,668	46,833	44,059	37,672
Non-Member	29,080	28,915	27,889	27,582	26,179
Organised sector	78,931	75,286	70,239	67,199	58,743
Unorganised sector	4,154	4,297	4,483	4,442	5,108
Gross sales	83,085	79,583	74,722	71,641	63,851
YOY Gross sales growth (in %)	4.4	6.5	4.3	12.2	22.1
Gross sales (USD Million)					
Member	824.9	829.7	774.09	809.9	786.5
Non-Member	444.2	473	460.98	507	546.5
Organised sector	1205.6	1,231	1160.98	1,235.2	1,226.4
Unorganised sector	63.5	70	74.10	81.7	106.6
Gross sales	1269.1	1,302	1235.07	1,316.9	1,333
YOY Gross sales growth (in %)	-2.53	5.4	(-) 6.21	(-) 1.2	16
Regional share in gross sales (in %)					
North	30	30	29	27	20
East	19	18	18	17	15
North-East	13	13	12	11	10
West	17	16	16	15	17
South	21	23	25	30	38
Contribution to exchequers by IDSA Direct Selling Entities (member) (INR Million)					
Total taxes paid	12,583	11,715	10,631	9,869	8,212
Direct taxes	3,875	3,550	3,179	2,931	2,218
Indirect taxes	8,708	8,165	7,452	6,938	5,994
Direct Sellers (numbers)					
Direct Sellers Member	33,05,635	32,17,967	36,29,527	47,93,537	39,80,016
Direct Sellers Non-member	7,25,627	7,11,138	7,53,960	9,81,808	8,73,216
Direct Sellers Total	40,31,262	39,29,105	43,83,487	57,75,345	48,53,232
Growth of Direct Sellers (in %)	2.6	(-) 10.3	(-) 24.1	18.9	22.5
Male Direct Sellers	17,33,443	16,65,941	18,27,914	23,44,790	18,19,962
Female Direct Sellers	22,97,819	22,63,164	25,55,573	34,30,555	30,33,270

Source: PHD Research Bureau, compiled from various Indian Direct Selling Surveys.

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Team, PHD Research Bureau, PHD Chamber

<p>Photo Dr. S P Sharma</p>	<p>Dr. S P Sharma, Chief Economist & Director-Research, PHD Chamber of Commerce and Industry, has around 20 years of varied experience in the fields of the economy and businesses. He has held various positions in Government and Industry Chambers. He has worked with Economic & Statistical Organisation, Government of Punjab, Cabinet Secretariat of Government of India. Dr. Sharma has conducted various economic and business studies for Ministry of Commerce of Government of India, UNCTAD, European Commission and Industry Chambers. He has an MPhil in Industrial economics and PhD in International Business from the Panjab University, Chandigarh.</p>
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<p>Areesha</p>	

Team, Indian Direct Selling Association

<p>Photo Abhishek</p>	<p>Abhishek is handling Corporate Communication and Corporate Affairs activities for IDSA. He has more than 10 years of experience in media monitoring, client servicing and secondary research. Prior to joining IDSA, he was working in Concept Communication Limited, handling research and communication for clients like Tata Consultancy Services, Taj Group of Hotels, British High Commission, The High Commission of Canada to name a few. He loves to travel around the country, apart from reading fiction and watching Bollywood movies. A whistle-blower in his own way, he has written articles on women empowerment and increasing cases of crime against women in the Capital.</p>
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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. IDSA strives to create an environment conducive to the growth of direct selling industry in India, partnering industry and government alike through advisory and consultative activities. In addition to this, it also catalyses change by working closely with government on policy issues, enhancing efficiency and ushering in desired credibility, clarity & confidence in Direct Selling

The IDSA envisions making Direct Selling one of the most preferred industries in India and works with a mission to enhance lives by sharing and protecting the direct selling opportunity for personal, professional and financial development, to work towards a policy framework for direct selling with the government and stakeholders and to encourage and maintain an environment where members can operate independently, ethically and progressively, where direct selling is regarded with merit by the entire community.



World Federation of Direct Selling Associations (WFDSA)

WFDSA is a non-governmental, voluntary organization globally representing the direct selling industry as a federation of national Direct Selling Associations. It was founded in 1978 and its membership consists of more than 60 national direct selling associations and one regional federation. Its mission is to build understanding and support for direct selling worldwide and to work towards extending support to direct selling companies and associations by developing, maintaining and promoting the highest global standards for responsible and ethical conduct, advocating the industry's positions and interest with governments, media and key influencers, serving as a trusted global resource for information on direct selling and facilitating interaction among direct selling executives on issues of importance to the industry.

