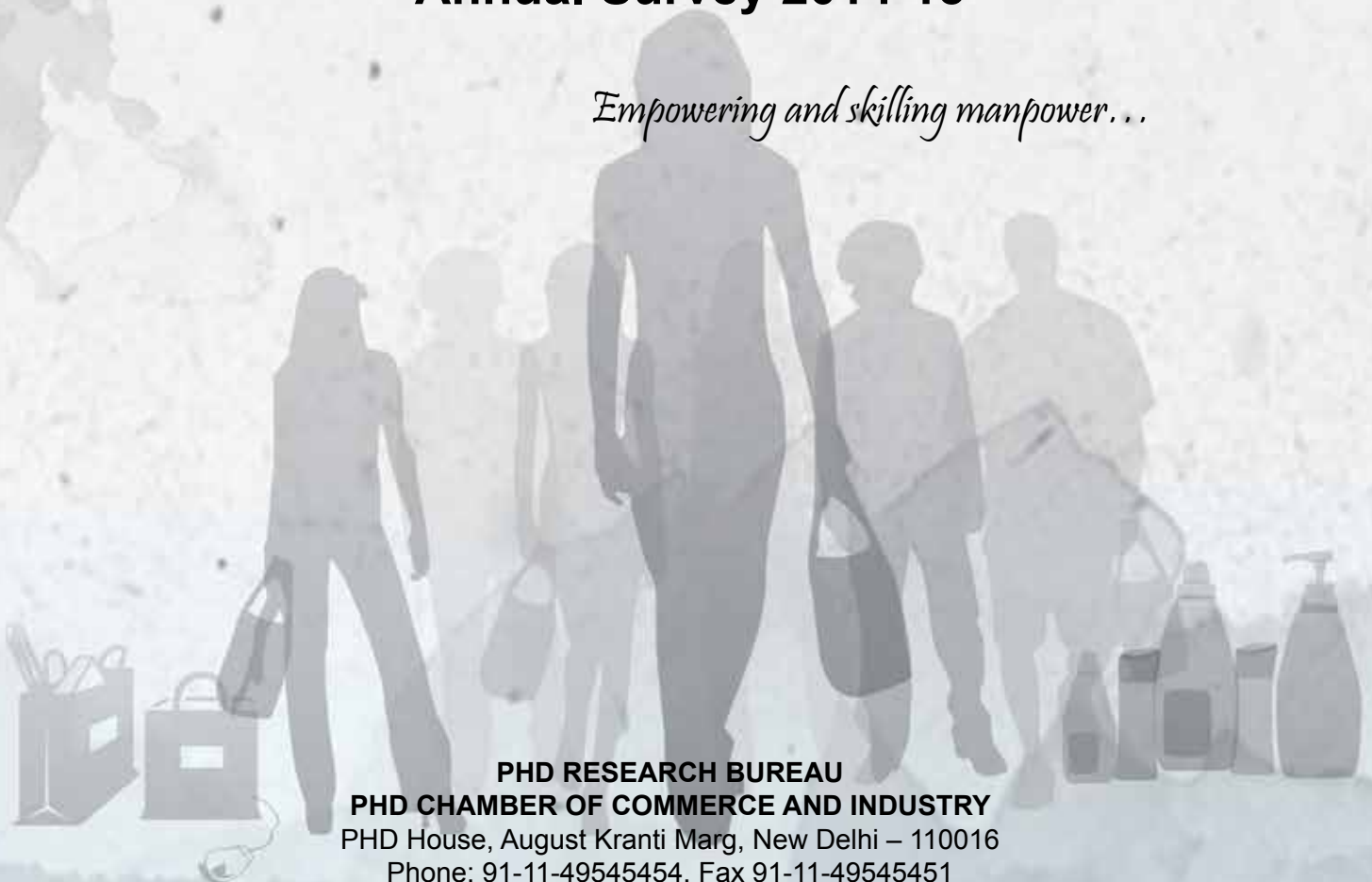


The Indian Direct Selling Industry Annual Survey 2014-15

Empowering and skilling manpower...



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Saurabh Sanyal

Message from Secretary General PHD Chamber

It gives me immense pleasure to share that PHD Chamber has collaborated with IDSA yet again to publish the Annual Survey 2014-15 for the Indian Direct Selling Industry. This is an addition to the series of annual surveys that are undertaken by the PHD Research Bureau, PHD Chamber to assess the overall growth dynamics of the industry. PHD Chamber and IDSA are holding a continuous collaboration to publish their annual survey reports which is an exhaustive survey-based empirical report on financial performance of the Direct Selling Industry and its evolution over the last few years, based on several parameters.

Indian economy is becoming resilient and promising supported by the various policy reforms introduced by the

government in the recent times which have resulted in boosting investment and growth scenario in the economy. The improvement in overall sentiments in the economy has prompted many Indian and foreign companies to invest in India. Therefore, businesses are not only tapping store-based format of retailing but also non-store formats in order to reach the larger sections of the society. Direct selling is one such non-store retail format which is catching up fast in the country as it is dynamic, vibrant, labour-intensive and expanding channel of distribution for the marketing of products and services directly to consumers.

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 and Ms. Surbhi Sharma, Senior Research Officer who have come up with this report of analytical value. I am hopeful that this report would contribute in enhancing the horizons for further research and widen literature base in this subject.

I would also like to express my thankfulness towards IDSA for providing their continued co-operation and facilitating us with crucial information in preparing the study. I would like to thank the Chairman, IDSA for their valuable guidance and time. We also appreciate the patience and commitment of all the IDSA members and survey participants.



Rajat Banerji

Message from Chairman Indian Direct Selling Association

It is a privilege to be part of the 7th edition of the IDSA Annual Survey Report for the financial year 2014-15, in partnership with the PHD Chambers of Commerce. The importance of this report is evident by the fact that it is awaited and referred by Industry Stakeholders, Direct Selling Entities, Scholars, sector experts as well as by the Government for formulating policies.

The Indian Direct Selling Industry provides the country with sustainable self-employment opportunities and scope of growth. The great potential in this industry to contribute to the economy is highlighted in this report. This report also highlights the need for policy framework to sustain the immense growth potential of this industry.

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.

With a developing economy, and increasing demand of goods, various store and non-store formats have evolved to cater to the growing retail sector in India. The industry witnessed major

growth post-liberalization with many global players entering the Indian market and it has provided self-employment opportunities to more than 4 million people, out of which nearly 60 per cent are women.

Direct Sellers sell well-known brands of nutrition, beauty, homecare, jewelry, education, home décor and other range of products. It is a highly personal industry that thrives on robust relationships between companies, Direct Sellers and Consumers. The fact that the industry has grown at 6.5%, with domestic sales of INR 79,583 in 2014-15, is an indicator that this mode of distribution is very popular in India - I firmly believe that Direct Selling has a great future in the country.

Direct Selling offers self-employment opportunity to average people to achieve the standard of living and financial stability, they chose. Direct Selling plays the stepping stone for the future entrepreneurs for it prepares the individual for bigger challenges. They start the business at the individual level, and expand as the customer base increases and others join their team.

I trust that the findings of the report will bring light on the Direct Selling Industry's potential to contribute to the economy as well as to society. I also believe that the industry will continue to add to skills of average Indians, as well as to champion the cause of micro-entrepreneurs.

I would like to show our gratitude towards 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. We also appreciate and sincerely thank all our Member Companies for providing their constant support and inputs to make this Annual Survey Report worthy.

I would also like to thank all survey participants who patiently participated in our survey and provided their valuable time and assistance. IDSA will continue to advocate with various government entities, both at central and state level, proposing appropriate regulatory framework and representing the interest of the Industry, the stakeholders and everyone associated with Direct Selling Industry.

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Abbreviations

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
ICC	International Chamber of Commerce
IDSA	Indian Direct Selling Association
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
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
USA	United States of America
USD	US Dollar
VAT	Value Added Tax
WFDSA	World Federation of Direct Selling Associations
YOY	Year on year

The background of the page is a light beige color. On the left side, there is a large, abstract shape composed of many small, solid-colored circles. The circles are arranged in a way that suggests a map of a region, possibly the United Kingdom. The colors of the circles are primarily red, blue, and orange. The red circles form the top and right portions of the shape, while the blue and orange circles form the bottom and left portions. The text "Executive Summary" is positioned to the right of this dot pattern.

*Executive
Summary*

Executive Summary

Direct Selling grew in the 1970s and 1980s and came into existence globally in the 1990s. The top markets representing the highest sales globally are United States of America (19%), China (17%) and Japan (9%). India's ranking¹ in terms of size of the sector deteriorated from 18th in 2009-2010 to 22nd in 2014-2015. Direct selling accounted for more than USD 182 billion in retail sales globally in 2014 – a new sales record for the industry, registering a sales growth of 2.5%. Worldwide, more than 99 million entrepreneurs earned self-employment in direct selling in 2014 as compared to 39 million in 2000, registering an average growth rate of 7.1%. Despite being a booming industry, no specific levels of education, experience, financial resources or physical condition are required. All of these lights the stage for coming geographic shifts in market dominance.

In terms of region wise sales, the Asia Pacific region has recorded the highest sales with USD 81542 million in 2014, securing 44.6% share of the global sales. Among the top countries with highest sales, the USA has scored the top most position with sales at USD 34470 million

in 2014, while Morocco stands at the lowest level with sales at USD 14 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 2014.

Looking at the region wise sales of the GDSI for the year 2014, Asia Pacific region has registered a growth of 5.12% respectively. The Middle East region has recorded the lowest sales at USD 159 million registering a growth of almost 5% in 2014. The three regions, comprising Asia/Pacific, America and Europe capture almost 99% of the global market sales registering positive growth rates except America, which has shown negative growth of 0.91%. Africa and Middle East region captures market size of less than 1 percent registering negative growth rate at 3.35% in 2014 respectively.

Although, our country has witnessed an improvement in overall sentiments in the economy on account of various reforms introduced by the Government, Direct Selling Entities in India have not been able to embark impressive growth during 2014-15 as stakeholders are persistently

struggling with regulatory bottlenecks. The gross sales² 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.

The Northern region has contributed around INR 23,875 million to the gross sales in 2014-15. The region has scripted marginal increase in share to gross sales at 30% in 2014-15 from 29% in 2013-14. It has registered growth rate of 10% in 2014-15 as against 12.2% in 2013-14. The Eastern region has contributed around INR 14,325 million to the gross sales in 2014-15. The Eastern region share in gross revenue stands at 18% in 2014-15, and same as in 2013-14. It has registered growth rate of 6.5% in 2014-15 as against 10.4% in 2013-14.

The North Eastern region has contributed around INR 10,346 million in 2014-15. It has scripted a marginal increase in share to gross sales at 13% in 2014-15 from 12% in 2013-14. The region has exhibited an increase in the growth scenario at 15.4% in 2014-15 from 13.8% in 2013-14. While, the

¹ Annual Report 2015, World federation of Direct Selling Association (WFDSA).

² The figures used for gross sales in the Annual Survey 2014-15 refers to gross sales of Direct Selling Industry which is net sales plus direct and indirect taxes.

Western region has contributed around INR 12,733 million in 2014-15. The region's share in gross revenue stands at 16% in 2014-15 and registers no change against 2013-14. It has registered a growth rate of 6.4% in 2014-15 as against 11.4% in 2013-14.

The Southern region has contributed around INR 18,304 million in 2014-15. The region holds 23% share to gross sales of the industry in 2014-15 as against 25% in 2013-14. The growth of the region stands at (-) 1.8% in 2014-15 as against (-) 13.3% in 2013-14.

According to the survey, wellness/healthcare products have contributed largely to the gross sales of the organised Direct Selling Industry at 42% as a sequence to rising concern of health issues in our country. This is followed by beauty/cosmetics and personal care (34%), home ware and home improvements products (11%), consumer and household durables (7%) and others including food and beverages, agricultural products, ayurveda products, educational products, utilities, promotional items, etc. (6%).

The total tax paid by the IDSA Direct Selling Entities (member) amounts to INR 11,715 million in 2014-15 as against INR 10,631 million in 2013-14. The tax paid as reported by the IDSA Direct Selling Entities (member)

has increased to 10.2% in 2014-15 over 2013-14. The direct taxes have increased to INR 3,550 million in 2014-15 from INR 3,179 million in 2013-14. While indirect taxes have scaled up to INR 8,165 million in 2014-15 from INR 7,452 million in 2013-14.

Direct Selling industry has contributed phenomenally towards self-employment generation. According to the survey, the active Direct Sellers³ of the Indian Direct Selling Industry stands at 39,29,105 in 2014-15 as against 43,83,487 during 2013-14 representing a Y-O-Y growth of (-) 10.3%.

Rising incomes, urbanisation and a large population of youth have augmented unparalleled demand for consumer products and require effective and efficient channels of distribution. Direct Selling is one such business model which meets rapid changing demands of today's consumers. However, according to the survey, almost all the stakeholders of the Direct Selling industry are grappled with various issues such as uncertainty in policy, occurrence of fraudulent practises, quit of couple international companies, etc.

During the survey, Direct Selling Industry stakeholders have expressed the need for an urgent Government support in order to build an environment of confidence not only for

Direct Selling Entities but for Consumers too. In order to bring India's Direct Selling industry at par with global levels, creating a sustainable operating environment is required to reap multiple benefits that the industry has to offer. The survey reveals that most of the Direct Selling Entities appreciate the efforts taken by the state governments by issuing guidelines which is a step forward for the Indian Direct Selling Industry.

Direct Selling Industry has registered a modest recovery in 2014-15 as compared to the previous year. The survey has revealed that Direct selling Entities have expressed strong faith in Government for introducing unified act and regulation for Direct Selling at the earliest to gain growth momentum in the coming times. On the basis of growth perceptions of the Direct Selling Entities, the industry has the potential to enter double digit growth, going ahead, on account of strong legislation, reviving investments in economy and expanding consumer base across all segments of the economy. According to the survey, Direct Selling Entities have stated that the size of the industry is estimated to reach upto INR 1,53,026 million by 2019-20 on account of a conducive policy framework in our country.

³ Active Direct Sellers is defined as Direct Sellers who purchase products four times in a Financial Year.



The image features a hand in the bottom-left corner pointing towards a grid of glowing blue hexagons. The hexagons are arranged in a honeycomb pattern and have a bright white outline, giving them a 3D, illuminated appearance. The background is a blurred photograph of several people in business suits, suggesting a professional or corporate setting. The overall color palette is dominated by various shades of blue, from light sky blue to deep teal and navy blue.

*Global Outlook of
Direct Selling Industry*

1. Introduction

Direct Selling is defined as “face-to-face selling away from fixed brick and mortar stores”. Direct Selling typically includes home selling situations such as door-to-door solicitations, appointments, referrals and product parties, as well as catalogues and the Internet to disseminate information. It is one of the oldest modes of sales, and is similar to the traditional consumer goods retail model.

By design, Direct Selling firms rely more on the selling skills of their sales force than personal communications such as advertising. Direct sales people “are usually independent contractors, not employed with Direct Selling companies, and opportunities are open to persons from all backgrounds, experience levels, and personal characteristics. Clearly, direct

selling is a business activity of significant importance both in financial and human terms”.

Despite being the oldest method of commercial distribution known to mankind, Direct Selling is not so well understood. Frequently, Direct Selling is confused with undesirable manifestations like the Pyramid and Ponzi schemes. Major modes of Direct Selling include one-on-one selling at homes, workplaces, get-togethers and other locations which are not shops. 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 sales people recruit, train, and supervise

Direct Selling include one-on-one selling at homes, workplaces, get-together and other locations which are not shops

other direct sales people who become part of the recruiter’s organization. In return, the recruiting sales person receives compensation on the sales of organization members as well as on his or her sales. In a single level (SL) organization, the sales people 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.

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 changes.

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.



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

1.2 Global overview of the Direct Selling Industry

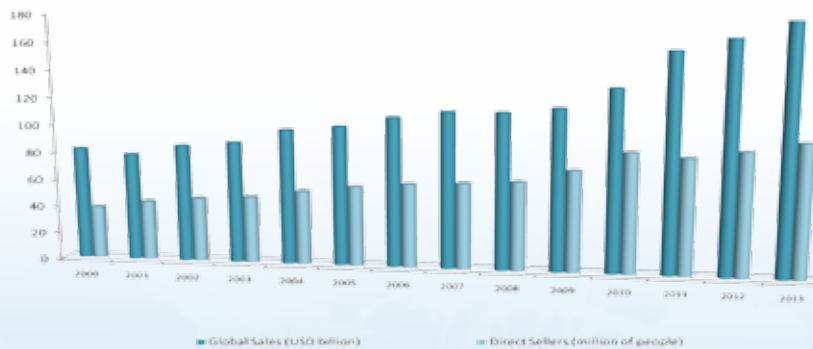
Direct Selling grew in the 1970s and 1980s and came into existence globally in the 1990s. The top markets representing the highest sales globally are United States of America (19%), China (17%) and Japan (9%). India's ranking⁴ in terms of

size of the sector deteriorated from 18th in 2009-2010 to 22nd in 2014-2015. Direct Selling accounted for more than USD 182 billion in retail sales globally in 2014 – a new sales record for the industry, registering a sales growth of 2.5%. Worldwide, more than 99 million entrepreneurs earned self-employment in Direct Selling in 2014 as compared to 39 million in 2000, registering an average growth rate of 7.1%. Despite being a booming

Direct Selling accounted for more than USD 182 billion in retail sales globally in 2014

industry, no specific levels of education, experience, financial resources or physical condition are required. All of these lights the stage for coming geographic shifts in market dominance.

Graph 1.1: Global Sales vis-a-vis Direct Sellers



Source: PHD Research Bureau, compiled from World federation of Direct Selling Association (WFDSA).
Note: Data Available on WFDSA as on August 31, 2015

Graph 1.2: 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 August 31, 2015

⁴ Annual Report 2015, World Federation of Direct Selling Association (WFDSA).

In terms of regional sales, the Asia Pacific region has recorded the highest sales with USD 81542 million in 2014, securing 44.6% share of the global sales (Table 1.1). Among the top countries with highest sales, the USA has scored the top most position with sales

at USD 34470 million in 2014, while Morocco stands at the lowest level with sales at USD 14 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 2014.

Asia Pacific region has recorded the highest sales with USD 81542 million in 2014, securing 44.6% share of the global sales

Table 1.1: The Global Direct Selling Industry

Parameter(s)	Unit	2014
Global market size	USD Million	1,82,823
Global Sales Growth	%	2.5
Highest regional share in global sales		Asia Pacific (1)
	%	44.6
Country wise –Top share in global market		USA
	%	18.85
Country with highest sales		USA
	USD Million	34,470
Country with Lowest sales		Morocco
	USD Million	14
Number of Direct Sellers		997,24,641

Source: PHD Research Bureau, compiled from World federation of Direct Selling Association (WFDSA). Note: Data Available on WFDSA as on August 31, 2015

Looking at the region wise sales of the GDSI for the year 2014, Asia - Pacific region has registered a growth of 5.12%. However, the Middle East region has recorded the lowest sales at USD 159 million registering a growth of almost 5% in 2014. The three regions, comprising Asia/Pacific, America and Europe capture almost 99%

of the global market sales registering positive growth rates except America, which has shown negative growth of 0.91%. Whereas, Africa and Middle East region captures market size of less than 1 percent registering negative growth rate at 3.35% in 2014 respectively.

The three regions, comprising Asia/Pacific, America and Europe capture almost 99% of the global market sales

Table 1.2: Region wise sales 2014

Region	Market size 2014 (USD mn)	Y-O-Y Growth 2014 (in %)	Market size 2014 (in %)
Asia /Pacific	81542	5.12	44.6
Americas	67431	-0.91	36.9
<i>comprising of North America</i>	36295	4.63	19.9
<i>comprising of South & Central America</i>	31136	-6.67	17.0
Europe	32609	3.13	17.8
<i>comprising of Western Europe</i>	24619	5.75	13.5
<i>comprising of Central & Eastern Europe</i>	7990	-4.20	4.4
Africa/ Middle East	1241	-3.35	Less than 1
<i>comprising of Africa</i>	1082	-4.42	Less than 1
<i>comprising of Middle East</i>	159	4.61	Less than 1

Source: PHD Research Bureau, compiled from World federation of Direct Selling Association (WFDSA).
Note: Data Available on WFDSA as on August 31, 2015

Globally, top ten countries share in global sales stands at 77.81% with USD 142261 million of sales in the year 2014. Among the top direct selling countries worldwide, United States, China and Japan have grown at a rate of 18.85%, 16.53% and 9.17% respectively capturing

approximately 45% of the GDSI sales. In terms of Direct Sellers, United States has the highest

number of Sales Personnel accounting for 18.25% of Global Direct Sellers, followed by Korea and Brazil in 2014.

Globally, top ten countries share in global sales stands at 77.81% with USD 142261 million of sales in the year 2014.

Table 1.3: Top 10 Direct Selling countries in world in 2014

Rank	Country	Sales (USD million)	% Share in Global Sales	Direct Sellers (2014)	% Share in Global Sellers
1	United States	34470	18.85	18200000	18.25
2	China	30217	16.53	na	Na
3	Japan	16774	9.17	3314000	3.32
4	Korea	16359	8.95	5978302	5.99
5	Brazil	13037	7.13	4495153	4.51
6	Germany	8915	4.88	414057	0.42
7	Mexico	7974	4.36	2200000	2.21
8	France	5335	2.92	572000	0.57
9	Malaysia	5300	2.90	4300000	4.31
10	United Kingdom	3880	2.12	544000	0.55
22	India	1174	0.64	43834876 [^]	4.40
	Global Total	182823	78.45	99724641	44.52

Source: PHD Research Bureau, compiled from World federation of Direct Selling Association (WFDSA)
Note: Data Available on WFDSA as on August 31, 2015, na stands for not available
[^]Annual Survey 2013-14 of Indian Direct Selling Industry

Globally, top ten Asian countries' share in global sales stands at 43% with USD 79498 million in the year 2014. Among the top Asian countries, China, Japan and Korea's share in global sales stood at 16.5%, 9.17% and 8.95% respectively capturing 35% of the GDSI sales. India's share in the top ten countries stands at just

0.64% with meagre sales of USD 1174 million highlighting the need for policy reforms and ease of doing business to remove bottlenecks. In terms of employment generation, Indonesia and Thailand offered highest number of self-employment opportunities at 11.74 and 11.00 million respectively in 2014.

Globally, top ten Asian countries share in global sales stands at 43% with USD 79498 million in the year 2014. Among the top Asian countries, China, Japan and Korea's capturing 35% of the GDSI sales.

Table 1.4: Top 10 Direct Selling countries in Asia in 2014

Rank	Country	Global Sales (USD Million)	Share in Global Sales (%)	Number of Direct Sellers
1	China	30217	16.53	-
2	Japan	16774	9.17	3314000
3	Korea	16359	8.95	5978302
4	Malaysia	5300	2.90	4300000
5	Taiwan	3241	1.77	3175000
6	Thailand	2759	1.51	11000000
7	Australia	1414	0.77	557355
8	Philippines	1191	0.65	4020000
9	India	1174	0.64	4383487^
10	Indonesia	1069	0.58	11743600
Total Global Sales		182823	43.48	48471744

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

Note: Data Available on WFDSA as on August 31, 2015

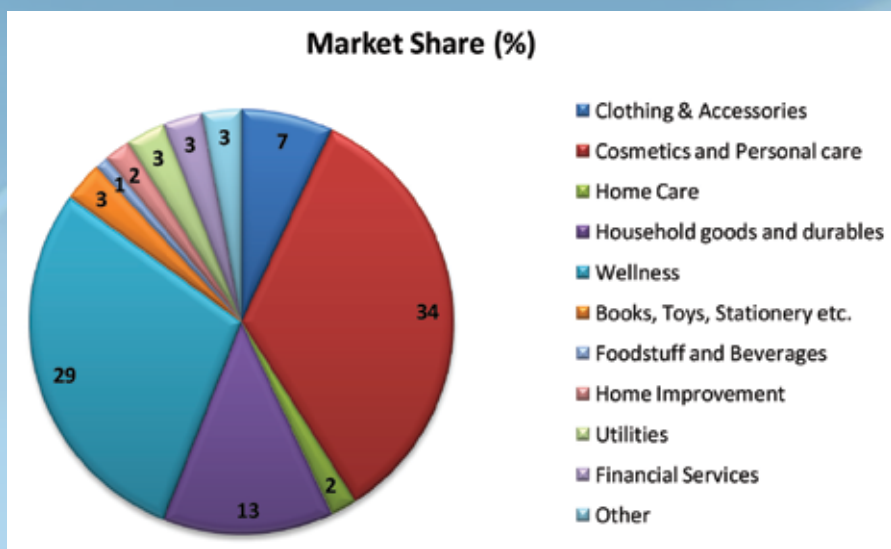
^Annual Survey 2013-14 of Indian Direct Selling Industry

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 Graph 1.3, GDSI markets more than 10 categories of products and

almost 83% of the sales were generated by the top four product categories namely cosmetics and personal care (34% share), wellness (29%), household goods and durables (13%) and clothing and accessories (7%) with sales at USD 151753 million in 2014.

83% of the sales were generated by the top four product categories namely cosmetics and personal care (34% share), wellness (29%), household goods and durables (13%) and clothing and accessories (7%)

Graph 1.3: Product wise sales for the year 2014 (% Share)



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

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 10800

million with a market share of 5.91% in the year 2014. The top ten companies have contributed to USD 45610 million sales and constitute around 25% of the global sales.

Amway stands at the top position registering sales of USD 10800 million with a market share of 5.91% in the year 2014.

Table 1.5: Top 10 Direct Selling companies in the world in 2015

2015 Rank	Company Name	2014 Revenue (USD Million)	% Share
1	Amway	10800	5.91
2	Avon	8900	4.87
3	Herbalife	5000	2.73
4	Mary Kay	4000	2.19
5	Vorwerk	3900	2.13
6	Natura	3200	1.75
7	Infinitus	2640	1.44
8	Tupperware	2600	1.42
9	Nu Skin	2570	1.41
10	JoyMain	2000	1.09
	Total	45610	24.95

Source: PHD Research Bureau, compiled from Direct Selling News, Note: Data Available on Direct Selling News as on August 23, 2015

In the BRICS economies, all countries are actively involved in trade through Direct Selling. Out of the 5 economies, China dominated with a major chunk of around 62.04% at USD 30,217 million during 2014 registering a growth rate of 10.5% followed by Brazil, having

accounted for 26.77% share with sales figure of USD 13,037 million in 2014 and a growth rate of (-) 8.11%. India has a market size of USD 1,174 million in 2014 registering (-)0.09% growth and its share in the BRICS economies stands at 2.41% in 2014.

In the BRICS economies, China dominated with a major chunk of around 62.04% at USD 30,217 million during 2014 registering a growth rate of 10.5%.

Table 1.6: BRICS Economies Direct Selling Sales (2014)

Country	Sales	Sales	Y-O-Y	Share in total
	2013 (USD million)	2014 (USD million)	Growth rate 2014 (In %)	BRICS economies 2014 (in %)
Brazil	14,188	13,037	-8.11	26.77
Russia	4,333	3,604	-16.82	7.40
India	1,175	1,174	-0.09	2.41
China	27,346	30,217	10.50	62.04
South Africa	720	676	-6.11	1.39

Source: PHD Research Bureau, compiled from World federation of Direct Selling Association (WFDSA).
Note: Data Available on WFDSA as on August 31, 2015

1.3. Global Regulations for Direct Selling Industry

WFDSA Code of Ethics

GENERAL

Scope

The Code contains sections entitled "Conduct for the Protection of Consumers," "Conduct Between Companies and Direct Sellers," and

"Conduct Between Companies." These three sections address the varying interactions across the spectrum of direct sales. The Code is designed to assist in the satisfaction and protection of Consumers, establish industry standards within the framework of free enterprise and enhance the public image of Direct Selling.

Conduct for the protection of Consumers

Self-Regulation

This Code is not law, but its

obligations require a level of ethical behavior from Companies and Direct Sellers which conforms with or exceeds applicable legal requirements. Non-observance of this Code does not create any civil law responsibility or liability. With termination of its membership in DSA, a Company is no longer bound by this Code. However, the provisions of this Code remain applicable to events or transactions that occurred during the time a Company was a member of DSA.

Local Regulations

Companies and Direct Sellers must comply with all requirements of law in any country in which they do business. Therefore, this Code does not restate all legal obligations; compliance by Companies and Direct Sellers with laws that pertain to Direct Selling is a condition of acceptance by or continuing membership in DSA and Direct Sellers with laws that pertain to Direct Selling is a condition of acceptance by or continuing membership in DSA.

Identification

At the initiation of a sales presentation, Direct Sellers shall, without request, truthfully and clearly identify themselves; the identity of their Company; the nature of their Products; and the purpose of their solicitation to the prospective Consumer.

Explanation and Demonstration

Direct Sellers shall offer Consumers accurate and complete Product explanations and demonstrations regarding price and, if applicable, credit terms; terms of payment; a cooling-off period, including return policies; terms of guarantee; after-sales service; and delivery dates.

Literature

Promotional literature, advertisements and mailings shall not contain Product descriptions, claims, photos or illustrations that are deceptive or misleading. Promotional literature shall contain the name and address or telephone number of the Company and may include the telephone number of the Direct Seller.

Conduct toward Direct Sellers

Direct Sellers' Compliance

Companies shall require their Direct Sellers, as a condition of membership in the Company's distribution system, to comply with the standards of this Code.

Recruiting

Companies shall not use misleading, deceptive or unfair recruiting practices in their interaction with prospective or existing Direct Sellers.

Business Information

Information provided by Companies to prospective or existing Direct Sellers concerning the opportunity and related rights and obligations shall be accurate and complete. Companies shall not make any factual representation to a prospective Direct Seller that

cannot be verified or make any promise that cannot be fulfilled.

Relationship

Companies shall provide to their Direct Sellers either a written agreement to be signed by both the Company and the Direct Seller or a written statement, containing all essential details of the relationship between the Direct Seller and the Company. Companies shall inform their Direct Sellers of their legal obligations, including any applicable licenses, registrations and taxes.

Termination

If requested upon termination of a Direct Seller's relationship with a Company, Companies shall buy back any unsold, re-saleable Product inventory, promotional material, sales aids and kits, purchased within the previous twelve months and refund the Direct Seller's original cost, less a handling charge to the Direct Seller of up to 10% of the net purchase price. The Company may also deduct the cost of any benefit received by the Direct Seller based on the original purchase of the returned goods.

Inventory

Companies shall not require or encourage Direct Sellers to purchase Product inventory in

unreasonably large amounts. Companies shall take reasonable steps to ensure that Direct Sellers who are receiving compensation for down line sales volume are either consuming or reselling the Products they purchase in order to qualify to receive compensation.

Direct Seller Training

Companies shall provide adequate training to enable Direct Sellers to operate ethically.

Conduct between companies

Interaction

Member Companies of DSA shall conduct their activities in the spirit of fair competition towards other members.

Enticement

Companies and Direct Sellers shall not systematically entice or solicit Direct Sellers of another Company.

Code Enforcement

Administrator DSA shall appoint an independent person or body as Code Administrator. The Code Administrator shall monitor Companies' observance of this Code by appropriate actions and shall be responsible for complaint handling and a set of rules outlining the process

of complaint resolution. The Code Administrator shall settle any unresolved complaints of Consumers based on breaches of this Code.

Complaint Handling

DSA and the Code Administrator shall establish, publicize and implement complaint handling procedures to ensure prompt resolution of all complaints. Companies shall also establish, publicize and implement complaint handling procedures under their individual complaint handling processes to ensure prompt resolution of all complaints.

Publication

All Companies are required to publicize DSA's Code of Ethics to their Direct Sellers and consumers.

1.4. Corporate Social Responsibility of the Direct Selling Industry

Being a successful global industry, Direct Selling Entities immensely contributes to the lives of millions of people around the world, giving back to the communities, in form of Corporate Social Responsibility.

More than four in five direct selling companies (83 percent) have corporate social responsibility activities, based on a WFDSA survey of 54 companies.

Four in five Direct Selling companies (83%) have actively undertaken Corporate Social Responsibility (CSR) activities, based on a WFDSA survey of 54 companies⁶. Many people benefit from the philanthropy of the Direct Selling industry. In the year 2014, about 4.8 million people around the world have benefited from corporate support to charitable/philanthropic causes from 22 companies. Nine companies reported that 126,000 people benefited in 2014 from the charitable/philanthropic causes supported by their Direct Sellers.

Though, people from almost all age group and gender benefit from the philanthropic activities from Direct Selling Industry, it is the women and children who benefitted the most

While 47% of companies give prime focus to child related issues, 17% pay special attention to issues related to women. Placed in a tabular format are a few CSR activities supported by the Direct Selling Industry.

Table 1.7: Corporate Social Responsibility of the Direct Selling Entities

Company	Philanthropy activity	Action/ deliverables
Amway	Child nutrition	Guinness World Record in fighting child malnutrition
Oriflame	Child Initiatives	Sponsor of the World Childhood Foundation
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
Shaklee	Child nutrition	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

Table 1.8: Socioeconomic impact of Direct Selling on top 6 countries 2014

Country	Retail Sales	No. of Direct Sellers	Top Selling Products (% Share)	Gender Representation in total workforce (% share)
USA	USD 34.47 billion	18.2 million people	Wellness- 30 Cosmetics and personal care- 17 Household goods and durables- 15	Female- 74.4 Male- 25.6
Japan	USD 16.7 billion	3.3 million	Wellness- 28 Cosmetics and personal care- 30 Household goods and durables- 25	Female- 77 Male- 23
China	USD 30.21 billion	Na	Data not available	Female- 74.4 Male- 25.6
Korea	USD 16.35 billion	5.9 million	Wellness- 38 Cosmetics and personal care- 24 Household goods and durables- 13	Female- 74 Male- 26
Brazil	USD 13.03 billion	4.4 million	Wellness- 7 Cosmetics and personal care- 84 Household goods and durables- 4	Female- 90 Male- 10
India	USD 1.17 billion	4.3 million	Wellness- 44 Cosmetics and personal care- 33 Household goods and durables- 6	Female*- 58.3 Male- 41.7

Source: PHD Research Bureau, compiled from Direct Selling News and World federation of Direct Selling Association (WFDSA). Note: Data Available on Direct Selling News as on September 25, 2015, DSI= Direct Selling Industry.