The Federation pursues the highest level of ethical conduct in the global marketplace, fosters advocacy by partnering with government, consumer and academic leaders, and strengthens management of national and regional Direct Selling Associations. It works with various industry and external groups to improve awareness and understanding of direct selling. The federation conducts third party research and collects data on the socio-economical impact of direct selling, public attitude and facilitates long-term industry reputation enhancement. WFDSA provides information related to direct selling industry and instructions on efficient and proper management of a direct selling association, so as to serve their members through global, regional and national seminars and other educational offerings in a better way.

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PHD Research Bureau

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading business newspapers.

Research Activities	Comments on Economic Developments	Newsletters	Consultancy
<ul style="list-style-type: none"> Research Studies 	<ul style="list-style-type: none"> Macro Economy 	<ul style="list-style-type: none"> Economic Affairs Newsletter (EAC) 	<ul style="list-style-type: none"> Trade & Inv. Facilitation Services (TIFS)
<ul style="list-style-type: none"> State Profiles 	<ul style="list-style-type: none"> States Development 	<ul style="list-style-type: none"> Economic & Business Outlook (EBO) 	<ul style="list-style-type: none"> Business Research Consultancy
<ul style="list-style-type: none"> Impact Assessments 	<ul style="list-style-type: none"> Infrastructure 	<ul style="list-style-type: none"> Global Economic Monitor (GEM) 	<ul style="list-style-type: none"> Investment Advisory Services
<ul style="list-style-type: none"> Thematic Research Reports 	<ul style="list-style-type: none"> Foreign exchange market 	<ul style="list-style-type: none"> Trade & Inv. Facilitator (TIF) 	
<ul style="list-style-type: none"> Releases on Economic Developments 	<ul style="list-style-type: none"> International Trade 	<ul style="list-style-type: none"> State Development Monitor (SDM) 	
	<ul style="list-style-type: none"> Global Economy 		

Studies Undertaken by PHD Research Bureau

A: Thematic research reports

1. Comparative study on power situation in Northern and Central states of India (September 2011)
2. Economic Analysis of State (October 2011)
3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry-2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
17. Emerging Contours in the MSME sector of Uttarakhand (April 2014)
18. Roadmap for New Government (May 2014)
19. Youth Economics (May 2014)
20. Economy on the Eve of Union Budget 2014-15 (July 2014)
21. Budget 2014-15: Promise of Progress (July 2014)
22. Agronomics 2014: Impact on economic growth and inflation (August 2014)
23. 100 Days of new Government (September 2014)
24. Make in India: Bolstering Manufacturing Sector (October 2014)
25. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014)
26. Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
27. Role of MSMEs in Make in India with reference to Ease of Doing Business in Ghaziabad (Nov 2014)
28. Exploring Prospects for Make in India and Made in India: A Study (January 2015)
29. SEZs in India: Criss-Cross Concerns (February 2015)
30. Socio-Economic Impact of Check Dams in Sikar District of Rajasthan (February 2015)
31. India - USA Economic Relations (February 2015)
32. Economy on the Eve of Union Budget 2015-16 (February 2015)
33. Budget Analysis (2015-16)
34. Druzhba-Dosti: India's Trade Opportunities with Russia (April 2015)
35. Impact of Labour Reforms on Industry in Rajasthan: A survey study (July 2015)
36. Progress of Make in India (September 2015)
37. Grown Diamonds, A Sunrise Industry in India: Prospects for Economic Growth (November 2015)
38. Annual survey of Indian Direct Selling Industry 2014-15 (December 2015)
39. India's Foreign Trade Policy Environment Past, Present and Future (December 2015)
40. Revisiting the emerging economic powers as drivers in promoting global economic growth (February 2016)
41. Bolstering MSMEs for Make in India with special focus on CSR (March 2016)
42. BREXIT impact on Indian Economy (July 2016)
43. India's Exports Outlook (August 2016)
44. Ease of Doing Business : Suggestive Measures for States (October 2016)
45. Transforming India through Make in India, Skill India and Digital India (November 2016)
46. Impact of Demonetization on Economy, Businesses and People (January 2017)
47. Economy on the eve of Budget 2017-18 (January 2017)
48. Union Budget 2017-18: A budget for all inclusive development

B: State profiles

49. Rajasthan: The State Profile (April 2011)
50. Uttarakhand: The State Profile (June 2011)
51. Punjab: The State Profile (November 2011)
52. J&K: The State Profile (December 2011)
53. Uttar Pradesh: The State Profile (December 2011)
54. Bihar: The State Profile (June 2012)
55. Himachal Pradesh: The State Profile (June 2012)
56. Madhya Pradesh: The State Profile (August 2012)
57. Resurgent Bihar (April 2013)
58. Life ahead for Uttarakhand (August 2013)
59. Punjab: The State Profile (February 2014)
60. Haryana: Bolstering Industrialization (May 2015)
61. Progressive Uttar Pradesh: Building Uttar Pradesh of Tomorrow (August 2015),