*Annual Survey 2013-14 of Indian Direct Selling Industry







*The Indian
Direct Selling Industry*

2. The Indian Direct Selling Industry: An overview

Direct Selling in India has emerged as a low investment entrepreneurial opportunity for masses to the idea of building their own business at their own pace and operating it on their own terms. It has been witnessed over the years that individuals are engaging in large numbers owing to the benefits the industry offers in terms of free enterprise system, low cost of entry, minimal risk, opportunity to earn supplementary income, training and development programmes, etc.

The concept of Direct Selling has become popular over the years

as it offers ability to experience the product first-hand by the consumers generally in their homes, at their workplace or at places other than the retail locations through demonstration and explanation of products by a Direct Seller.

Direct Selling provides an excellent platform for entities with innovative or distinctive products not readily available in traditional retail stores, or who cannot afford to compete with the enormous advertising and promotion costs associated with gaining space on retail shelves. Direct Selling enhances the retail distribution infrastructure

Dynamic, vibrant, offers self-employment opportunities and expanding channel of distribution for the marketing of products and services directly to consumers

of the economy, and serves consumers with a convenient source of quality products.

In terms of gender-parity, Direct Selling industry plays a critical

2.1 Retailing

Indian retail sector is one of the fastest growing markets in the world providing a wide range of goods and services. With growing economy, burgeoning consumerism, increasing disposable incomes, changing demographic profile and consumer tastes and preferences, various store and non-store retail formats have evolved to cater to the growing retail sector in India. Further, innovations in financing, such as, introduction of easy modes of payments by financial institutions are facilitating consumers to go for durable products with easy credit facilities.

Retail in India: Triggering Investments, innovations and efficient distribution system

According to 2015 Global Retail Development Index (GRDI), India's GRDI score has risen to 15th rank amongst 30 developing countries for retail investment on account of strong prospects of future growth prospects. The report states that India's retail market is expected to grow to USD 1.3 trillion by 2020 and GDP is expected to grow at 8% over the next three years, making India the world's fastest growing major developing market.

The growing Indian retail market has attracted a large number of international retailers. E-commerce in India stands at around USD 4 billion with recording an impressive growth of about 27% in 2014, according to 2015 GRDI report. The market carries a large potential

India's GRDI score rises to 15th rank amongst 30 developing countries for retail investment.

India represents a good opportunity for international retailers for attractive investment opportunities on the cusp of strong growth potential, rising consumer expenditure and expanding online retailing.

as this segment remains 0.5% of total retail market in India. Therefore, internet penetration and infrastructure needs to be improved significantly in the



coming times.

In India, retailers are experimenting with various formats of retailing as each format type has its brand and customer loyalty. At the same time it is offering differing success rates to the owners. Presently, Indian retail comprises the unorganized small and medium retailers which are slowly changing into a more organised form of retailing. Classification for retail formats enables firms to understand better and enact their own strategies regarding fulfilling organizational mission, choosing an ownership alternative, defining the goods/service category and setting objectives.

Direct Selling: One of the fastest emerging non-store retail formats

Each Retail formats has its own brand and customer loyalty

Store Retailing : Kirana stores, hawkers, grocers, department stores, discount stores, malls, supermarkets, convenience stores, specialty stores, warehouse retailers, hypermarkets, etc.

Non-Store Retailing: Direct Selling and E-commerce

Keeping in view the today's competitive environment, businesses are not only tapping store based format of retailing but also non-store formats in order to reach the larger sections of the society. Further,

in order to tap the tech-savvy consumers, retailers are experimenting with various models of distribution, such as Direct Selling, e-commerce and home shopping to do away with high cost of retail store set-up, space constraints, improve sales productivity and cut operating costs associated with the usual brick and mortar stores. The fact that online shopping has become indispensable in Indian homes with the growing popularity and usage among our young population is an indication of changes to follow.

Direct Selling is one such non store retail format which offers an alternate shopping experience at one's ease away from fixed location and face to face selling.

2.2 Direct Selling classification

According to United Nations Central Product Classification (UNCPC) Version 2 (code 624) Direct Selling is classified under non-store retail⁵ format and is defined as a method of consumer product and services distribution via sales in a person-to-person manner, away from a fixed retail location primarily through independent salespeople and distributors who are compensated for their sales and for their marketing and promotional services, based on the actual use or consumption of such products or services.

According to the Division 47 Group 479 in National Industrial Classification (NIC), 2008, direct sales or door-to-door sales persons is classified under other retail sale not in stores, stalls or markets⁶

Division 47 : Retail trade, except of motor vehicles and motorcycles

Group 479: Retail trade not in stores, stalls or markets

United Nations Central Product Classification (UNCPC) Version 2 (code 624) : Direct Selling under non-store retail format

According to the Division 47 Group 479 in National Industrial Classification (NIC), 2008, direct sales or door-to-door sales persons is classified under other retail sale not in stores, stalls or markets

4791--Retail sale via mail order houses or via Internet

Retail sale activities in this class, the buyer makes his choice on the basis of advertisements, catalogues, information provided on a website, models or any other means of advertising. The customer places his order by mail, phone or over the Internet (usually through special means provided by a website). The products purchased can be either directly downloaded from the Internet or physically delivered to the customer.

47911--Retail sale via mail order houses

47912 -- Retail sale via e-commerce

4799--Other retail sale not in stores, stalls or markets

This class includes retail sale of any kind of product in any way that is not included in previous classes (by direct sales or door-to-door sales persons, through vending machines etc.), direct selling of fuel (heating oil, fire wood etc.), delivered directly to the customers premises, activities of non-store auctions (retail), retail sale by (non-store) commission agents This class excludes: - delivery of products by stores.

47990--Other retail sale not in stores, stalls or markets

In India, Indian Direct Selling Association (IDSIA) defines "Direct Selling means the marketing of consumer products/services directly to the consumers generally in their homes or the homes of others, at their workplace and other places away from permanent retail locations, usually through explanation or demonstration

⁵ Socio-Economic Impact of Direct Selling : Need for Policy Stimulus, ICRIER

⁶ National Industrial Classification, 2008, Central Statistical Organisation, Ministry of Statistics and Programme Implementation, Government of India

of the products by a Direct Seller”

Department of Industrial Policy and Promotion (DIPP) classifies Direct Selling under wholesale trade⁷ for the purpose of FDI inflows. According to the recent consolidated FDI policy by Ministry of Commerce and Industry, Government of India, FDI in Cash & Carry Wholesale Trading / Wholesale Trading (including sourcing from MSEs) is allowed at 100% under automatic route.

2.3 Indian economy and Direct Selling at a glance

Indian economy is becoming resilient and promising supported by the policy reforms of the new government. The new initiatives of the government have boosted investment and growth scenario in the economy. Relaxation in FDI policies, enhancement in FDI limits in insurance and defence, launch of eBiz platform, Jan Dhan Yojana, development of

100 smart cities, launch of a user friendly Indian Trade Portal, relaunch of Kisan Vikas Patra Scheme, reforming archaic labour laws, are some of the initiatives that have given a major push to the growth of economy along with some path breaking campaigns such as Digital India, Land Acquisition Bill, Micro Units Development and Refinance Agency Bank (MUDRA Bank), Bandhan Bank, Clearing mines and minerals bill and launch of the ‘Make In India’ campaign which has boosted the domestic manufacturing and has rejuvenated the investment sentiments across the country.

The revival of India’s growth scenario is well accredited

by various international organizations such as IMF, World Bank, United Nations, among others. The Asian Development Bank has projected India to grow by 7.8% in 2015-16 and is expected to overtake China in the coming times. Our Hon’ble Finance Minister in his Budget speech for 2015-16 has projected economy to grow between 8% to 8.5% during 2015-16.

Going ahead, Indian Direct Selling Industry is also expected to grow hand in hand with expansion of Indian economy provided the sector is supported with a conducive policy environment.

Table 2.1 Indian Direct Selling Industry: Key Facts

Particulars	2014-15
Gross Sales (INR million)	79,583
Share in India’s GDP (%)	0.06
Growth of Gross Sales (%)	6.5
Direct Sellers	39,29,105
Per capita revenue generation yearly (INR)	20,254

Source: PHD Research Bureau, compiled from various sources

⁷ Consolidated FDI Policy (12 May 2015), Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India

3. Objectives of the study



Direct Selling Industry annual survey 2014-15 focuses to understand the growth dynamics of the Direct Selling Industry in India from the perspective of entities involved in manufacturing and selling. In addition, 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
- Study the emerging trend in gross sales in the Direct Selling Industry in India
- Understand the extent of geographical penetration and product diversification of the Direct Selling Industry of India.
- Know the production and current year market strategies
- Analyse the perspective of consumers on Direct Selling and its products
- Analyse the critical success factors and sensitivities of the Direct Selling Industry
- Assess the growth outlook, going forward.

4. Research methodology

The present study focuses on to analyse Indian Direct Selling Industry's growth, prospects and important issues both from Direct Selling Entities and consumers perspectives. The key activities to conduct the survey for the year 2014-15 were initiated in July 2015 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

Both primary and secondary data sources have been taken into consideration. Qualitative and quantitative methods have both been used. In addition, a detailed study of various issues of IDSA newsletter was undertaken along with documents like project reports of companies, feasibility reports and organisational announcements.

Inferences regarding gross sales⁸ 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 present year. In addition, total taxes paid by the IDSA (member) Direct Selling Entities have been calculated on the basis of inputs received from questionnaire on the amount paid as direct and indirect taxes by them.

⁸ Two 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.

Mode of data collection



4.2 Data collection technique

In case of Direct Seller Entities' survey systematic sampling technique was used in which the Direct Selling Entities were chosen on the basis of past experience and data available

with the PHD Chamber. However, in case of consumers' survey, random sampling technique was used where respondents were chosen randomly across various cities.

Table 4.1: Process of data collection

Questionnaire	Technique	Description	No. of respondents
Direct Selling Entities	Systematic Sampling ⁹	Direct Selling Entities across product categories and services in India was identified and an exhaustive list was prepared.	29
Consumers	Random sampling: Equal Probability of Selection Method of Sampling ¹⁰	Responses were received from cities including Aizwal ,Ambala, Amritsar, Allahabad, Agartala, Baroda, Bengaluru, Bhopal, Bhubaneshwar, Bhiwani Bokaro, Chennai, Chandigarh, Cochin, Coimbatore Delhi, Dehradun, Dimapur, Daman, Faridabad, Gurgaon, Gwalior, Gangtok, Guwahati, Gandhinagar, Hyderabad, Itanagar, Indore, Imphal, Jaipur, Jalandhar, Jorhat, Kolkata, Kavaratti, kohima, Ludhiana, Lucknow, Mumbai, Muzaffarpur, Patiala, Pune, Patna, Port Blair, Panchkula, Puducherry, Ranchi, Shimla, Silvassa, Surat, Sriganga Nagar, Shillong, Panaji, Thanjavur, Thiruvananthapuram, Udaipur and Vadodara 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.	4,158

Source: PHD Research Bureau

Notes: States and Cities name are given in alphabetical order

⁹ It is used in those cases where a complete list of population from which the sample is to be drawn is available.

¹⁰ In 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 is emerging as a growing non-store retail format in India by offering decent earning income opportunities, promoting entrepreneurship, skill development, contributing to the exchequer, encouraging women empowerment, promoting technological development and at the same time offering greater choices to the consumers. It also contributes to employment generation in our economy through manufactures and other service providers involved in the overall value chain of the industry.

5.1 Sample Selection

Keeping in view its noteworthy contribution to socio-economic parameters of our economy, it is imperative to study the state of affairs of Direct Selling in terms of its gross sales, market penetration, product composition, sales method and promotional tools, contribution to exchequer, empowerment of Direct Sellers, contribution to CSR, qualitative inputs regarding policy milieu, current challenges faced by the industry and its possible solutions. PHD Research Bureau has received a total 29 responses from Direct Selling Entities including both IDSA members¹¹ (14) and non IDSA members (15). The responses received from them have been put together and inferences drawn based on the aggregation are represented in terms of averages and percentages.

5.2 Characteristics of the sample

The survey revealed that Direct Selling Entities manufacture broadly 5 product categories, of which the largest share belongs to wellness/ healthcare at 82%, followed by beauty/ cosmetics and personal care¹² at 73%, others¹³ at 70%, homecare/ home-ware and home improvement¹⁴ at 67% and consumer and household durables¹⁵ at 32%.

Graph 5.1 Product wise category coverage among Direct Selling Entities (% share)



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2014-15, Note: Others include Food and Beverages, Agricultural products, ayurveda products, educational products, utilities, promotional items, etc., Note: Figures includes multi-category production Direct Selling Entities

¹¹ 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.

¹² Color cosmetic, skin care products, hair-care products, Clothing, lingerie, sleepwear, shoes, fashion jewellery, fashion watches, accessories & personal items

¹³ Others include Food and Beverages, Agricultural products, ayurveda products, educational products, utilities, promotional items, etc

¹⁴ 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

¹⁵ 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

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

On account of various issues impeding future growth of Direct Selling Industry in India such as lack of regulatory clarity, definitional issues, absence of defined law or act coupled with fraudulent practices have impacted the confidence of genuine Direct Selling Entities in our country. However, according to the survey, respondents have expressed their strong expectation from Government to formulate and implement a unified act throughout the country at the earliest.

Indian economic outlook has been stabilizing and lead economic indicators have been gathering pace on the account of various reforms undertaken by the Government in the recent times that have created the scope for rejuvenating India's

Direct Selling Entities expressed Strong faith in Government for introducing unified act and regulation at the earliest

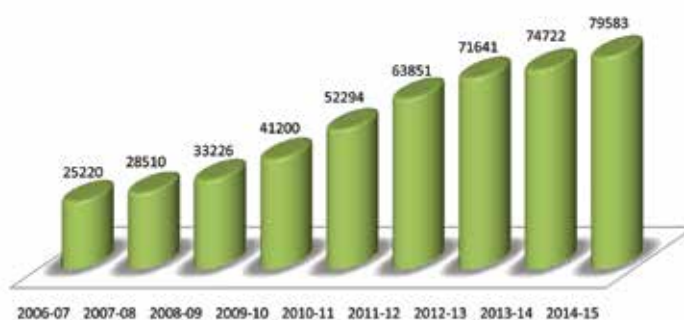
growth story. The reforms have laid greater emphasis in the area of facilitating industrial and business environment and simplifying policies and procedures, promoting foreign direct investments, boosting growth of MSMEs, taming price pressures, infrastructure development, promoting financial inclusion and improving governance.

Although, our country has witnessed an improvement in overall sentiments in the economy on account of various reforms introduced by the Government, Direct Selling Entities have not been able

Indian Direct Selling Gross sales revenue at INR 79,583 million in 2014-15 with a Y-O-Y growth of 6.5%

to embark impressive growth during 2014-15 as stakeholders are persistently struggling with regulatory bottlenecks. The gross sales¹⁶ by the Direct Selling Industry stands at INR 79,583 million in 2014-15 as against INR 74,722 million in 2013-14. The Direct Selling Industry has registered growth rate of about 6.5% in 2014-15 as compared to 4.3% in 2013-14.

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 2014-15

¹⁶ The figures used for gross sales in the Annual Survey 2014-15 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 in India during recent years (INR Mn)

Category	YOY growth 2014-15 (in %)	2014-15	YOY Growth 2013-14 (in %)	2013-14	YOY growth 2012-13 (in %)	2012-13	2011-12
Member	8.2	50,668	6.3	46,833	16.9	44,059	37,672
Non-Member	3.7	28,915	1.1	27,889	5.4	27,582	26,179
Total	6.5	79,583	4.3	74,722	12.2	71,641	63,851
Organised sector	7.2	75,286	4.5	70,239	14.4	67,199	58,743
Unorganised sector	(-) 4.1	4,297	0.9	4,483	(-) 13.0	4,442	5,108

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2014-15.
Data for other financial years pertains to IDSA Annual Surveys since FY2012

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

Category	YOY growth 2014-15 (in %)	2014-15	YOY Growth 2013-14 (in %)	2013-14	YOY growth 2012-13 (in %)	2012-13	2011-12
Member	7.1	829.7	(-) 4.42	774.09	2.9	809.9	786.5
Non-Member	2.6	473	(-) 9.07	460.98	(-) 7.2	507	546.5
Total	5.4	1,302	(-) 6.21	1,235.07	(-) 1.2	1316.9	1,333.0
Organised sector	6.1	1,231.37	(-) 6.01	1160.98	0.7	1,235.2	1,226.4
Unorganised sector	(-) 5.2	70.28	(-) 9.30	74.10	(-) 23.4	81.7	106.6

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2014-15
Note: Average Exchange rate for 2011-12 is 47.9 INR/USD, for 2012-13 is 54.4 INR/USD, for 2013-14 is 60.5 INR/USD and for 2014-15 is 61.14 INR/USD

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

Category	YOY growth 2014-15 (in %)	2014-15	YOY Growth 2013-14 (in %)	2013-14	YOY growth 2012-13 (in %)	2012-13	2011-12
Member	13.3	653.6	(-) 8.2	576.76	9.8	628.5	572.5
Non-Member	8.6	373	(-) 12.7	343.46	(-) 1.1	393.5	397.9
Total	11.6	1026.6	(-) 9.96	920.22	5.3	1022	970.4
Organised sector	12.3	971.2	(-) 9.76	865.01	7.4	958.6	892.8
Unorganised sector	0.4	55.43	(-) 12.92	55.21	(-) 18.3	63.4	77.6

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2014-15
Note: Average Exchange rate for 2011-12 is 65.8 INR/ Euro, for 2012-13 is 70.1 INR/ Euro, for 2013-14 is 81.2 INR/Euro and for 2014-15 is 77.52 INR/ Euro

5.4 Growth pattern of Direct Selling Industry

The growth scenario of Direct Selling Industry has picked up marginally in 2014-15 on revival of sentiments in the economy supported by measures undertaken by the Government to refuel growth scenario, facilitate business environment,

boost consumer demand and curb price pressures. However, high costs of doing business, stricter registration norms, lengthy product approval procedures, erosion of confidence due to lack of proper regulatory framework,

impact of fraudulent practices in recent times, lack of awareness and proper communication infrastructure have resulted in hindering growth of Direct Selling.

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

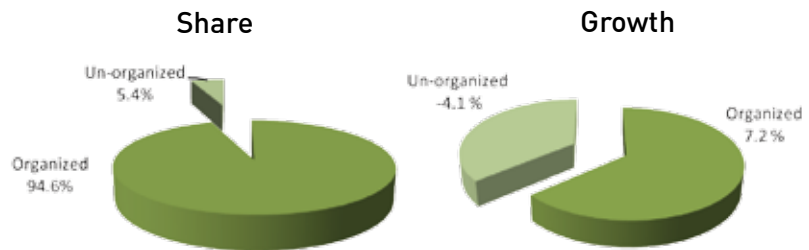


Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2014-15



The survey has revealed that Direct Selling Entities under organized sector¹⁷ contributed to 94.6% to the gross sales of Direct Selling Industry, marking a growth of 7.2%. On the other hand, Direct Selling Entities in unorganized market, contributed to 5.4% of gross sales of Direct Selling Industry, growing at about (-)4.1% in 2014-15.

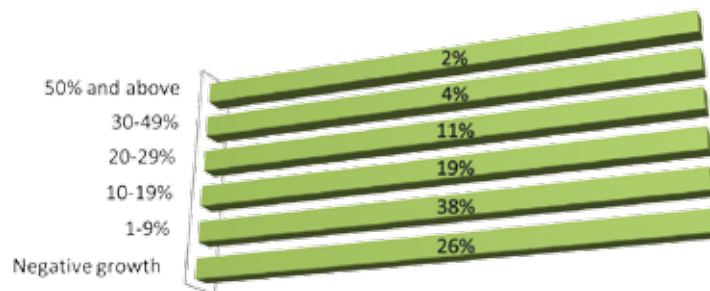
Graph 5.4: Share and growth of organized and unorganized players (%)



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

According to the survey, nearly 36% of the Direct Selling Entities have grown at double digit rates in 2014-15. About 19% of Direct Selling Entities have grown at 10-19%, 11% of them growing at 20-29%, 4% of them growing in the range of 30-49% and 2% growing at 50% and above. However, about 26% of Direct Selling Entities witnessed negative growth in 2014-15 mainly attributed to the factors such as uncertainty and ambiguity in policy milieu and occurrence of fraudulent practices under the garb of Direct Selling which is impacting the confidence of genuine Direct Selling players.

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



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

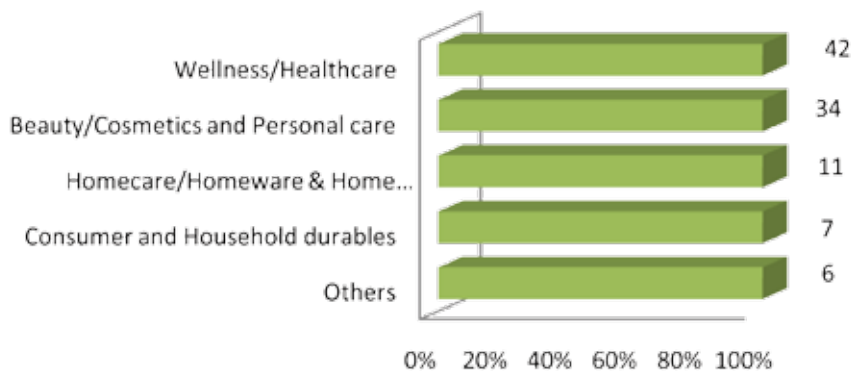
Different levels of growth attributed to sales methods, promotional policies, discounts and concessions, target consumer group, products, competitiveness, etc

¹⁷ 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.

5.5 Product composition in gross sales of Direct Selling

According to the survey, inclination towards health wellness/healthcare products has increased significantly in the recent times. It is followed by beauty/cosmetics and personal care products (34%), home ware and home improvements products (11%), consumer and household durables (7%) and others (6%).

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



Wellness/
Healthcare
contributes a
lion's share in
sales revenue
of Direct
Selling

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2014-15 Others food and beverages, agricultural products, ayurveda products, educational products, utilities, promotional items, etc.

5.6 Geographical segmentation-- Region wise share in gross sales

Direct Selling entities have been spreading their operations to various parts of the country in the recent times as people are slowly and gradually accepting this form of channel of distribution and results in expanding the penetration of Direct Selling Businesses across various parts of the country. During 2014-15, Northern region²⁰ has contributed largest share in the gross sales revenue of Direct Selling at 30%, followed by Southern region at 23%, Eastern region (18%), Western region (16%) and North Eastern region at (13%).



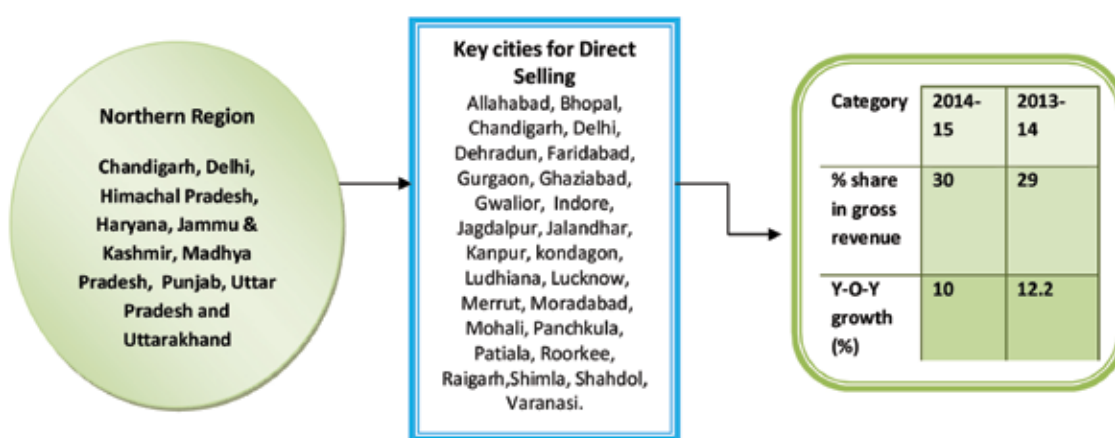
²⁰ Northern regional includes central state of Madhya Pradesh. Panchukula is representing views of the state of Haryana, Chandigarh and Punjab.
- India's map showing resion wise share of Direct Selling gross sales is only for pictorial representation and is not related to political areas

Northern Region

The survey has revealed that the Northern region has contributed around INR 23,875 million to the gross sales in 2014-15. The region has scripted marginal increase in share to gross sales

at 30% in 2014-15 from 29% in 2013-14 and has registered growth rate of 10% in 2014-15 as against 12.2% in 2013-14. According to the survey, the Direct Selling Entities are very

optimistic about this region and opined that if proper regulatory framework is introduced, the region has potential to register greater success in the coming times.



Notes: States and Cities names are given in alphabetical order

Eastern Region

The survey has revealed that the Eastern region has contributed around INR 14,325 million to the gross sales in 2014-15. The Eastern region's share in gross revenue stands at 18% in 2014-

15, and same as in 2013-14. It has registered growth rate of 6.5% in 2014-15 as against 10.4% in 2013-14. Direct Selling Entities have responded that there is a need to explore

this region more with help of conducive policy environment and better infrastructure.



Notes: States and Cities names are given in alphabetical order

North Eastern Region

According to the survey, the North Eastern region has contributed around INR 10,346 million in 2014-15. The North Eastern region has scripted a marginal increase in share to

gross sales at 13% in 2014-15 from 12% in 2013-14. The region has exhibited an increase in the growth scenario at 15.4% in 2014-15 from 13.8% in 2013-14. The survey has

revealed that this region holds strong potential in contributing significantly to Direct Selling business in the near future.



Notes: States and Cities names are given in alphabetical order

Western Region

The survey has revealed that the Western region has contributed around INR 12,733 million in 2014-15. The region's share in

gross revenue stands at 16% in 2014-15, without registering a change compared to 2013-14. It has registered a growth rate

of 6.4% in 2014-15 as against 11.4% in 2013-14.



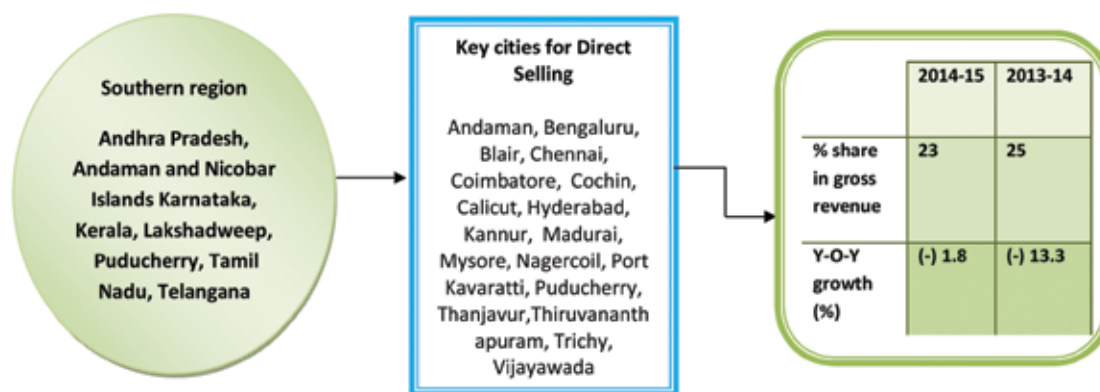
Notes: States and Cities names are given in alphabetical order

Southern Region

The survey has revealed that the Southern region has contributed around INR 18,304 million in 2014-15. The region accounted for 23% share to gross sales of the industry in 2014-15 as against 25% in 2013-14. The growth of the region stands at

(-) 1.8% in 2014-15 as against (-) 13.3% in 2013-14. It is the most established market for Direct Selling in India, however, the concentration of sales of Direct Selling Industry in the Southern region has started shifting to the other regions

of the country. The confidence of not only Direct Selling Entities but consumers too has shaken due to occurrence of fraudulent practices and some unfortunate incidents of harassment in the recent times.



Notes: States and Cities names are given in alphabetical order

5.7 Ranking of the cities

As per the survey, Delhi & NCR has been ranked the most attractive market followed by Bengaluru, Mumbai, Jaipur and Ludhiana in 2014-15.

Table 5.4: Ranking of cities: Top ten

Rank	City-2014-15	City-2013-14
1.	Delhi & NCR	Bengaluru
2.	Bengaluru	Delhi
3.	Mumbai	Ludhiana
4.	Jaipur	Mumbai
5.	Ludhiana	Jaipur
6.	Chennai	Chennai
7.	Lucknow	Lucknow
8.	Hyderabad	Hyderabad
9.	Guwahati	Bhopal
10.	Kolkata	Ahmedabad

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2014-15 and 2013-14

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 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.

5.8 Product expansion

During 2014-15, Direct Selling Entities on an average have introduced around 5 new products/ variants as compared to about 3 new products/ variants during 2013-14. The survey has revealed that Direct Selling has been considered by its stakeholders as one of the

strong channels of distribution for expanding their production as well as diversification of existing products. Further, most of the Direct Selling Entities have reported that their product expansion activities have been impacted by the Food Safety and Standards Authority of

India (FSSAI) policy norms. Delayed approvals from them have affected adversely the companies which were unable to introduce new products and the sourcing of existing products has become a major challenge.

Table 5.5: Product expansion (average)

Product expansion	2014-15	2013-14
New products/expansion	5	3

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2014-15 & 2013-14

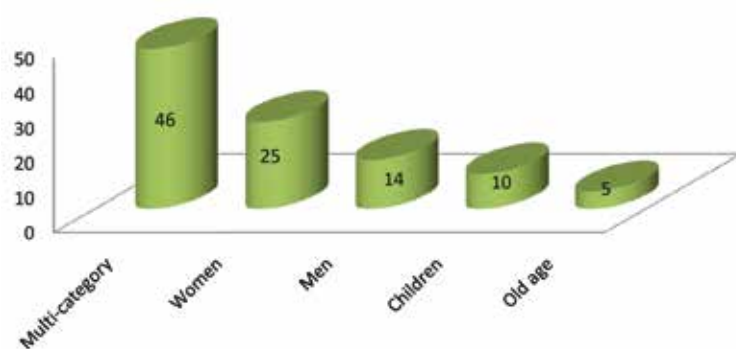
5.9 Population segmentation in manufacturing

The survey has revealed that nearly 46% of Direct Selling Entities surveyed manufacture or design products that fulfil requirement of various sections of society like men, women, children, as well as old age members. Around 25% of Direct Selling Entities, manufacture products which are utilized by

women, including cosmetics, kitchenware, home care, skin care, hair care, jewellery among others, while 14% Direct Selling

Entities manufacture products for men, 10% of products cater to children and 5% 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 2014-15

Multi category products largely produced by Direct Selling Entities

5.10 Direct Selling Industry and MSME

Indian Direct Selling Industry has contributed largely to the growth of India's MSME sector by way of outsourcing their manufacturing process to these enterprises in order to produce products domestically. The survey has revealed that the Direct Selling Entities' import nearly about 30% of the total produce and the remaining 70% is produced through contract

manufacturing particularly through MSMEs in India. Therefore, the demand for MSMEs in India, who are offered manufacturing contracts by the Direct Selling Entities, is rising, and so the former are upgrading their manufacturing facilities by expanding quality control mechanisms for on time delivery of orders etc.

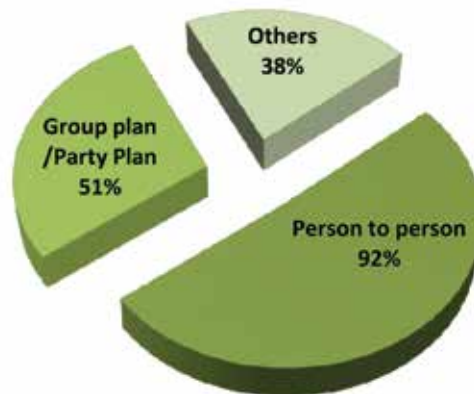
Direct Selling has the potential to trigger the growth of MSMEs as they outsource their manufacturing to MSMEs and enhances employment too.

5.11 Sales method of Direct Selling Entities

The survey has revealed that Direct Selling Entities mostly adopt multiple modes of selling during 2014-15; however, person to person method continues to be the predominant way of Direct Selling distribution channel.

Nearly 92% of the Direct Selling Entities used person to person sales method for selling their products. On the other hand, nearly 51% of the Direct Selling Entities opted for group plan/party plan sales method while around 38% 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 2014-15
Note: Direct Selling Entities have opted for more than one method of selling

5.12 Research and Development

According to the survey, Direct Selling Entities have invested around 3% of their gross sales for research & development during 2014-15. Direct Selling

entities have appreciated the significant role of research & development for not only the growth of the overall industry but also serving consumers in

a better way. Further, almost all the Direct Selling Entities offer 100% money back policy even if the products are used.

5.13 Contribution to exchequer

The IDSA Direct Selling Entities (member) pay varying levels of taxes¹⁸ including corporate tax, sales tax/ value added tax, customs and excise duty, octroi etc, inter- state manufacturing and selling of products. The percentage of total taxes including both direct and indirect taxes in gross sales by the IDSA Direct Selling Entities have increased to 23.1% in 2014-15 from 22.7% in 2013-14.

The total tax paid by the IDSA Direct Selling Entities (member) amounts to INR 11,715 million in 2014-15 as against INR 10,631 million in 2013-14. The tax paid as reported by the IDSA Direct Selling Entities (member) has increased to 10.2% in 2014-15 over 2013-14.

The direct taxes have increased to INR 3,550 million in 2014-15 from INR 3,179 million in 2013-14, while indirect taxes have scaled up to INR 8,165 million in 2014-15 from INR 7,452 million in 2013-14.

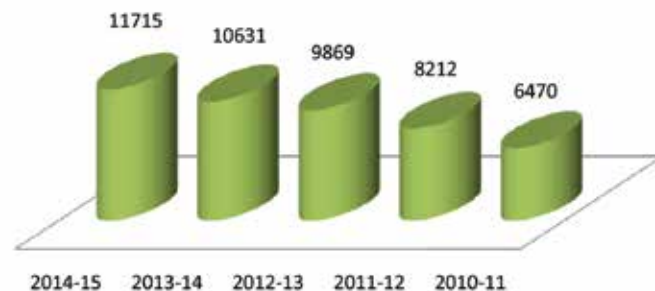
In case of IDSA non member Direct Selling Entities, Indirect taxes paid by them stands at about INR 5,205 million in 2014-15 as against INR 4,741 million in 2013-14.

Table 5.6: Taxes paid by IDSA Direct Selling Entities (member)

Year	(% share in gross sales by IDSA Direct Selling Entities)
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 2014-15

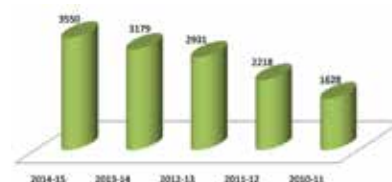
Graph 5.9: Taxes paid by IDSA Direct Selling Entities-Member (INR Million)



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling industry 2014-15

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

Direct taxes (INR million)



Indirect taxes (INR million)



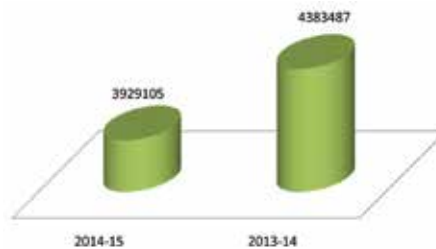
Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2014-15

¹⁸ 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.

5.14 Self - employment generation

Direct Selling Industry has contributed phenomenally towards self employment generation. According to the survey, the active Direct Sellers¹⁹ of the Indian Direct Selling Industry stands at 39,29,105 in 2014-15 as against 43,83,487 during 2013- 14 representing a Y-O-Y growth of (-) 10.3%. The reasons attributed to decline in Direct Sellers' base are occurrence of recent incidents in terms of arrests and harassment and lack of

Graph 5.11: Direct Sellers



(-)10.3% Y-O-Y growth in Direct Sellers' base during 2014-15

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

regulatory law impacting the confidence of the stakeholders of Direct Selling Industry. However, the decline in Direct Sellers base is reflecting as an increase in preference and buying behaviour of consumers towards Direct Selling products.

Direct Selling capitalizes India's unique demographic advantage

India's emerging demographic dividend would place it better in comparison to other countries in the period ahead. The population projections indicate²⁰ that the average age of India's population will be the lowest in the world in 2020 at around 29 years as compared to 37 years in China and the United States of America, 45 years in West Europe, and 48 years in Japan. While, the global economy is expected to have a shortage of young population of around 56 million by 2020, India is projected to be the youngest nation in the world in terms of size by 2020 with a youth surplus of 47 million.

Keeping in view of the same, Direct Selling industry capitalizes on this unique demographic advantage by providing self employment and decent income earning opportunities to the

youth of our nation. As youth are energetic, self confident, motivated and have innovative ideas, Direct Selling could be the source of employment for many young people of our country on account of factors such as minimal capital investment, alternate income earning opportunity, conducted without sacrificing study time as one works on part time basis and financial helping hand to survive the cost of living.

Employability is dependent upon knowledge and skills developed through quality education and training. In this direction, Direct Selling plays a vital role in uplifting and developing skills of individuals who join as Direct Sellers by giving them an opportunity to work, learn and grow by way of improving their inter-personal skills and provide or conduct training

Direct Selling has helped to channelize the skills of youth in productive direction and created enormous self –employment opportunities for them.

programmes.

Going ahead, it is necessary to empower youth of our country with access to the right set of educational and skill tools and opportunities to make a productive and sustainable contribution to the economy. Thus, Direct Selling Industry plays a critical role in empowering the youth with offering self-employment opportunities to earn and save, thereby contributing to higher savings and higher investments, leading to higher growth trajectories, going forward.

¹⁹ Active Direct Sellers is defined as Direct Sellers who purchase products four times in a Financial Year.

²⁰ Economic Survey 2014-15, Government of India

The region wise split of the number of Direct Sellers stands highest in the Southern region of the country at 10,60,858, followed by Northern region at 10,21,567, Eastern region at 7,46,530, Western region at 5,89,366 and North Eastern Region at 5,10,784. The survey has revealed that during 2014-15, attrition rate amongst Direct Sellers as a percentage of total Direct Sellers stood at around 12.6% due to reasons such as unable to devote time

Table 5.7: Region wise Direct Sellers in 2014-15

Category	Direct Sellers in 2014-15
North	10,21,567
East	7,46,530
North East	5,10,784
West	5,89,366
South	10,60,858
Total Direct Sellers	39,29,105

Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2014-15
Note: Total Direct Sellers represent active Direct Sellers in 2014-15

to the business, target right customers, making almost no sales, fear of harassment by authorities due to presence of fraudulent players in the market, etc.

5.15 Per capita revenue generation Shootups

During 2014-15, the per capita revenue generation has increased to INR 20,254 as compared to INR 17,046 in 2013-14. The reason could be attributed to the fact that although the gross sales of the industry have grown, however the Direct Sellers of the industry has registered significant decline over the previous year.

Table 5.8 Per-capita revenue generation by Direct Selling Industry (yearly)

Year	2014-15	2013-14	2012-13	2011-12
Gross Sales (INR million)	79,583	74,722	71,641	63,851
Total Direct Sellers	39,29,105	43,83,487*	57,75,345	48,53,232
Per - capita revenue generation (INR)	20,254	17,046	12,404	13,156

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

5.16 Share of men and women among Direct Sellers

Over the years, Direct Selling has enhanced the lives of people by working towards in the direction of personal, professional and financial development of the stakeholders involved. The share of women in total base of Direct Sellers base stands at 57.6% in 2014-15, while share of men stands at 42.4% during the same period. With cost of living skyrocketing in recent years, it becomes difficult for anyone to manage his/her

Table 5.9: Direct Sellers' gender wise split (in %)

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

personal finances and hence, Indians are looking up to this sector as a supplementary earning opportunity. Further, this channel is also becoming increasingly popular among the youth of the country who get opportunities to earn income in accordance to their liking

5.17 Pattern of commitment among Direct Sellers

According to the survey, percentage of self-employed full time Direct Sellers in men's category stands at 30% and part-timers²¹ at 70%. While percentage of self-employed full time Direct Sellers in women category stands at 65% and part-timers at 35%.

Direct Selling: Empowering the Women

Women have significantly contributed to the economic empowerment of our nation through employment and income generation. There has been a phenomenal change in the status of women over the years across the globe. The concept of gender equality has gained momentum in the light of globalisation and liberalisation and women have joined mainstream activities playing a significant role in socio-economic developments.

Women have been equally involved in the growth and development of the country over the years. This achievement of Indian women has been possible due to the progress made by them in bridging the equality gap in many socio-economic sectors. Literacy rate for females was around 39% in 1991 which has increased remarkably to about 54% in 2001 and about 65% in 2011, depicting a significant decline in the gender differential in education.

Women who earlier attended their domestic duties are now breaking barriers and maintain work and home simultaneously. Today, more women are moving away from the traditional roles

of homemaker to social and business solutions. However, according to International Labour Organisation (ILO) India's labour force participation rate for women fell from over 37% in 2004-05 to 29% in 2009-10. A decline in the employment of women is a cause of serious concern as economic empowerment is crucial for bridging gender inequity, and overall empowerment of women.

Low levels of education and skill deficit are responsible for relatively low income levels of a large majority of the labour force, thereby perpetuating inequality. The Direct Selling Industry plays a vital role in uplifting and developing skills of women who join as Direct Sellers by providing various training programmes from time to time.

With women accounting for nearly 48% of India's population²², going forward, there is a need to ensure equal involvement of women in development of the society by empowering them to participate fully in economic life across all sectors.

Direct Selling could play a

48% of our population is women and less than 30% women falls under workforce participation in India; Direct Selling has enormous potential to empower women

major steer in the direction of women empowerment as the Industry offers a platform for women to become financially independent, contribute to higher savings and higher investments in a flexible working environment with minimal investment, enhancing skills and promoting balance between home and work.

Direct Selling has potential to help women break barriers, enhance lives, earn financial independency and provide better livelihood.

In addition, every incremental percentage of women taking up entrepreneurship via Direct Selling will have a multiplier effect on the GDP growth rate of our economy.

²¹ Part-timers are defined as persons who are already in some business or service.

²² Census 2011, Economic Survey 2014-15, Government of India

5.18 Training and Skill Development

Most of the Direct Selling Entities facilitate training programmes to their Direct Sellers. The survey has revealed that Direct Selling Entities offered training to their sales representatives in

the range of 250 man hours per quarter to around 22,400 man hours/ quarter in 2014-15. Further, employability is dependent upon knowledge and skills developed through

quality education and training. This is where, Direct Selling plays a very significant role by imparting knowledge and developing skills of Direct Sellers.



Direct Selling contribution to Skill Development

The current size of India's formally skilled workforce²³ stands about 2%, according to the Labour Bureau Report 2014. This number contrasts poorly with smaller countries like South Korea and Japan that report figures of 96% and 80% respectively. At all-India level around 6.8% persons aged 15 years and above are reported to have received or be receiving vocational training.

Various studies have been conducted by National Skill Development Corporation (NSDC) for the period between 2013 and 2022 and they have stated that there is an incremental requirement of 120 million skilled people in the non-farm sector. The current capacity for skilling is grossly inadequate and needs to be speedily scaled up to meet immediate skill needs of the country. The poor skill levels among India's workforce are attributed to shortage of a formal vocational education framework, with wide variation in quality, high school dropout rates, inadequate skills training capacity, negative perception towards skilling, and lack of 'industry ready' skills even in professional courses.

Some recent initiatives introduced by the Government that aim to enhance access, equality, quality, innovation,

etc. in the area of higher and vocational education are the Rashtriya Uchchar Shiksha Abhiyan (RUSA), Technical Education Quality Improvement Programme (TEQIP), and National Skill Qualification Framework (NSQF).

Further, a dedicated Department of Skill Development and Entrepreneurship has been created under the Ministry of Skill Development, Entrepreneurship, Youth Affairs and Sports to accord focused attention in this area. The Deen Dayal Upadhyaya Grameen Koushalya Yojana (DDU-GKY) is a placement-linked skill development scheme for poor rural youth. Other new programmes that aim at bringing minorities into mainstream development include Nai Manzil for education and skill development of dropouts; USTTAD (Upgrading Skills and Training in Traditional Arts/Crafts for Development) to conserve traditional arts/crafts and build capacity of traditional artisans and craftsmen belonging to minority communities; Nai Roshni, a leadership training programme for women; and MANAS for upgrading entrepreneurial skills of minority youths.

In such situations, industries such as Direct Selling has been

Direct Selling Entities offered training to their sales representatives in the range of 250 man hours per quarter to around 22,400 man hours/ quarter in 2014-15.

the source of employment for many people belonging to various segments of the society and helped to channelize their skills in productive direction and create enormous employment among them. Direct Selling plays a critical role in uplifting and developing skills of individuals that join as Direct Sellers.

Most of the Direct Selling Entities offer company sponsored training programmes to Direct Selling which has helped in achieving improvement in self esteem and confidence of individuals. Direct Selling offers the opportunities to work, learn, and grow. By actively participating in promoting the Direct Selling Business via holding meetings and engaging themselves in interactions with the target consumer group, have resulted in improving presentation skills, communication skills, and motivation levels of Direct Sellers with an opportunity to learn, earn and develop personally.

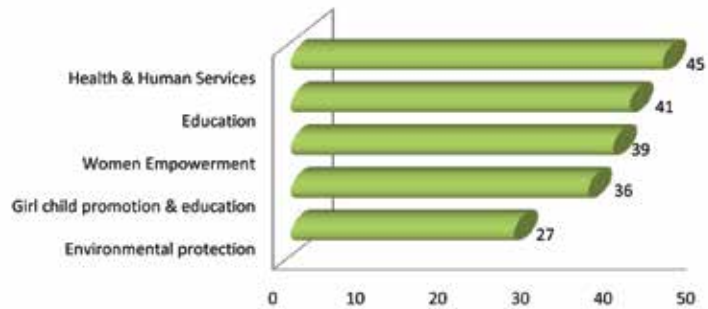
²³ Economic Survey 2014-15, Government of India

5.19 Direct Selling contribution to Corporate Social Responsibility (CSR)

According to the survey, most of the Direct Selling Entities participate in CSR activities. There are various areas that have been supported by Direct Selling Entities. The area that tops the chart with highest attention of 45% Direct Selling Entities is health and human services. This segment of CSR activities also includes services rendered to old age/orphanage homes and supporting disabled people, making it one of the most important contribution to the society.

It is followed by education (41%), women empowerment (39%), girl child protection and education (36%) and

Graph 5.12: Channel of investment (Areas of support for CSR activities by Direct Selling Entities)



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2014-15
Note: Multiplicity of options have been chosen by the respondents

environmental protection (27%). According to the survey, Direct Selling Entities have contributed approximately INR 636 million of their gross sales in 2014-15 to CSR activities.

Direct Selling Entities committed towards overall well being of the society



Direct Selling holds strong potential in attracting FDI inflows; Sound policy framework required

India is being viewed as a hub of potential investment opportunities, the economy having the capacity to grow tremendously.

Investors are highly optimistic on India, with their sentiments riding high subsequent to the government's announcement of a series of reform measures in recent times. Domestic companies have benefited through foreign investments, by way of enhanced access to supplementary capital, exposure to global expertise and managerial practices, opportunities of integration into global markets, state of the art technologies resulting into accelerated domestic growth of the country.

Some of the recent initiatives taken by the Government to attract foreign investments are:

- Key FDI reforms announced in the defence and railways sectors.
- The entire range of rail infrastructure was opened to 100% FDI under the automatic route, and in defence, sectoral cap was

raised to 49%.

- To boost infrastructure creation, the Government reviewed the FDI policy in the construction development sector also by creating easy exit norms, rationalizing area restrictions and providing due emphasis to affordable housing.
- To give impetus to the medical devices sector, a carve out was created in FDI policy on the pharmaceutical sector and now 100% FDI under automatic route is permitted.
- The Government, in order to expand insurance cover to its large population and to provide required capital to insurance companies, raised the FDI limit in the sector to 49%.
- Pension sector has also been opened to foreign direct investment up to 49%.

According to the survey, almost all the Direct Selling Entities have

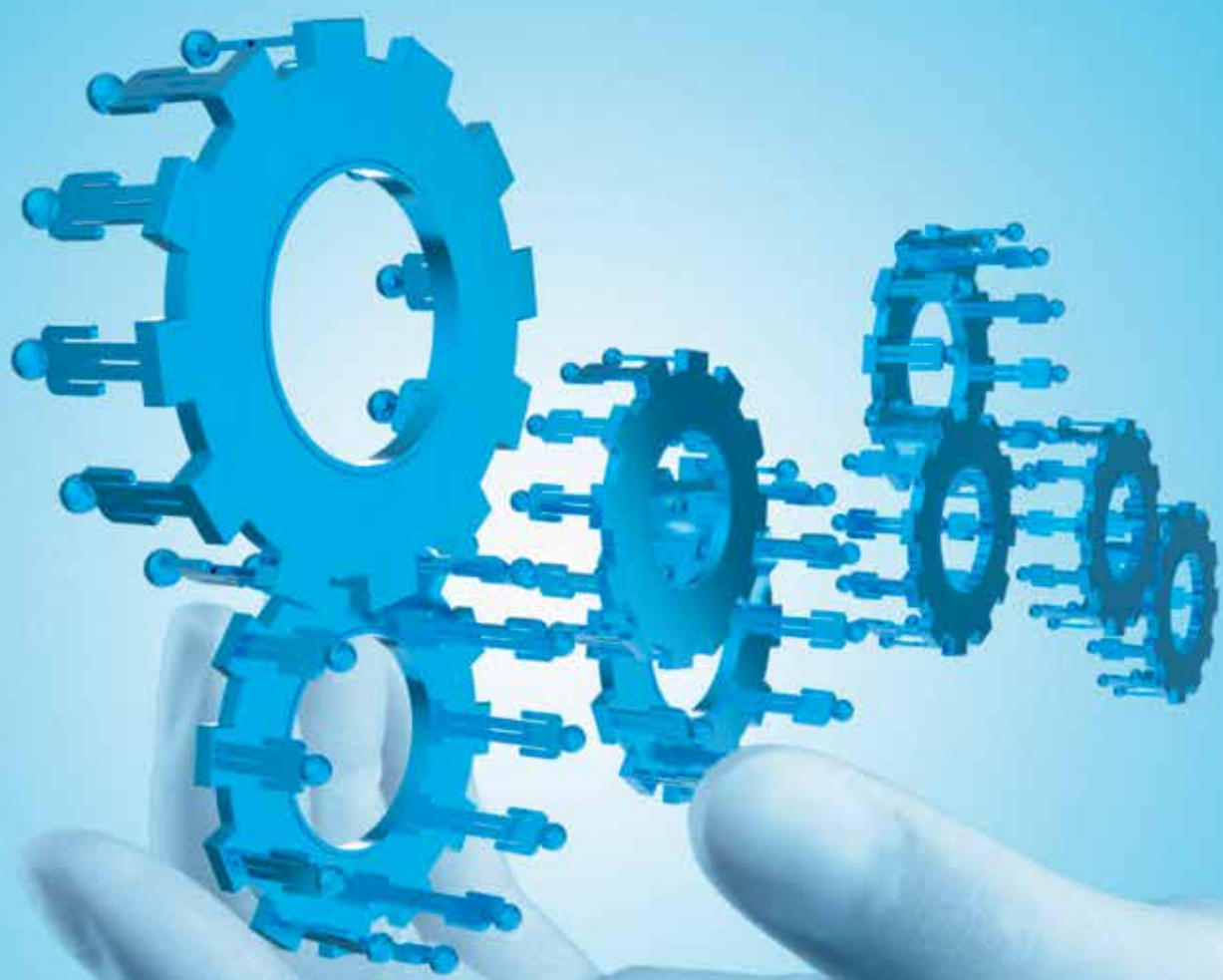
Strong policy framework required to push foreign investments in Indian Direct Selling industry

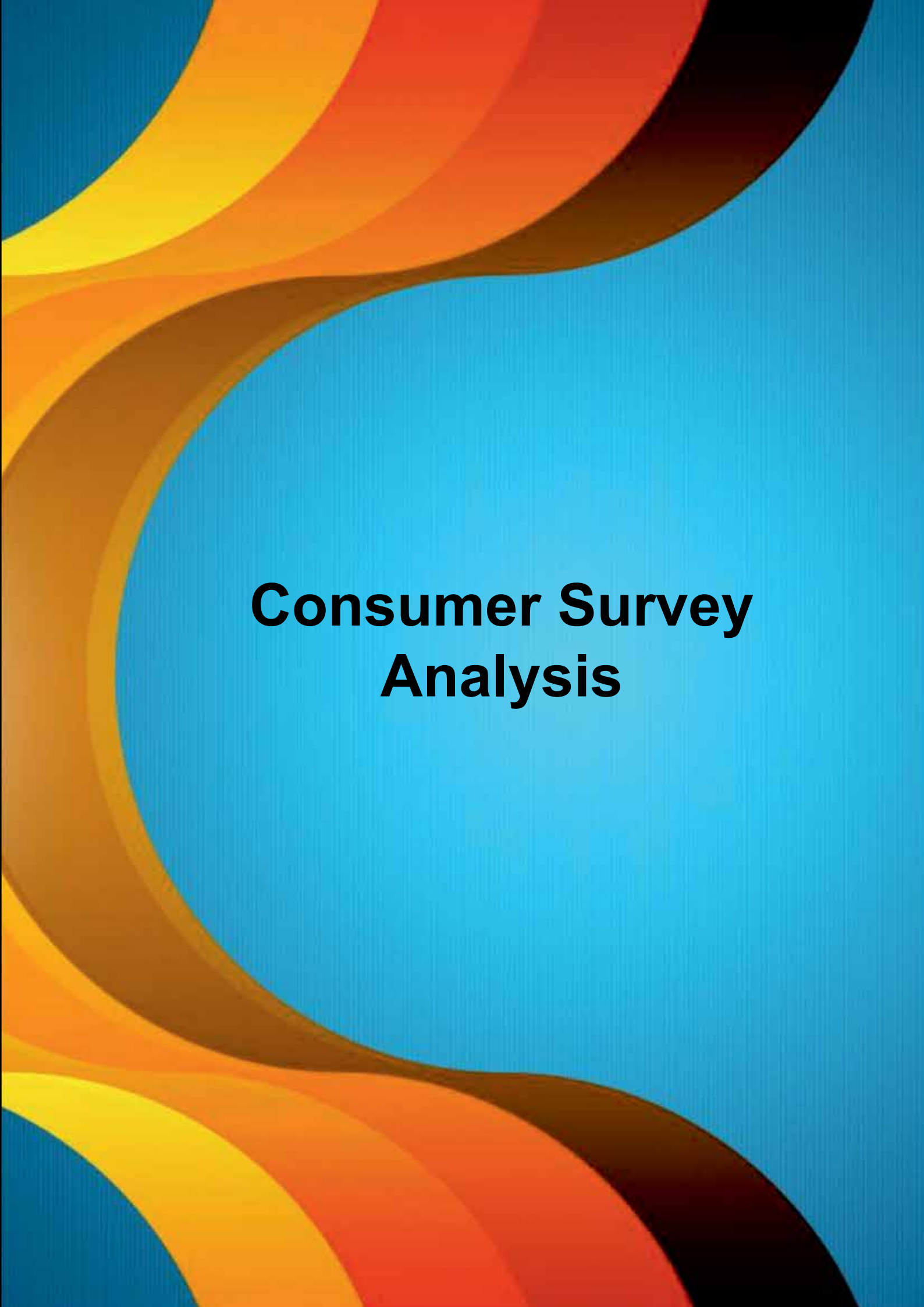
felt that as our Government is rigorously working towards promoting foreign investments in our country, Direct Selling Industry holds strong potential in attracting foreign capital as many international entities are looking up for lucrative investment opportunities in our country's retail sector. The global investors thoroughly assess the introduction of policy and its implications for the ease of doing business in context of a particular market before making investments. It is therefore critical at this juncture to introduce legislation for Direct Selling in India in order to reap benefit of foreign investments in the coming times supported with conducive business environment.

6. Policy regulations for Direct Selling in India

Direct Selling in India carries the potential to contribute significantly to socio-economic development of the nation with regards to promoting self employment opportunities, encouraging entrepreneurship, means of earning alternative income, women empowerment, training and skill development and encouraging growth of MSMEs sector. The key initiatives undertaken by the Central and State Governments in regards to Direct Selling are as follows:







Consumer Survey Analysis

7. Consumer survey analysis

In today's digital age, wherein inter-personnel communication has been downsized, Direct Selling is perceived as a highly social and personal facilitating interaction between sellers and the buyers. With dynamics changing in commercial landscapes at global level and wide availability of information, consumers are no more vulnerable to sly selling tactics. The age of information technology has also had a major impact on channels of communication and shifts in target markets. Under the purview of such evolving scenarios, Direct Sellers are challenged with upgrading and sophisticating products,

marketing techniques and channels of distribution.

In addition to the ever-evolving externalities of the world, certain inherent issues still remain to be answered from consumer's perspective. It is imperative to obtain the insight about the industry through the consumers of Direct Selling products. Thus, a survey was conducted amongst a random sample of individuals from different segments of the society who were targeted through field and online survey for better outlook of the sector and inferences have been derived on the responses received.

7.1 Sample characteristics

The survey encompasses the responses from individuals who were randomly chosen across various segments of the society. A benchmark of 4000 responses was set to reap valid and credible results. During the survey period, responses were collected through direct interactions on field and through online survey; this eventually equated to a sample size of 4,158.

On the basis of demographic characterisation, 58% of the respondents are females



and remaining 42% are males. Further, 55% of the respondents are married, while 45% 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 counterparts. The age-wise distribution of the respondents falls in the range of 18 to 60 years. The 'mode' of age-group of 21 – 30 years has been the highest, comprising an overall 48% of the total sampled population. Following this were individuals within age group of 31-40 years (24%), 41-50 years (13%) and more than 50 years (10%).

The largest share of respondents has been observed to serve

the corporate sector including private Indian and Multi-National companies comprising of 50% share, followed by house-wives (20%), government officials (9%), self employed (12%) and students (9%). A majority of respondents was reported to have a family size of 2 -4 people with a share of 51%, while 36% had a family size of 5-7 and 13% 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 ,Ambala,

Amritsar, Allahabad, Agartala, Baroda, Bengaluru, Bhopal, Bhubaneswar, Bhiwani, Bokaro, Chennai, Chandigarh, Cochin, Coimbatore, Delhi, Dehradun, Dimapur, Daman, Faridabad, Gurgaon, Gwalior, Gangtok, Guwahati, Gandhinagar, Hyderabad, Itanagar, Indore, Imphal, Jaipur, Jalandhar, Jorhat, Kolkata, Kavaratti, Kohima, Ludhiana, Lucknow, Mumbai, Muzaffarpur, Patiala, Pune, Patna, Port Blair, Panchkula, Puducherry, Ranchi, Shimla, Silvassa, Surat, SrigangaNagar, Shillong, Panaji, Thanjavur, Thiruvananthapuram, Udaipur, and Vadodara.

Table 7.1: Characteristics of Respondent(s)

Category	Respondent(s) in %
Gender-wise classification	
Female	58
Male	42
Status-wise classification	
Single	45
Married	55
Age group classification	
Less than 20 years	5
21-30 years	48
31-40 years	24
41-50 years	13
More than 50 years	10
Occupation classification	
Government sector –Central & State	9
Corporate sector (Indian Private Companies and Multi-National Companies)	50
Self Employed	12
Housewife	20
Student	9
Family size classification (number of members)	
More than 7	13
2 - 4	51
5 - 7	36
Income group classification (per month)	
INR 10,000- INR 20,000	8
INR 20,001-INR 30,000	12
INR 30,001-INR 40,000	19
INR 40,001-INR 50,000	23
More than INR 50,000	38
Chief family earners classification	
Self	26
Husband	49
Father	22
Mother	3

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

On assessing the economic status of respondents it was revealed that 38% respondents have household income²⁶ 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 (23%) and INR 30,001-40,000 per month (19%). For nearly 49% respondents, husbands were the chief earners and 26% were themselves the primary bread-winners. On further analysis of the parameter 'chief earners', it was

revealed that 9% respondents were females wherein 80% were single, implying a social change towards emerging presence single-females being chief earners of family.

²⁶ Household income includes income generated by all earning members of the family

7.2 Awareness and Publicity

Direct Selling heavily relies on various channels and modes of communication in order to generate sales. The success and failure of a Direct Selling company significantly depends on utilisation of its existing distributorship base and development of new sources of sales generation. According to the survey, it has been found that 93% of the sample population is well aware and has familiarity with the concept of Direct Selling and their products. The survey has revealed that informal channels of communication contribute

63% in generating awareness and publicity about Direct Selling products. Within word of mouth communication, 'friends' (31%) contributed maximum towards the awareness and publicity followed by relatives (19%), colleagues (9%) and neighbours (4%). Direct Selling thereby relies significantly on informal communication between friends, relatives, colleagues and neighbours compared to a salesman/Direct Seller.

Amongst print and electronic media, electronic media including TV/Radio (3%) and Internet (18%) serve as a prominent means of mass awareness on Direct Selling industry and its products.

On closer analysis, the survey has revealed that significant presence of respondents from the younger age bracket of 21 to 40 years (57%), suggests a significant tilt towards the use of electronic media²⁴ and network of friends, as primary sources of information sharing for the aforementioned age groups.

Informal channels including friends, relatives, colleagues and neighbours play dominant role in awareness and publicity of Direct Selling products.

Table 7.2: Sources of Direct Selling publicity

Source of Direct Selling Publicity	Respondent(s)%
Friends	31
Relatives	19
Colleagues	9
Direct Seller	12
Neighbour	4
Internet	18
TV/Radio	3
Newspaper/Pamphlets	4

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

Compared to consumer survey 2010-11, a rise has been observed in use of electronic media from 17% to 21% in 2014-15. This shows that the Direct Selling Industry is gradually utilising electronic media and its allied services

including social media, micro-blogging etc., for generating awareness and publicity about its products. On subjective analysis of statements by respondents, it has been concluded that due to availability of product reviews and experiences posted

online and various opinion polls disseminated through social media website, consumer's buying decision has been positively influenced in favour of Direct Selling Industry.

²⁴ Electronic media pertains to internet, TV, Radio and electronic advertising.

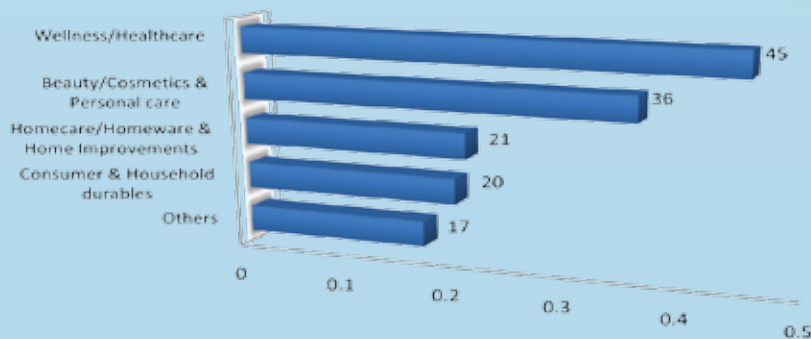
7.3 Type of product purchase

A social trend towards better quality of life and availability of wider healthcare products has greatly influenced consumer's buying decision. The survey

confirms this statement factually, wherein the data have revealed that 45% respondents purchased wellness / healthcare products. Nearly 36% respondents purchased cosmetics, personal care and skin care products, with majority of them being females. Third most popular Direct Selling

product category is homecare/ home improvement wherein 21% respondents preferred these products. Consumer and household durables and other products constitute 20% and 17% share, respectively; implying a comparatively higher preference towards purchase of these products.

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



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

Note: Others include Food and Beverages, Agricultural products, educational products, utilities, promotional item, etc.,

Note: Multiplicity of options have been chosen by the respondents

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

The burgeoning consumerism in India has had significant implications for Direct Seller who are now all the more conscious to offer quality products in accordance to beliefs of the customer. Consumer perception plays a major role in driving sales in marketing industry in general and Directs Selling industry in particular.

All respondents unanimously have opined that consumers' perception and attitude hold a

significant say in determining their purchasing behaviour. Further, there are diverse reasons, situations and needs of a consumer which motivates them to 'make or break' the purchase. Primarily, parameters including branding, price and quality perception of product, satisfaction level, Direct Sellers attitude, consumer's intention and demographic factors play a major role in determining the nature and pattern of purchase.

The survey has revealed that 71% of the respondents purchased/re-purchased Direct Selling products due to several reasons including high product quality, reputed company, and trust and confidence on the

word-of-mouth opinion of the product by relatives, friends or neighbours. Meanwhile, remaining 29% respondents did not purchased/re-purchased any products as they were not very sure about these products.

7.4.1 Positive attributes for purchasing/re-purchasing

The survey has revealed that consumers are always on a look-out for a value-addition in their buying process. On analysis of 2952 respondents (71% of total respondents) who re-purchased/purchased products from same Direct Seller, certain key positive attributes appear to be prominent while making a buying decision. Nearly 25%

respondents' buying depended on high quality standards of products, followed by reputed company (15%), reliability/durability (12%) and popular brand name (10%).

Certain characteristics which are specific to Direct Selling industry such as good demonstration, likeable salesman and non-availability of similar products in retail stores constitute 8%,

3% and 9% share respectively plays a vital role in making the purchase/re-purchase decision.

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



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2014-15
Multiplicity of options have been chosen by the respondents

On one-to-one interaction with the respondents it was found that advent of information technology and lack of time to deal with a Direct Seller were reasons which led to comparatively lower share of these characteristics. This highlights a probable shift arising in the Direct Selling industry from P2P interactions to online-interactions. This will consequentially lead to broadening the definition of Direct Selling Industry and its fundamental constituents. However, there are untouched markets in India which continue to rely on human interactions as a more credible means for making purchase and such locations can be a potential target-market.

7.4.2 Factors for not purchasing/no repurchase

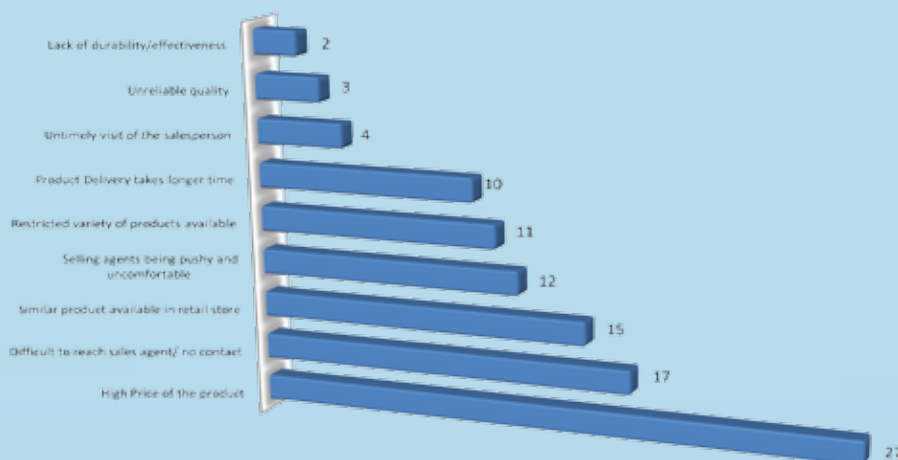
In order to assess the situation from both perspectives, the data was analysed for factors which act as deterrents in purchase/re-purchase of products. On an analysis of 1206 (29% of total respondents) respondents who did not purchase/re-purchase from the same Direct Seller, the most significant factors discouraging buying included the high price of Direct Selling product (27%), followed by difficulty in reaching sales agent /Direct Sellers (17%), availability of similar products in retail stores (15%), selling agents being pushy (12%), restricted availability in variety of products

Planning of supply chains in order to access geographically challenging locations in India often leads to high cost of Direct Selling products.

(11%) and delay in product delivery (10%).

Remaining factors including, untimely visits by salesperson (4%), unreliable quality of products (3%) and lack of durability of products (2%) had lesser degree of negative influence on purchasing or repurchasing Direct Selling products.

Graph7.3: Factors for non purchase/no repurchase (responses in %)



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2014-15
Multiplicity of options have been chosen by the respondents

Compared to Consumer Survey 2013-14, respondents have reported that untimely visits by salesperson has become less of a deterrent in making a buying decision. Earlier it constituted 6% share in 2013-14 and now it constitutes only 4% share. The few who expressed this as an issue reported that concerns are pertaining to letting in unknown Direct Sellers in their homes and use of deceptive and unfair sales tactics has led to erosion of their trust in Direct Selling as a means of purchase.

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

Income distribution plays a vital role in determining the frequency of purchase and types of purchase. The survey has revealed that frequency of purchase amongst respondents with more than INR 50,000 and INR 41,000 to INR 50,000 per month income groups is higher, with buying frequency varying between 1 to 6 months. Respondents in the income group of more than INR 50,000 (38%), have purchased maximum proportion of Wellness/healthcare products (24%), followed by Consumer and household durables

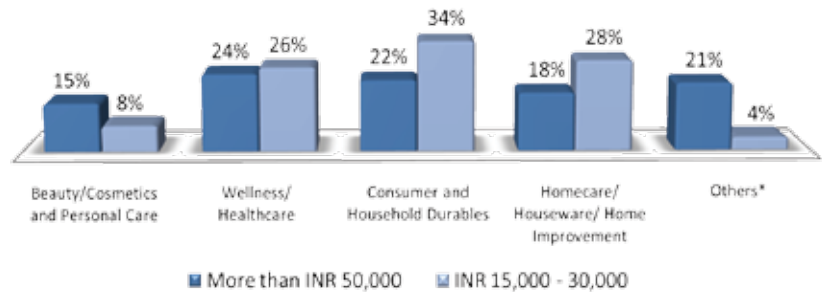
(22%), other products (21%). Beauty and cosmetics although constitute lower share of 15% in overall purchase basket of this income group; albeit compared to all income groups, the share for this product category is highest at 15%.

Respondents falling in income bracket of INR 10,000-20,000 per month (8%) make fewer purchases with frequency of purchases being made in a year or more than a year. However, a shift in pattern of purchase is observed wherein Consumer and household durables (35%) and Homecare/Houseware/Home improvement (27%) in conjunction constitutes 62% share. On the other hand, wellness/healthcare products single-handedly hold 28% share in total purchase basket of this income group. Beauty and cosmetics and other products form an insignificant share of 7% and 3%, respectively for this income group.

Shift in consumption pattern dominant between different product categories

Comparative analysis of between Household income group of more than INR 50,000 and INR 15,000-30,000 from the survey responses, indicates a clear dominance of wellness/ healthcare products preference by people in income group of more than INR 50,000 and consumer and household durables products are largely preferred by people in income group of INR 15,000-30,000. Homecare/Housewares/Home improvement and Consumer and household durable play a dominant part in consumers' purchase-basket from INR 15,000-30,000. Beauty/Cosmetic and Personal care products are

Graph 7.4: Comparative analysis between Household income group of 'More than INR 50,000' and 'INR 15,000-30,000' per month vis-à-vis various product categories.



Source: PHD Research Bureau, Annual Survey of the India's Direct Selling Industry 2014-15
Others include Food and Beverages, Agricultural products, educational products, utilities, promotional item, etc.,

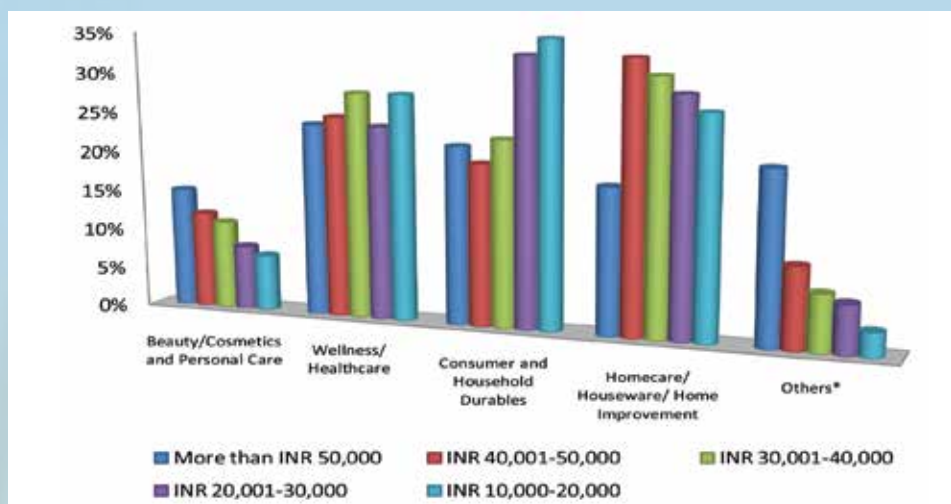
primarily bought by people in income group of more than INR 50,000 as compared to the other category.

In middle income group of INR 30,001-40,000, homeware products have maximum share of 31%, followed by wellness/ healthcare at 28%, consumer and household durables at 23%, beauty/cosmetics at 11% and others at 7%. On the other hand, in the lower-middle income group of INR

20,001-30,000, consumer and homeware products constitute 33% share and 29%, respectively. And wellness/ healthcare, beauty/cosmetics and personal care and other products constitute 24%, 8% and 6% share, respectively

A progressive dominance of consumer and household durables is observed in lower to middle income groups compared to homeware and houseware.

Graph 7.5 : 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 2014-15
Note: Others include food and beverages, agricultural products, educational products, utilities, promotional item e.t.c.

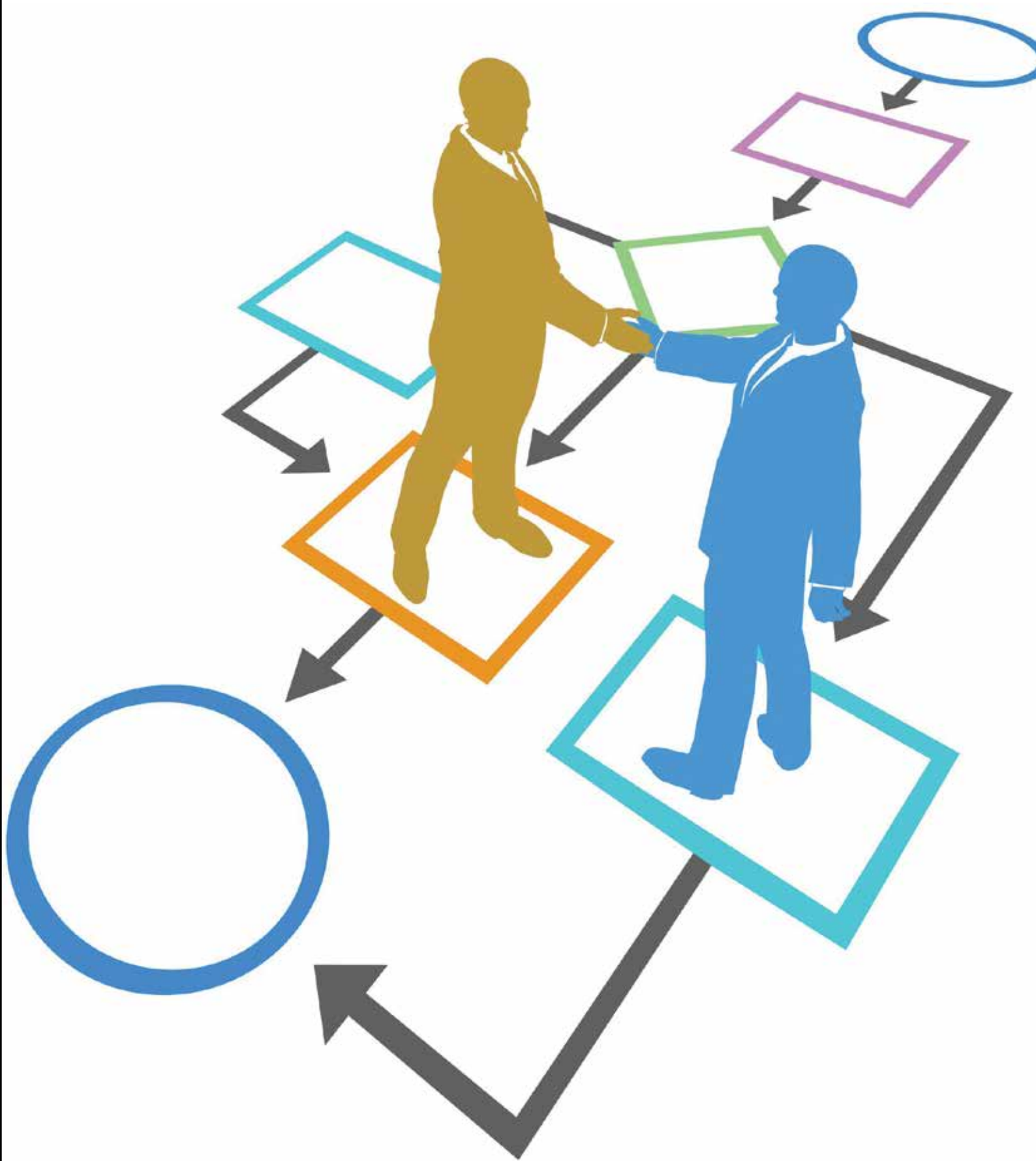
Consumer's view on Direct Selling

On analysing survey results, nearly 61% respondents have expressed desire to join Direct Selling. In the sample population, keen interest was expressed by females and middle income groups whose incomes were between INR 20,000 to 50,000 per month. They responded that besides providing goods at door step with personalized attention, the industry also offers employment opportunities which would not only contribute to household income, but also helps in capitalising on the entrepreneurial skills inherent

in Indians. The industry is not judgemental in regards to levels of education, gender, experience or financial resources.

Key reasons of consumers on joining Direct Selling:

- Alternate/Additional source of income
- Offers flexible work schedules
- High level of motivation and commitment required
- Low level of Investment
- Technical expertise not required.
- High consumer reach
- Wide market penetration
- Good way to socialize with people
- Offers innovative and high class products
- Offer products which meets nature with science



8. Key concerns of Direct Selling Entities

Rising incomes, urbanisation and large population of youth have spiralled demand for consumer products and require effective and efficient channels of distribution. Direct Selling is one such unique business model which meets rapid changing demands of today's consumers. However, according to the survey, almost all the stakeholders of the Direct Selling industry are grappled with various issues such as uncertainty in policy, occurrence of fraudulent practices, quit of couple of international companies, etc.

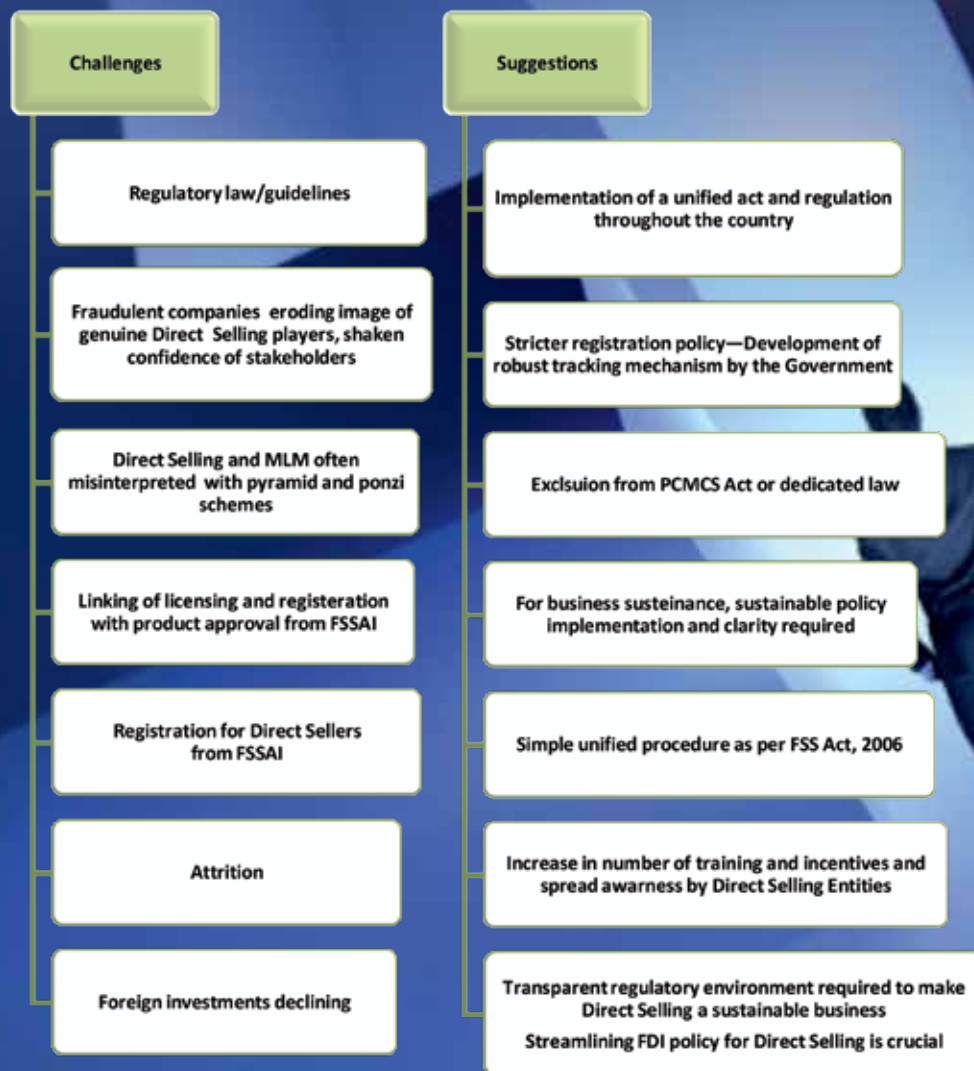
- Uncertainty and ambiguity in policy milieu
- Coverage under Prize Chits and Money Circulation Schemes (Banning) Act, 1978
- Absence of nationalised law
- Industry status by the Government is missing
- Fraudulent practices impacting image of genuine Direct Selling players
- Quit of couple of International Direct Selling Entities

9. Challenges faced by Indian Direct Selling Industry

Direct Selling opens the door of business opportunity to anybody at anytime and anywhere. It is built on solid foundation and works on the principles of providing self employment opportunities, convenient

shopping experience, team building and skill development. The Industry also plays a very vital role in empowering women too. The industry is well placed to achieve a significant position in our economy. However, there

are many issues and challenges which hinder the growth of Indian Direct Selling Industry which are mentioned below along with its possible solutions.



Source: Annual Survey of the India's Direct Selling Industry 2014-15

Key Differentiators- Direct Selling and Pyramid/Ponzy Schemes

S. No	Parameter	Direct Selling Business	Pyramid/Ponzy Schemes
Structural differences			
1	Basic definition	Marketing of product/services to the consumers generally from home or workplaces through explanation and demonstration by Direct Seller i.e. location away from the permanent retail locations. Can last indefinitely- as long as consumers continue to buy products	Compensation is based on new participants, not on selling products
2	Driving objective	High sale of product	Emphasis is on rigorous enrollment of new subscribers/investors with an aim to collect easy money from new subscribers.
3	Nature of business opportunities offered	Offers genuine business opportunities as they involve sustainable sales plan of goods	Offers no real business opportunities as these schemes generally do not involve products or involve products which are illusionary or have no established market value
4	Cost of entry	No or reasonable entry fee usually for valuable support and starter products	Comparatively high
5	Plan/Scheme	Plans are primarily based on the value of the sale of products and recognition of services for the sales support provided by the distributor	Plans are primarily based on money paid new recruits, and not on product sale
Functional differences			
6	Mandatory enrollment	Enrollment of recruits is not compulsory for doing business as primary objective is sale of products	Enrollment of recruits is compulsory for doing business as commission is based on fee from new recruits or solely from the act of recruitment of members
7	Underlying product	Involves marketing of products under established brand names	Either no products are involved, or else the products are a cover and are not really sold to customers
8	Buy-back/guarantee of product	Highly competitive buy back guarantee to help ensure protection of Direct Seller and end consumer	Products usually do not have a buy-back policy or it is not followed in practice
9	Product Knowledge	Rigorous product and sales training is required	There is no emphasis on product or product sales training
10	Exit option	Direct Sellers joining the business can exit the business by returning the unsold inventory to the Direct Selling company	Usually, no refund on exit policy exists
Return and potential benefits			
11	Sales incentive	Sales incentives are primarily delivered from sale of goods and are paid directly by Direct Selling companies through normal banking channels	Incentives are based on recruitment of people rather than on sales. Payments are often made through members, and negligible payouts by promoters
Legality of schemes			
12	Registration/Licenses	These businesses are registered with local regulatory bodies in the countries of existence or obtain licenses under a prevalent law	These schemes are unregistered and not affiliated to any government body having power of legal enforcement
13	Adhere to Code of Ethics	Every salesperson has to abide by the Industry Model Code of Ethics e.g. Direct Selling associations, etc.	Generally, no Code of Ethics at all

Source: Annual Survey of the India's Direct Selling Industry 2014-15

10. Conclusions

Direct Selling accounted for more than US \$ 182 billion in retail sales globally in 2014 – a new sales record for the industry, registering a sales growth of 2.5%. Worldwide, more than 99 million entrepreneurs gained self employment in Direct Selling in 2014 as compared to 39 million in 2000, registering an average growth rate of 7.1%. Despite being a growing industry, no specific levels of education, experience, financial resources or physical condition to join Direct Selling. All of these lights the stage for coming geographic shifts in market dominance.

In terms of sales, the Asia-Pacific region has recorded the highest sales with USD 81542 million in 2014, securing 44.6% share of the global sales. Among the top countries with highest sales, the USA has scored the top most position with sales at USD 34470 million in 2014, while Morocco stands at the lowest level with sales at USD 14 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 2014.

Looking at the region wise growth of the GDSI for the year 2014, Asia Pacific region has registered a growth of 5.12% respectively. However, the Middle East region has recorded

the lowest sales at USD 159 million registering a growth of about 5% in 2014. The three regions, comprising Asia/Pacific, America and Europe capture almost 99% of the global market sales registering positive growth rates except America, which has shown negative growth of 0.91%. Africa and Middle East region captures market size of less than 1 percent registering negative growth rate at 3.35% in 2014.

Globally, top ten Asian countries' share in global sales stands at 43% with USD 79498 million of sales in the year 2014. Among the top Asian countries, share of China, Japan and Korea are global sales is 16.5%, 9.17% and 8.95% respectively capturing 35% of the GDSI sales. India's share in the top ten countries stands at just 0.64% with a meagre sales of USD 1174 million highlighting the need for policy reforms and unease of doing business bottlenecks. In terms of employment generation, Indonesia and Thailand absorb the highest no of sellers at 11.74 and 11.00 million in 2014.

Direct Selling in India has emerged as a low investment entrepreneurial opportunity for masses to the idea of building their own business at their own pace and operating it on their own terms. It has been



witnessed over the years that individuals are engaging in large numbers owing to the benefits the industry offers in terms of free enterprise system, low cost of entry, minimal risk, opportunity to earn supplementary income, training and development programmes, etc.

Indian economic outlook has been stabilizing and lead economic indicators have been gathering pace on the account of various reforms undertaken by the Government in the recent times that have created the scope for rejuvenating India's growth story. The reforms have



laid greater emphasis in the area of facilitating industrial and business environment and simplifying policies and procedures, promoting foreign direct investments, boosting growth of MSMEs, taming price pressures, infrastructure development, promoting financial inclusion and improving governance.

Although, our country has witnessed an improvement in overall sentiments in the economy on account of various reforms introduced by the Government, Direct Selling Entities have not been able to embark an impressive growth

during 2014-15 as stakeholders are persistently struggling with regulatory bottlenecks. The gross sales²⁵ by the Direct Selling Industry stands at INR 79,583 million in 2014-15 as against INR 74,722 million in 2013-14. The Direct Selling Industry has registered a growth rate of about 6.5% in 2014-15 as compared to 4.3% in 2013-14.

The growth scenario of Direct Selling industry has picked up marginally in 2014-15 on revival of sentiments in the economy supported by measures undertaken by the Government to refuel growth scenario, facilitate business environment, boost consumer demand and curb price pressures. However, high costs of doing business, stricter registration norms, lengthy product approval procedures, erosion of confidence due to lack of proper regulatory framework, impact of fraudulent practices in the recent times, lack of awareness and proper communication infrastructure have resulted in hindering growth of Direct Selling.

According to the survey, wellness/healthcare products have contributed largely to the gross sales of the organised Direct Selling Industry at 42% due to the fact of rising concern of health issues in our country and therefore, inclination towards health products has increased significantly in the recent times. It is followed by beauty/cosmetics and personal care (34%), home ware and home improvements products

(11%), consumer and household durables (7%) and others including food and beverages, agricultural products, ayurveda products, educational products, utilities, promotional items, etc (6%).

The survey has revealed that the Northern region has contributed around INR 23,875 million to the gross sales in 2014-15. The region has scripted marginal increase in share to gross sales at 30% in 2014-15 from 29% in 2013-14 and has registered a growth rate of 10% in 2014-15 as against 12.2% in 2013-14. According to the survey, the Direct Selling Entities are very optimistic about this region and have opined that if proper regulatory framework is introduced, the region has potential to register greater success in the coming times.

The Eastern region has contributed around INR 14,325 million to the gross sales in 2014-15. The Eastern region's share in gross revenue stands at 18% in 2014-15, same as in 2013-14. It has registered a growth rate of 6.5% in 2014-15 as against 10.4% in 2013-14. Direct Selling Entities have responded that there is a need to explore this region more with the help of a conducive policy environment and better infrastructure.

According to the survey, the North Eastern region has contributed around INR 10,346 million in 2014-15. The North Eastern region has scripted a marginal increase in share to

²⁵ The figures used for gross sales in the Annual Survey 2014-15 refers to gross sales of Direct Selling Industry which is net sales plus direct and indirect taxes.

gross sales at 13% in 2014-15 from 12% in 2013-14. The region has exhibited an increase in the growth scenario at 15.4% in 2014-15 from 13.8% in 2013-14. The survey has revealed that this region holds strong potential in contributing significantly to Direct Selling business in the near future.

The Western region has contributed around INR 12,733 million in 2014-15. The region's share in gross revenue stands at 16% in 2014-15 and registered no change against 2013-14. It has registered a growth rate of 6.4% in 2014-15 as against 11.4% in 2013-14.

The Southern region has contributed around INR 18,304 million in 2014-15. The region accounted for 23% share to gross sales of the industry in 2014-15, registering a decline, as against 25% in 2013-14. The growth of the region stands at (-) 1.8% in 2014-15 as against (-) 13.3% in 2013-14. It is the most established market for Direct Selling in India; however, the concentration of sales of Direct Selling Industry in the Southern region has started shifting to the other regions of the country. The confidence of not only Direct Selling Entities but consumers too has shaken due to occurrence of fraudulent practices and some unfortunate incidents of harassment in the recent times.

As per the survey, Delhi & NCR has been ranked the most attractive market followed by Bengaluru, Mumbai, Jaipur and Ludhiana in 2014-15.

The total tax paid by the IDSA Direct Selling Entities (member) amounts to INR 11,715 million in 2014-15 as against INR 10,631 million in 2013-14. The tax paid as reported by the IDSA Direct Selling Entities (member) has increased to 10.2% in 2014-15 over 2013-14. The direct taxes have increased to INR 3,550 million in 2014-15 from INR 3,179 million in 2013-14. While indirect taxes have scaled up to INR 8,165 million in 2014-15 from INR 7,452 million in 2013-14. In case of IDSA non-member Direct Selling Entities, Indirect taxes paid by them stands at about INR 5,205 million in 2014-15 as against INR 4,741 million in 2013-14.

Direct Selling industry has contributed phenomenally towards self employment generation. According to the survey, the active Direct Sellers²⁶ of the Indian Direct Selling Industry stands at 39,29,105 in 2014-15 as against 43,83,487 during 2013-14 representing a Y-O-Y growth of (-) 10.3%.

During 2014-15, the per capita revenue generation (yearly) has increased to INR 20,254 as compared to INR 17,046 in 2013-14. The reason could be attributed to the fact that although the gross sales of the industry have grown, however the Direct Sellers of the industry has registered significant decline over the previous year.

Over the years, Direct Selling has enhanced the lives of people by working towards in the direction of personal, professional and financial development of the



stakeholders involved. The share of women in total base of Direct Sellers base stands at 57.6% in 2014-15 while share of men at 42.4% during the same period. With cost of living skyrocketing in recent years, it becomes difficult for anyone to manage his/her personal finances and hence, Indians are looking up to this sector as a supplementary earning opportunity. This channel is also becoming increasingly popular among the youth of the country who get opportunities to earn income in accordance to their liking.

According to the survey, most of the Direct Selling Entities

²⁶ Active Direct Sellers is defined as Direct Sellers who purchase products four times in a Financial Year.



participate in CSR activities. There are various areas that have been supported by Direct Selling Entities. The area that tops the chart with highest attention of 45% Direct Selling Entities is health and human services. This segment of CSR activities also includes services rendered for old age/orphanage homes and supporting disabled people, making it one of the most important contribution to the society. It is followed by education (41%), women empowerment (39%), girl child protection and education (36%) and environmental protection (27%). According to the survey, Direct Selling Entities have contributed to CSR approximately INR 636 million of their gross sales in 2014-15.

As per the consumer survey, Direct selling heavily relies on various channels and modes of communication in order to generate sales. The success and failure of a Direct Selling company significantly depends on utilisation of its existing Direct Seller base and development of new sources of sales generation. According to the survey, it was found that

93% of the sample population is well aware and has familiarity with the concept of Direct Selling and their products. The survey has revealed that informal channels of communication contribute 63% in generating awareness and publicity about Direct Selling products. Within word of mouth communication, 'friends' (31%) contributed maximum towards the awareness and publicity followed by relatives (19%), colleagues (9%) and neighbours (4%).

On closer analysis, it has been revealed that a significant presence of respondents from the younger age bracket of 21 to 40 years (57%), suggests a significant tilt towards the use of electronic media²⁷ and network of friends, as primary sources of information sharing for the aforementioned age groups.

The survey has revealed that consumers are always on a lookout for a value-addition in their buying process. On analysis of 2952 respondents (71% of total respondents) who repurchased/purchased

products from same Direct Seller, certain key positive attributes appear to be prominent while making a buying decision. Nearly 25% respondents' buying depended on high quality standards of products, followed by reputed company (15%), reliability/durability (12%) and popular brand name (10%).

Certain characteristics which are specific to Direct Selling industry such as good demonstration, likeable salesman and nonavailability of similar products in retail stores constitute 8%, 3% and 9% share respectively plays a vital role in making the purchase/re-purchase decision.

Comparative analysis of between Household income group of more than INR 50,000 and INR 15,000-30,000 from the survey responses, indicates a clear dominance of wellness/healthcare products preference by people in income group of more than INR 50,000 and consumer and household durables products are largely preferred by people in income group of INR 15,000-30,000. Homecare/Housewares/Home improvement and Consumer and household durable play a dominant part in consumers' purchase-basket from INR 15,000-30,000. Beauty/Cosmetic and Personal care products are primarily bought by people in income group of more than INR 50,000 as compared to the other category.

²⁷ Electronic media pertains to internet, TV, Radio and electronic advertising.



11. Policy recommendations

Direct Selling Entities awaiting eagerly for guidelines and regulation for Direct Selling to achieve growth momentum.

During the survey, Direct Selling Industry stakeholders have expressed the need for an urgent Government support in order to build an environment of confidence not only for Direct Selling Entities and but for consumers too. In order to bring India's Direct Selling

industry at par with global levels, creating a sustainable operating environment is required to reap multiple benefits that the industry has to offer. However, the survey has revealed that most of the Direct Selling Entities appreciate the efforts taken by the state governments

by issuing guidelines which is a step forward for the Indian Direct Selling Industry.

In this regard, following areas require utmost attention at this juncture to revive growth of Direct Selling industry in the coming times.

- A clear definition of Direct Selling
- Introduction of centralised legislation
- Industry status
- Independent Nodal Ministry
- Exclusion from the Prize Chits and Money Circulation Schemes (Banning) Act, 1978
- Clear and uniform legislation to differentiate the Direct Selling Entities from fraudulent fly by night operators.
- Central guidelines and only one set of standard guidelines across the country
- Formation of a separate body to check entry of new players into the market with strict law
- Organising awareness programmes jointly by the industry and the government to educate public regarding Direct Selling
- Promoting knowledge and discussion forums in collaboration with Government to brainstorm on issues related to such activities and raise awareness for consumer protection.

12. Way forward

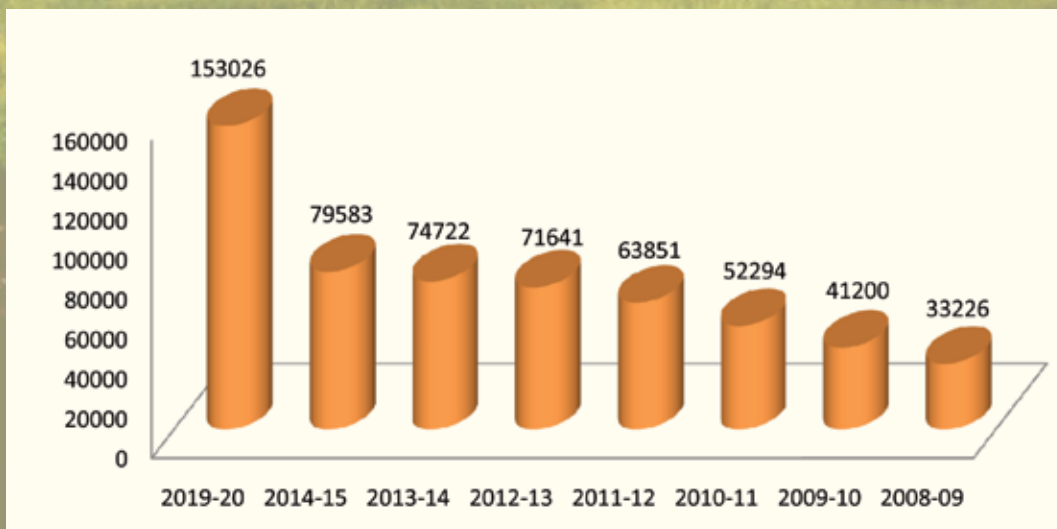
12.1 Future outlook of Indian Direct Selling Industry

Direct Selling Industry has gained modest recovery in 2014-15 as compared to the previous year. The survey has

revealed that Direct Selling Entities have expressed strong faith in Government for introducing unified act and regulation for Direct Selling Industry at the earliest to gain growth momentum in the coming times. On the basis of growth perceptions of the Direct Selling Entities, the industry has the potential to enter double digit growth, going ahead, on account of strong legislation,

reviving investments in economy and expanding consumer base across all segments of the economy. According to the survey, Direct Selling Entities felt that the size of the industry is estimated to reach upto INR 1,53,026 million by 2019-20 on account of conducive policy framework in our country. It may be mentioned that during the last seven years, Industry has shown 13.3% CAGR.

Graph 12.1: Market size of Indian Direct Selling Industry (INR million)



Source: Annual Survey of the India's Direct Selling Industry 2014-15

The survey findings have revealed that industry is estimated to register an average growth in the range of 9-15% in the coming three years by 2017-18, while in long term, over next three to five years by 2020, industry is expected to grow in the range of 14-16%. In addition, the Direct Selling entities have expressed that health insurance, electronic products such as computers, software and organic food products hold strong potential for Indian Direct Selling industry in the years to come.

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 2014-15

Indian Direct Selling Industry so far

Category	2014-15	2013-14	2012-13	2011-12	2010-11
Gross sales (INR Crores)					
Member	5,066.8	4,683.3	4,405.9	3,767.2	3,008.0
Non-Member	2,891.5	2,788.9	2,758.2	2,617.9	2,221.4
Organised sector	7,528.6	7,023.9	6,719.9	5,874.3	4,795.4
Unorganised sector	429.7	448.3	444.2	5,10.8	434.0
Gross sales	7,958.3	7,472.2	7,164.1	6,385.1	5,229.4
YOY Gross sales growth (in %)	6.5	4.3	12.2	22.1	26.9
Gross sales (INR Million)					
Member	50,668	46,833	44,059	37,672	30,080
Non-Member	28,915	27,889	27,582	26,179	22,214
Organised sector	75,286	70,239	67,199	58,743	47,954
Unorganised sector	4,297	4,483	4,442	5,108	4,340
Gross sales	79,583	74,722	71,641	63,851	52,294
YOY Gross sales growth (in %)	6.5	4.3	12.2	22.1	26.9
Gross sales (USD Million)					
Member	829.7	774.09	809.9	786.5	661.1
Non-Member	473	460.98	507	546.5	488.2
Organised sector	1,231	1160.98	1,235.2	1,226.4	1,053.9
Unorganised sector	70	74.10	81.7	106.6	95.4
Gross sales	1,302	1235.07	1,316.9	1,333	1,149.3
YOY Gross sales growth (in %)	5.4	(-) 6.21	(-) 1.2	16	27.6
Regional share in gross sales (in %)					
North	30	29	27	20	15
East	18	18	17	15	14
North-East	13	12	11	10	7
West	16	16	15	17	20
South	23	25	30	38	44
Contribution to exchequers by IDSA Direct Selling Entities (member) (INR Million)					
Total taxes paid	11,715	10,631	9,869	8,212	6,470
Direct taxes	3,550	3,179	2,931	2,218	1,628
Indirect taxes	8,165	7,452	6,938	5,994	4,842
Direct Sellers (numbers)					
Direct Sellers Member	32,17,967	36,29,527	47,93,537	39,80,016	32,04,522
Direct Sellers Non-member	7,11,138	7,53,960	9,81,808	8,73,216	7,58,000
Direct Sellers Total	39,29,105	43,83,487	57,75,345	48,53,232	39,62,522
Growth of Direct Sellers (in %)	(-) 10.3	(-) 24.1	18.9	22.5	24.5
Male Direct Sellers	16,65,941	18,27,914	23,44,790	18,19,962	14,26,508
Female Direct Sellers	22,63,164	25,55,573	34,30,555	30,33,270	25,36,014

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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.



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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.



Sonal Gupta, Communication Executive, is handling the Social Media platform for IDSA, apart from handling queries on Direct Selling and membership details. Prior to joining IDSA, she had worked in Bony Polymers Pvt. Ltd, as an Associate handling the strategy development and supported the organization in managing the growth in business.

A post graduate from Delhi School of Economics, Sonal is fanatically neat and precise, her passion being abstract art. She is soft hearted person along with strong execution focus. She loves going places and spending time with closed ones.



The 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 the most respected industry 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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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 newspapers.

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Notes